



REPORT AND ACCOUNTS 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 the 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.

TABLE OF CONTENTS

TECHNICAL INFORMATION	2
MESSAGE FROM THE PRESIDENT	6
SUMMARY OF THE YEAR	9
MANAGEMENT TEAM	11
MACROECONOMIC FRAMEWORK	13
THE COMPANY	15
HUMAN RESOURCES	16
FLEET	18
OUTPUT	20
SERVICE QUALITY	22
DEMAND	24
PROFITS	25
INVESTMENTS	26
CP GROUP	27
A YEAR ALWAYS ON THE MOVE	28
LAYING THE FOUNDATIONS FOR THE FUTURE	29
OUR OFFER	30
OUR TARIFF	33
REVENUE CONTROL	34
DISTRIBUTION NEWS	35
PARTNERSHIP DYNAMICS	36
SAFETY – A HEARTFELT VALUE	37
SOCIAL RESPONSIBILITY	38
OUR COMMUNICATION	40
CELEBRATING OUR AWARDS	44
COMPLIANCE WITH LEGAL OBLIGATIONS	46
SUMMARY	47
MANAGEMENT GOALS	49
FINANCIAL RISK MANAGEMENT	54
LIMIT OF THE INDEBTEDNESS GROWTH	56
AVERAGE TIME FOR PAYMENT	56
RECOMMENDATIONS FROM THE SHAREHOLDER ISSUED WHEN THE 2017 ACCOUNTS WERE APPROVED	58
REMUNERATIONS	59
IMPLEMENTATION OF ARTICLE 32 AND 33 OF THE PUBLIC MANAGER STATUTE	64
APPLICATION OF ARTICLES 16 OF THE CORPORATE PUBLIC SECTOR LEGAL SYSTEM (RJSPE) AND 11 OF THE PUBLIC MANAGER STATUTE (EGP)	65
REPORT ON REMUNERATIONS PAID TO WOMEN AND MEN	66

ANNUAL REPORT ON CORRUPTION PREVENTION	66
PUBLIC PROCUREMENT	66
NATIONAL PUBLIC PURCHASING SYSTEM	67
VEHICLE FLEET	67
REDUCTION MEASURES OF OPERATING EXPENSES	68
STATE TREASURY UNIT PRINCIPLE	70
AUDITS PERFORMED BY THE COURT OF AUDITORS	71
INFORMATION IN THE SEE [STATE CORPORATE SECTOR] WEBSITE	71
FINANCIAL AND ECONOMIC ANALYSIS	72
OPERATING ACCOUNT	73
BALANCE SHEET	76
FINANCING	78
PERSPECTIVES FOR 2019	81
RELEVANT FACTS AFTER THE END OF THE FINANCIAL YEAR	84
PROPOSAL OF APPLICATION OF RESULTS	86
STATEMENT OF CONFORMITY	88
FINANCIAL STATEMENTS	90
ATTACHMENTS TO THE FINANCIAL STATEMENTS	97
COMPANY IDENTIFICATION AND REPORTING PERIOD (NOTE 1)	98
ACCOUNTING FRAMEWORK OF PREPARATION OF FINANCIAL STATEMENTS (NOTE 2)	103
FIRST-TIME ADOPTION OF THE ACCOUNTING STANDARDS AND FINANCIAL REPORTING (NCRF) – TRANSITIONAL DISCLOSURE (NOTE 3)	104
MAIN ACCOUNTING POLICIES (NOTE 4)	104
CASH FLOW (NOTE 5)	119
ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS (NOTE 6)	121
OTHER FIXED TANGIBLE ASSETS (NOTE 7)	121
FINANCIAL HOLDINGS – EQUITY METHOD (NOTE 8)	123
OTHER FINANCIAL INVESTMENTS (NOTE 9)	124
INCOME TAX (NOTE 10)	126
INVENTORIES (NOTE 11)	126
CUSTOMERS (NOTE 12)	128
STATE AND OTHER PUBLIC ENTITIES (NOTE 13)	129
OTHER ACCOUNTS RECEIVABLE (NOTE 14)	130
DEFERRALS (NOTE 15)	131
NON-CURRENT ASSETS HELD FOR SALE (NOTE 16)	131
SUBSCRIBED CAPITAL (NOTE 17)	132
LEGAL RESERVES (NOTE 18)	133
OTHER RESERVES (NOTE 19)	134
RESULTS BROUGHT FORWARD (NOTE 20)	134
ADJUSTMENTS/OTHER VARIATIONS IN EQUITY (NOTE 21)	135
	136

PROVISIONS (NOTE 22)	137
LOANS OBTAINED (NOTE 23)	138
OTHER DEBTS PAYABLE (NOTE 24)	140
SUPPLIERS (NOTE 25)	141
PROVIDED SALES AND SERVICES (NOTE 26)	141
OPERATING ALLOWANCES (NOTE 27)	142
GAINS/LOSSES ATTRIBUTED TO SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (NOTE 28)	142
SOLD COMMODITIES AND CONSUMED MATERIALS COSTS (NOTE 29)	143
EXTERNAL SERVICES AND SUPPLIES (NOTE 30)	143
PERSONNEL EXPENSES (NOTE 31)	145
IMPAIRMENT OF NON-DEPRECIABLE AND NON-AMORTISABLE INVESTMENTS (NOTE 32)	146
OTHER INCOME (NOTE 33)	146
OTHER EXPENSES (NOTE 34)	147
EXPENSES/REVERSAL OF DEPRECIATION AND AMORTISATION (NOTE 35)	148
IMPAIRMENT OF DEPRECIABLE AND AMORTISABLE INVESTMENTS (NOTE 36)	148
INTEREST AND SIMILAR INCOME GAINED (NOTE 37)	149
PAYABLE INTEREST AND SIMILAR EXPENSES (NOTE 38)	149
RELATED PARTIES DISCLOSURE (NOTE 39)	149
GUARANTEES AND SURETIES (NOTE 40)	152
RELEVANT EVENTS AFTER THE BALANCE SHEET DATE (NOTE 41)	153
PROPOSAL FOR APPLICATION OF RESULTS (NOTE 42)	153
ATTACHMENTS	154



MESSAGE FROM THE PRESIDENT



In the year of 2018, CP laid the foundations for a sustainable economic and financial future.

On the one hand, considering the current legal framework and the outset of the national market liberalisation regarding the railway passenger transport, CP has put forward a proposal for contracting Public Service Obligations and as such, the long-awaited Contract should become a reality in 2019. This contractual instrument is absolutely essential for the stability and sustainability that we hope to achieve – as it defines the operating conditions and the corresponding public service obligations for which we shall receive a fair and due financial compensation.

Thus, it shall be possible to consider improving the provision of public passenger railway services, with a better understanding of the real quality levels, with substantial gains for the citizens and the country regarding the role we play in social and territorial cohesion as a consequence of facilitating the mobility of millions of people.

On the other hand, the international tender for the purchasing of rolling stock for the regional service has been prepared and launched - which is crucial not only within the scope of the Public Service Contracting but also for the provision of public passenger railway services that allows us to fulfil the wishes of our Customers as well as increase the competitiveness of the Company when compared to other means of transport.

CP closed the year of 2018 with a total of over 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 increase of 3.5% and 3.7%, respectively.

CP has 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.

Despite the improvement in results and main indicators, the Company is facing strong constraints to its activity due to the delay in making investments in the railway infrastructure, the obsolescence and the aging of the rolling stock fleet without the corresponding replacement and the inadequacy of the staffing of the different levels to the functional needs.

The recruitment plans under the Activity and Budget Plans for the years 2018 and 2019, which are awaiting further approval, are therefore absolutely crucial. Should these recruitments not be approved, the supply reduction will be inevitable and, as a consequence, the non-compliance with the levels of service proposed in the Public Service Contract.

At the same time, the negotiation of the Company Agreements is also an angular part, allowing the increase of the necessary labour flexibility and thus, gain intermodal and intramodal competitiveness.

Notwithstanding the evident positive developments registered in the previous year, and as a way to mitigate the constraints we have, we must not slow down and must continue, always with a sense of urgency, searching for the best solutions in order to make the Company more competitive, now also in an intra-competitive market.

We shall also proceed with the implementation of the Strategic Plan for 2018-2021 as a way to ensure the Company's sustainability.

At the same time, we shall promote the appreciation of CP Employees, because every each one is an element and a fundamental asset for the fulfilment of the Company's mission, enabling us to embrace the new and complex challenges of mobility in general and of railway transport in particular.

All of this with a design: the satisfaction of our Customers.



SUMMARY OF THE YEAR

Operating Indicators	2018	2017	2018- 2017	2018/ 2017
Demand				
Passengers (10 ³)	126 275	122 028	4 247	3,5%
Passengers Kilometre (10 ³)	4 104 131	4 032 713	71 417	1,8%
Supply				
Trains (10 ³)	431	445	-14	-3,1%
Train-Km (10 ³)	28 531	29 129	-598	-2,1%
Provided Seat-Kilometre (10 ⁶)	12 727	13 242	-515	-3,9%
Human Resources				
Final Effective Staff	2 658	2 681	-23	-0,9%
Average Effective Staff	2 680	2 692	-12	-0,4%
Fleet - Active Fleet				
Railcars	237	239	-2	-0,8%
Locomotives	32	31	1	3,2%
Carriages	104	104	0	0,0%

Financial Indicators (10 ³ €)	2018	2017	2018- 2017	2018/ 2017
Income from Traffic	259 025	249 890	9 135	3,7%
Compensatory Allowances *	288 559	278 678	9 881	3,5%
Operating Income *	279 071	267 514	11 557	4,3%
EBITDA *	9 488	11 164	-1 676	-15,0%
Operating Result **	-36 899	-35 802	-1 097	-3,1%
Net Result	-105 627	-111 952	6 325	5,6%

** (Sold commodities and consumed materials costs+External services and supplies+Personnel w/o terminations of employment and impacts of pay cut reversals of Art. 20 and 21 of the

** A reclassification of unfavourable exchange rate differences of 2017 from "Payable interest and similar expenses" to "Other expenses", in the amount of 278 thousand euros

Ratios	2018	2017	2018- 2017	2018/ 2017
Labour Productivity (10 ³) (Train-km/Average Effective Staff)	10,6	10,8	-0,2	-1,9%
Expense influence in the Turnover w/o Operating Subsidies **	99,6%	100,3%	-0,7 p.p.	-

** (Sold commodities and consumed materials costs+External services and supplies+Personnel w/o terminations of employment and impacts of pay cut reversals of Art. 20 and 21 of the 2017 State Budget Law)/Turnover (w/o Operating Subsidies)



MANAGEMENT TEAM

The Board of Directors is comprised of the following Members:



**Dr. Ana Maria dos Santos
Malhó**

Voting Member

Dr. Carlos Gomes Nogueira

President

**Eng. Sérgio Abrantes
Machado**

Voting Member



MACROECONOMIC FRAMEWORK

In 2018, according to the estimates available during the preparation of this Report¹, 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.

The private consumption has made a positive contribution 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.

The positive indicators of the economy and the increase in tourism contributed favourably for the increase in mobility needs as well as for the evolution of the demand for the Company in 2018, maintaining the growth trend registered since 2013.

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



THE COMPANY

HUMAN RESOURCES

STAFF

The company closed 2018 with 2 683 effective staff members, i.e. less 26 employees 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.

Staff as at December 31st	2018	2017	2016	Δ 2018- 2017
Bound	2 683	2 709	2 737	-26
Effective staff	2 658	2 681	2 708	-23
On duty	2 656	2 678	2 703	-22

Caption:

Bound - staff that is bound to the company, even if not providing service or not being paid (includes unpaid leaves and assigned or required staff that is not paid by the company).

Effective staff - staff paid by the company (includes staff on duty + assigned or required staff paid by the company).

On duty - staff providing service to the company

Around 82% of the employees are from the operating area and belong to the "commercial", "traction", "transport operation" and "material" professional careers.

Bound staff as at December 31st				
Career	2018	2017	2016	Δ 2018- 2017
Administrative	101	100	98	1
Technical Support and Management	82	86	87	-4
Commercial	1 237	1 248	1 253	-11
Material	68	74	77	-6
Transport Operating	107	110	109	-3
Other	14	17	17	-3
Technical	282	281	290	1
Traction	786	787	800	-1
TOTAL	2 677	2 703	2 731	-26
Board of Directors + Supervisory Board	6	6	6	0
TOTAL	2 683	2 709	2 737	-26

ABSENTEEISM AND OVERTIME WORK (HOURS)

In 2018, the absenteeism rate remained stable and the supplementary work rate slightly decreased when compared with the previous year.

Indicators (%)	2018	2017	2016	Δ 2018-2017
Absenteeism Rate (w/o strikes)	6,9%	6,9%	7,0%	0,0 p.p.
Overtime Work Rate	12,8%	12,9%	13,3%	-0,1 p.p.

Note: The unit of calculation of these rates are hours worked.

TRAINING

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

There were 285 professional training programmes, most of them conducted by Fernave, a company belonging to the CP Group.

Of the professional training programmes, the following themes stand out:

Training Subjects 2018	Number of Trainees	Workload	Sessions
Customer	262	2 723	26
Management	434	2 572	65
Quality and Environment	19	155	3
Overall Safety	29	326	7
Safety - Technical Qualification	1539	63 653	173
Services/Languages	0	0	0
Information Technologies	46	359	11
Total	2 329	69 788	285

FLEET

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

Type of material	2018	2017	Δ 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

Service	2018	2017	Δ 18-17
Urban Serv. Lisbon	91	91	0
Urban Serv. Oporto	34	34	0
Reg. Serv./Long Distance	243	244	-1
Medway lease	5	5	0
Total	373	374	-1

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



The railcars are self-propelled fixed vehicles.



The carriages constitute the stock hauled by locomotives.

The maintenance of most of the rolling stock is carried out by EMEF, an affiliate company of CP. SIMEF, ACE (company of railway maintenance and engineering services held by EMEF, in 51%, and by Siemens, in 49%) has provided maintenance only for the series of locomotives 5600.

During the year 2018, CP continued to promote contacts for the sale of rolling stock that is not necessary for the operation.

OUTPUT

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 the several events affecting the regularity of the service provided in 2018, namely:

- / 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, the schedules of West, Cascais and Sintra Lines were temporarily reformulated during the summer period.

Motivated by interventions in the infrastructure done by IP, the following programmed adjustments to the supply were also introduced:

- / Increased travel time of trains running on the Northern Line (Entroncamento/Oporto section);
- / Reformulation of the offer in the Urban Services of Oporto – Aveiro route;
- / Temporary suspension of the circulation between Caíde and Marco de Canaveses, at the end of the year.

In this context, the kilometre seats offered were also lower than in the previous year (-3.9%), with an increase in occupancy rates due to the reduction of supply and demand growth.

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

Provided Seat Kilometre (*10 ⁶)	2018	2017	2016	2018- 2017	2018 /2017
Urban Serv. Lisbon	5 732	6 001	5 918	-269	-4,5%
Urban Serv. Oporto	2 183	2 276	2 272	-93	-4,1%
Long Distance Serv.	2 642	2 685	2 641	-43	-1,6%
Regional Serv.	2 171	2 280	2 296	-110	-4,8%
TOTAL	12 727	13 242	13 126	-514	-3,9%

Occupancy rate	2018	2017	2016	2018- 2017
Urban Serv. Lisbon	23,3%	21,2%	20,1%	2,2 p.p.
Urban Serv. Oporto	29,8%	28,1%	27,2%	1,8 p.p.
Long Distance Serv.	62,5%	61,3%	58,3%	1,3 p.p.
Regional Serv.	21,3%	21,0%	19,9%	0,3 p.p.
TOTAL	32,2%	30,5%	29,0%	1,8 p.p.

SERVICE QUALITY

As a consequence of the events recorded in 2018, as analysed in the previous point, the CP global regularity index was 97%, lower than in the previous year by 2.2 percentage points, with a special emphasis on the Regional Service.

Regularity	2018	2017	2016	Δ 2018-2017
Urban Serv. Lisbon				
Sintra / Azambuja	97,0%	99,4%	99,7%	-2,5 p.p.
Cascais	97,9%	99,3%	99,5%	-1,4 p.p.
Sado	97,8%	99,3%	99,7%	-1,5 p.p.
Urban Serv. Oporto				
Aveiro	97,8%	99,6%	99,7%	-1,8 p.p.
Braga	99,0%	99,9%	100,0%	-0,9 p.p.
Caíde	99,0%	99,9%	100,0%	-0,9 p.p.
Guimarães	98,9%	99,8%	99,9%	-0,9 p.p.
Long Distance Serv.				
Alfas	97,8%	99,4%	99,8%	-1,6 p.p.
Intercidades	97,0%	99,4%	99,8%	-2,4 p.p.
Regional Serv.				
Regional Serv.	95,4%	98,7%	99,4%	-3,3 p.p.
Total CP	97,0%	99,2%	99,4%	-2,2 p.p.

In 2018 there was a reduction in the daily Index of Punctuality regarding the previous year, transversal to almost all services. Delays were essentially due to speed limitations imposed by IP (speed limits for infrastructural works), accidents with persons, and signal and tractive stock malfunctioning.

Daily Punctuality	2018	2017	2016	Δ 2018-2017
Urban Serv. Lisbon (1)				
Sintra / Azambuja	83,8%	87,2%	89,2%	-3,5 p.p.
Cascais	92,3%	92,1%	89,4%	0,3 p.p.
Sado	80,3%	83,3%	85,3%	-3,1 p.p.
Urban Serv. Oporto (1)				
Aveiro	78,1%	82,1%	85,9%	-4,1 p.p.
Braga	89,5%	90,3%	91,8%	-0,8 p.p.
Caíde	89,4%	91,8%	92,3%	-2,5 p.p.
Guimarães	87,7%	89,0%	90,1%	-1,3 p.p.
Long Distance Serv. (2)				
Alfas	56,2%	46,6%	73,4%	9,6 p.p.
Intercidades	53,5%	58,0%	76,2%	-4,5 p.p.
Regional Serv. (2)				
Regional Serv.	78,2%	78,6%	84,7%	-0,4 p.p.
Overall CP	81,5%	88,2%	91,6%	-6,7 p.p.

Notes: (1) Delays exceeding 3 minutes

(2) Delays exceeding 5 minutes

DEMAND

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 commercial activities and actions to fight fraud, as well as by the increase of tourism and by the recovery of the economic indicators of the Country.

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

Passengers-Kilometre (*10 ³)	2018	2017	2016	2018- 2017	2018 /2017
Urban Serv. Lisbon	1 338 164	1 270 474	1 186 772	67 690	5,3%
Urban Serv. Oporto	651 162	638 990	618 991	12 172	1,9%
Long Distance Serv.	1 651 975	1 644 831	1 539 568	7 144	0,4%
Regional Serv.	462 830	478 419	457 431	-15 589	-3,3%
TOTAL	4 104 131	4 032 713	3 802 762	71 417	1,8%

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 average about 1.7%² for the Lisbon, Oporto and Coimbra urban services, 1.5% for Long Distance services, 2% for the Regional service in journeys up to 50 km and 1.5% in the remaining routes.

Profits from Traffic (*10 ³ €)	2018	2017	2016	2018- 2017	2018 /2017
Urban Serv. Lisbon	91 682	86 322	78 396	5 360	6,2%
Urban Serv. Oporto	28 147	26 898	25 189	1 249	4,6%
Long Distance Serv.	110 461	107 085	98 616	3 376	3,2%
Regional Serv.	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 differs from that disclosed in the R&C of 2017 by 26.6 thousand euros due to the regularisation of Andante.

² 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.

Investments 2018	Amount (*10 ³ €)
Rolling Stock	12 414
Fixed facilities	1 561
Commercial Equipment	151
Computerisation	625
Other Investments	773
TOTAL	15 525

Taking the financial restrictions into account, the investment decisions were, as in the previous years, assessed in order to ensure essential interventions for guaranteeing safety and operability of rolling stock, systems, equipment and railway premises.

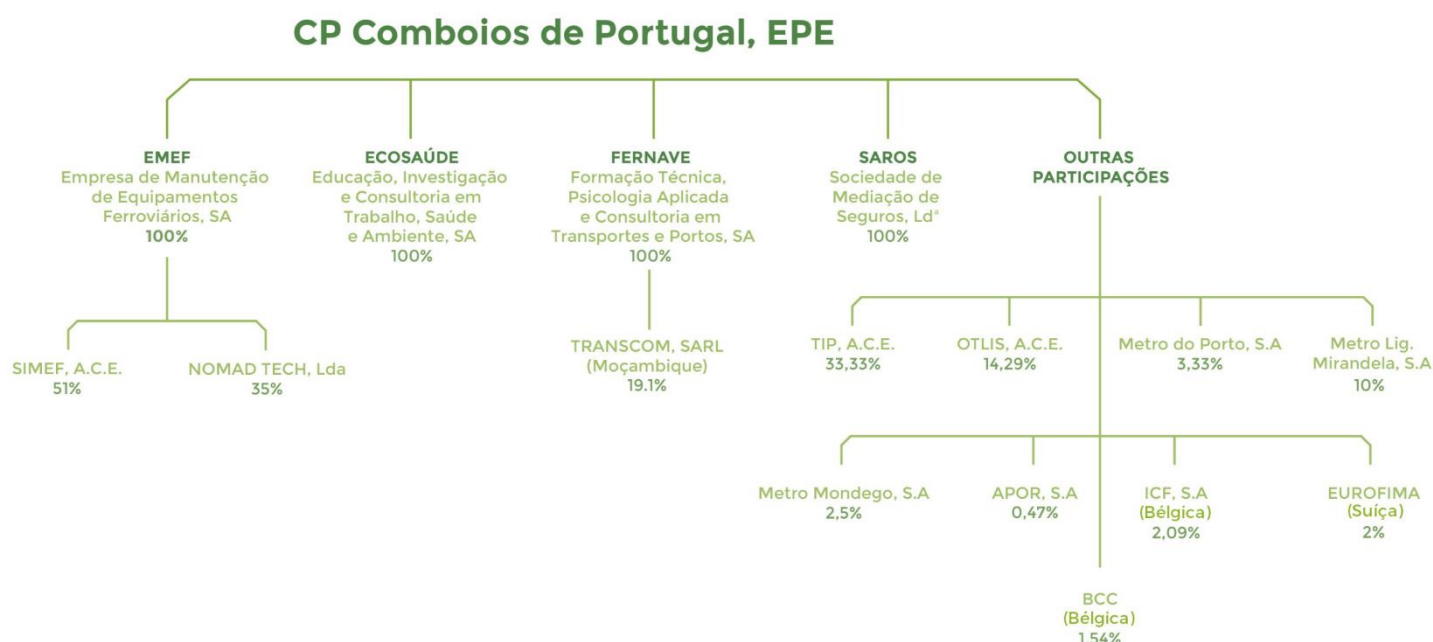
In rolling stock, the most significant investments continue to be "Large Repairs (of type R)", amounting to 6.3 million euros, regarding programmed maintenance interventions in several series of stock with the aim of restoring their operating and safety levels, and the "half-life intervention of tilting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

CP GROUP

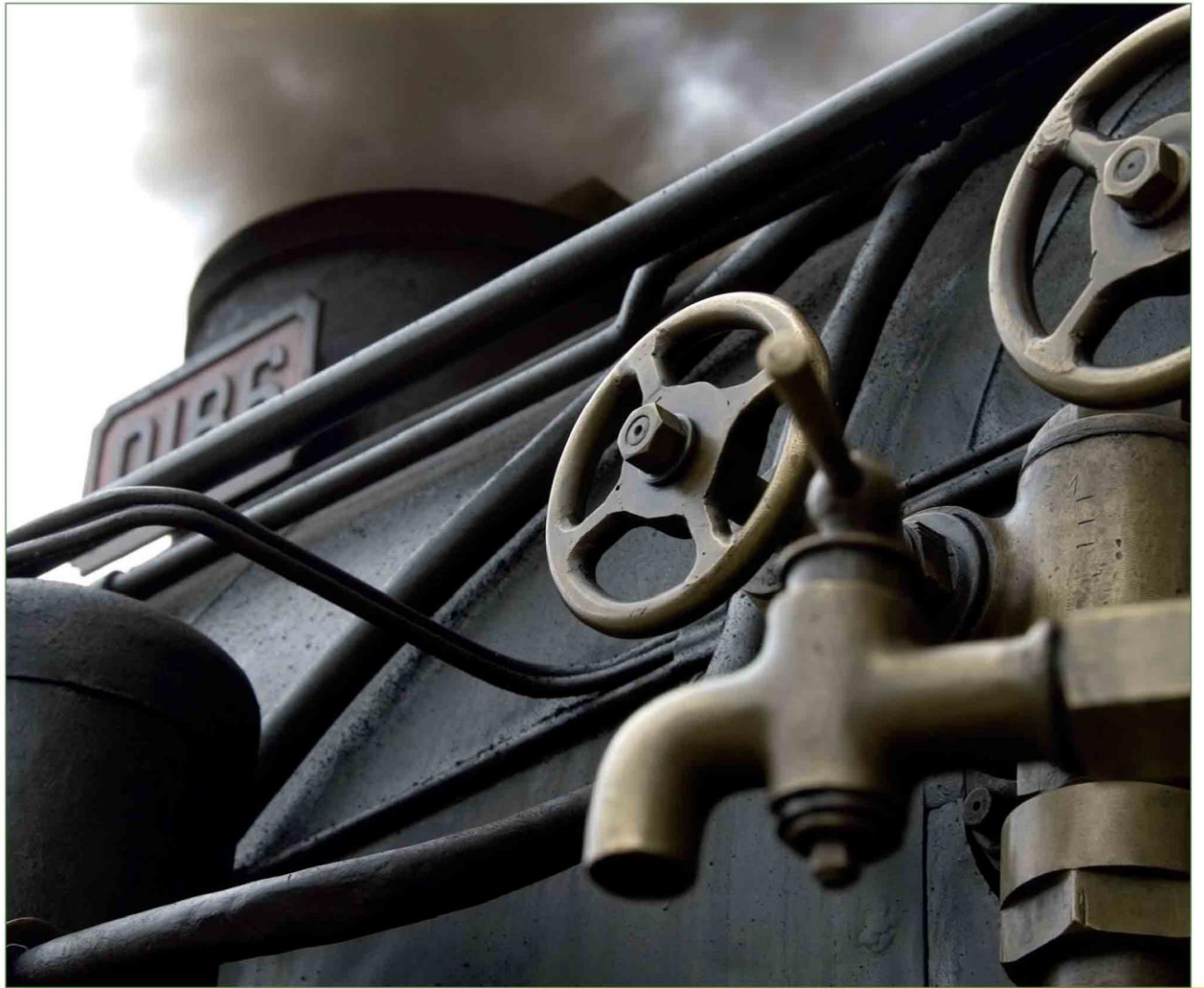
CP is a public railway transport company held 100% by the State. CP controls companies in the field of supplies in the sector, e.g. in the areas of maintenance of rolling stock, training, healthcare and insurance mediation, with minority case-by-case holdings, on a cooperation-based approach with other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

The Group's consolidated accounts are disclosed in the Consolidated Report & Accounts of 2018.

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



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



A Year Always on the Move

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 community rules. The Agreement aims to establish the rights and obligations of each party and the features of the public rail transport service to be provided.



OUR OFFER

CHANGE OF 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.

As a result of the changes made to Intercidades, the Regional service trains also underwent a slight schedule adjustment.

DOURO, VOUGA AND MIRADOURO HISTORICAL TRAINS

The usual seasonal offers of the Douro and Vouga historical trains have been carried out.

In order to promote this offer, campaigns were developed for the domestic and foreign markets in the leisure segment.



TOURISTIC PROGRAMMES AND SPECIAL SERVICES

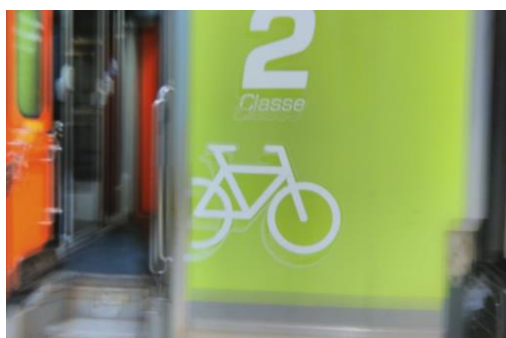
Numerous circuits and respective communication campaigns were carried out: Almond Trees, Tagus Lamprey, Cherry Trees in Blossom, Marofa Lamb, Fundão Cherry Circuits and Grape Harvest Festivities, Seedless Grapes, Beira Baixa's Olive Oil, Alentejo's Wine and Olive Oil Circuit.

Special trains were made available for the main musical events (with a particular emphasis on Rock in Rio and NOS Alive), sports and festivities (Carnival, Easter or Popular Saints).



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 in 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 CANAVESSES

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 substitute road service was implemented on the interdicted stretch (Caíde-Marco de Canaveses), to complement the train connections between Oporto and Caíde and between Marco de Canaveses and Pocinho.

CHANGES TO THE NORTHERN LINE TIMETABLES



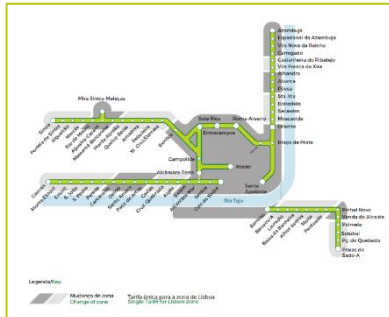
reliable schedule.

Due to infrastructure works conducted by IP, a slight increase – of around 6 minutes – in the travel time of trains running on the Northern Line (in the stretch between Entroncamento and Oporto Campanhã) has been imposed, resulting in a more

The aforementioned works also led to the reformulation of the Oporto Urban Services, Aveiro Line, with the withdrawal of the Granja family.

OUR TARIFF

YEARLY TARIFF UPDATE



The Lisbon, Oporto and Coimbra urban services have been updated by an average of 1.7%³ 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 50 km - 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.

The communication was anchored in the Lisbon/Oporto 5€ trips, and the campaign, based on the



concept “Preços assim passam rápido” [*Prices like this go by fast*], was present in various media, including television and radio, as well as social networks and CP channels.

NEW COMBINED PASSES

CP and Barraqueiro Group have created a new combined pass granting access to the CP trains and the buses from the companies Boa Viagem, Mafrense and Ribatejana. 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 Scottburb launched a new combined product – Wave Bus – aimed at young audiences.

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

REVENUE CONTROL

REINFORCEMENT OF VALIDATING MACHINES



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

NEW SANCTIONS FOR TRANSGRESSIONS



Through Ordinance no. 37/2018 of January 29, the model for files to be issued by the inspection agents in case of improper use of public transport was defined and it became possible again for the infringing passengers to pay the fines on a voluntary basis to the Transport Operators where the infraction occurs. These changes allow us to reduce the offenders' feeling of impunity.

DISTRIBUTION NEWS

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.



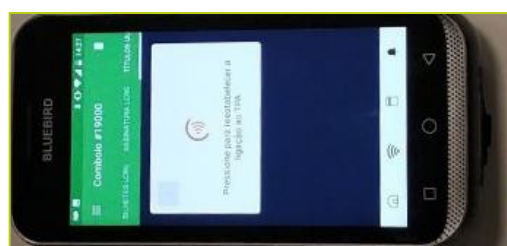
NEW “ANDA” APP



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

NEW PORTABLE SALE AND CONTROL EQUIPMENT

The replacement of the fleet of portable sale and control equipment (which verifies and sells on-board transport tickets) has begun with a pilot test on the Sado Line. The new solution, which comprises of



two pieces of equipment, an Android Smartphone and a Point of Sale (POS), has been very well received by the Employees due to ease of use, better visualisation, speed and performance.

NEW FEATURES AT CP CONTACT CENTER

CP Contact Center, which provides information to customers via telephone, e-mail and chat 24 hours a day, throughout the year, now also ensures the interaction through the CP Facebook page as a direct channel of customer service.

A green banner for CP Contact Center. On the left is a large green circle with three white horizontal lines. To its right, the text reads: "Tem dúvidas? Nós damos-lhe a resposta." followed by "A linha direta para a sua informação". Below this, there are three boxes: the first contains the phone number "707 210 220*" with a small asterisk and text below it; the second contains "Apoio Online em cp.pt"; the third contains "24 horas por dia 7 dias por semana". At the bottom, a small line of text says: "Ainda não se registou no myCP? Subscriva os nossos Avisos para receber informações importantes sobre a sua viagem."

Tem dúvidas? Nós damos-lhe a resposta.

A linha direta para a sua informação

707 210 220*
* (0,10 €/min - rede fixa | 0,25 €/min - rede móvel) + IVA

Apoio Online
em cp.pt

24 horas por dia
7 dias por semana

Ainda não se registou no myCP? Subscriva os nossos Avisos para receber informações importantes sobre a sua viagem.

PARTNERSHIP DYNAMICS

CP/BOOKING.COM

A banner for the CP/Booking.com partnership. It features a woman sitting on a bench, looking at her phone, with a black suitcase next to her. The background is a blurred city street. The CP logo and "COMUNICACÃO DE PORTUGAL" are in the top right. The text "VIAJE CONNOSCO E SINTA-SE EM CASA." is in the center. The Booking.com logo is in the bottom left. At the bottom, it says "Seja qual for o destino, temos o alojamento que procura. Reserve aqui. CP SEMPRE EM MOVIMENTO."

CP
COMUNICACÃO DE PORTUGAL

VIAJE CONNOSCO
E SINTA-SE EM CASA.

Booking.com

Seja qual for o destino,
temos o alojamento
que procura.
Reserve aqui.
CP SEMPRE EM MOVIMENTO.

Through the partnership established with the Booking.com application, it has now become possible to book accommodations using the CP site.

CP/WEB SUMMIT



Specific passes – Web Summit Passes – were created for this event. These passes, of 1, 3 or 5 days, allowed unlimited travel in the transport operators of the city of Lisbon.

SAFETY – A HEARTFELT VALUE

SAFE SCHOOL PROGRAMME

With the motto “Crescer é viajar sempre em segurança” [*Growing up is travelling safe at all times*], CP partnered with “Escola Segura” [*Safe School*], a PSP programme, with the aim of creating a greater proximity to the Youth and School segment and promoting a safety culture in the use of public transport.



RAILWAY RENOVATIONS IN THE ROLLING STOCK FLEET



The railway improvement works carried out in the lines of access to the maintenance facilities of Campolide and the line of access to the pit lathe of Entroncamento were completed.

EUROPEAN DECLARATION ON RAILWAY SAFETY



The Declaration of European Railway Safety Culture Declaration was signed in Dubrovnik, a step further in the homogenisation of the sector.

SOCIAL RESPONSIBILITY

DISCOUNTS FOR CUSTOMERS WITH SPECIAL NEEDS



An addendum to the protocol between CP and the “Instituto Nacional para a Reabilitação” [National Institute for Rehabilitation] was signed, increasing the travel discounts granted in accordance with the degree of incapacity.

“COMBOIO DO CONHECIMENTO” [KNOWLEDGE TRAIN]

Under the theme “Não fiques apeado - dá crédito aos teus estudos e vem conhecer Portugal” [Don’t miss this opportunity. Use your studies and discover Portugal], the “Comboio do Conhecimento” [Knowledge Train] programme for Higher Education Students was launched, which offered a seven consecutive day train pass.

“DE LISBOA ATÉ À GUERRA. 100 ANOS DA PRIMEIRA VISITA DE ESTADO” [FROM LISBON TO THE WAR. 100 YEARS SINCE THE FIRST STATE VISIT]



CP collaborated with the Museum of the Presidency of the Republic in the organisation of an exhibition that portrays the train trip of the President of the Republic, Mr. Bernardino Machado, to France on occasion of World War I.

OUR 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.

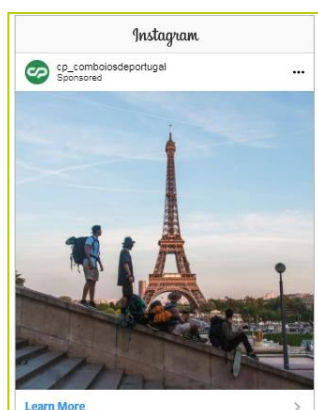


PAYPAL



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. It was broadcast exclusively on the CP digital channels.

INTERRAIL



CP announced, through Instagram and continuity spots in the radio “Mega Hits”, a promotional tariff which granted a 15% discount on the acquisition of the Interrail Global and One Country passes.

“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 transport. This Campaign offered the second month of pass to new users of the Lisboa Viva card.

TOURIST TICKET



Based on the message “Entre e saia as vezes que lhe apetecer” [*Come and leave as often as you want*] and was directed at the tourism and leisure segment. The Tourist Ticket is available for the most sought after tourist destinations in Portugal: Lisbon, Oporto and Algarve.

INTERNATIONAL SERVICE



Under the theme “Vá mais longe por menos” [*Go further for less*] and focused on the promotion of destinations such as Madrid, San Sebastián and Vigo as well as the price, it aimed to create an appetite for international travel by train, in the services Sud Expresso, Lusitania and Celta.

“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 the digital purchase platforms.

PROMOTION OF ONLINE CP 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.



CELEBRATING OUR AWARDS

“RADAR DE LENTIDÃO” [*SLOWNESS RADAR*] CAMPAIGN



The “Slowness Radar” campaign has won nine awards at the 20th edition of the 2018 Creatives Club Festival. Of all the prizes, two are Gold, four are Silver and two are Bronze.

The same campaign was awarded the Bronze award of the Communications Effectiveness Awards 2018, in the category of Transport, Travel and Tourism, organised by APAN – Associação Portuguesa de Anunciantes [*Portuguese Association of Advertisers*]. These awards commend the Brands and their Agencies, based on the Campaign’s measured and proven effectiveness.

“VIAJE POR UM PEQUENO PAÍS QUE SE REVELA GRANDE” [*TRAVEL ROUND A SMALL COUNTRY THAT IS SURPRISINGLY LARGE*] MOVIE

The movie received a Silver Award in the 20th edition of the 2018 Creatives Club Festival. Under the scope of territorial coverage and Portuguese identity of the brand, the film conveys the transversal nature of CP services, challenging the public to travel round a small country that turns out to be surprisingly large.



NEW INSPECTION SOLUTION AND SALE ON ABOARD



The Fujitsu World Tour 2018, under the theme "Human Centric Innovation - CO-Creation for Success", awarded CP for the project regarding the new On Board Inspection and Sale solution.

DIGITAL CHANNELS



In the annual “The PayPal Generation” ceremony, CP was honoured with the “Consumer Focus” Award as a recognition of the contribution and support given to the customers on purchases through their digital channels. Honouring CP with the award took into account the implementation of projects that aim to simplify the booking and purchase of tickets with a single click, with all the security and convenience, via the web or app.

COMPANY AWARD



The Corpo Nacional de Escutas [*National Scouts Corp*] granted CP the Company award for their collaboration with the Oporto Region.

CP and the Regional Council of Oporto have been collaborating for several years in promoting trains as a recommended mobility option for the Corpo Nacional de Escutas [*National Scouts Corp*] – not only for the special prices available for groups but mostly for the ecological values associated with train travel and promoted by Scouting.



COMPLIANCE WITH LEGAL OBLIGATIONS

SUMMARY

Compliance with the 2018 Legal Guidelines	Compliance	Measurement/ Identification	Explanation / Reference to the item of the Report
	Y/N/NA		
Management Goals			
EBITDA Improvement	Y	-1,7 M€ than in 2017 and + 9,4 M€ than expected	Recurrent EBITDA / See "Management Goals" and "Reduction Measures of Operating Expenses"
Reduction of the influence of Expenses in the Turnover	Y	-0,7 p.p. than in 2017 and -3,7 p.p. than expected	Sold commodities and consumed materials costs+External services and supplies+Personnel w/o terminations of employment and impacts from pay cut reversals and of Art. 20 and 21 of the State Budget Law 2017/Turnover (w/o operating subsidies) / See "Management Goals" and "Reduction Measures of Operating Expenses"
Level of Indebtedness	Y	0,8%	Change in Adjusted Indebtedness / See "Management Goals" and "Limit for Debt Growth"
Goals comprised in the 2018 Activities and Budget Plan			
Income from Traffic	Y	+1,9 million euros (+0,8%) than expected	See "Management Goals"
Transported Passengers	Y	-1,2 million (-1,0%) than expected	See "Management Goals"
Final Effective Staff	Y	-60 employees than expected	See "Management Goals" and "Permanent Staff"
Investment	Y	44% of Annual Budget implementation	See "Management Goals" and "Investment"
Degree of Budget implementation existing in the Budget Management Information System / State Budget System			
	Y	Revenue: 89% Expenses: 87,2%	See "Management Goals"
Financial Risk Management			
	Y	2,62%	Average funding cost / See " Financial Risk Management"
Limit for Debt Growth			
Adjusted Indebtedness	Y	0,8%	There was no loans in 2018. / See "Limit for Debt Growth"
Development of the Average Times for Payment to suppliers			
	Y	+2 dias	Change between the 4th quarter of 2018 and the 4th quarter of 2017 / See "Average Time for Payment"
Disclosure of Arrears			
	Y	0	There are no arrears for reasons attributable to the company / See "Average Time for Payment"
Recommendations from the shareholder issued upon the last approval of accounts			
	NA		The Accounts of 2015, 2016 and 2017 are pending approval from the responsible Ministry.
Remunerations			
No management awards	Y	Not existing	See "Remunerations"
Board of Directors - salary reductions and pay cut reversals in force during 2018	Y	13 986,41 €	Under Law no. 114/2017, from December 29th, which approved the State Budget for 2018, the 5% reduction in the gross fixed monthly salary of the members from the Board of Directors was maintained (see article 12 of Law no. 12-A/2010 of June 30th). See "Remunerations"
Inspection (Supervisory Board/Certified Public Accountant) - salary reductions and pay cut reversals in force during 2018	NA	Not applicable	See "Remunerations"
External Auditor - salary reductions and pay cut reversals in force during 2018	NA	Not applicable	See "Remunerations"

Compliance with the 2018 Legal Guidelines	Compliance	Measurement / Identification	Explanation / Reference to the item of the Report
	Y/N/NA		
Public Manager Statute - article 32 and 33 of the Public Manager Statute			
No use of credit cards	Y	Not used	Members from the Board of Directors did not use any credit cards or other payment instruments for expenses associated with the Company's service.
No reimbursement of personal representation expenses	Y	Not existing	There is no reimbursement to Members of the Board of Directors regarding any possible expenses of personal representation.
Maximum amount for expenses associated with communications	Y	80 €	See "Implementation of Articles 32 and 33 of the Public Manager Statute"
Maximum amount for expenses with fuel and tolls related to official cars	Y	1/4 of representation expenses	See "Implementation of Articles 32 and 33 of the Public Manager Statute"
Undocumented or confidential expenses - item 2 of art 16 of the Portuguese Legal Framework for the Public Business Sector (RJSPE) and art. 11 of the Public Manager Statute			
Restriction of undocumented or confidential expenses	Y	Not existing	See "Implementation of art. 16 of the Portuguese Legal Framework for the Public Business Sector and art. 11 of the Public Manager Statute"
Promoting wage equality between women and men - item 2 of the Council of Mini			
Preparation and disclosure of the report on pay for women and men	Y	In CP's website	www.cp.pt/institucional/pt/empresa/principios-bom-governo
Preparation and disclosure of the annual report on corruption prevention			
Annual report on corruption prevention	Y	In CP's website	www.cp.pt/institucional/pt/empresa/principios-bom-governo
Public Contracting			
Implementation of the public contracting rules by the company	Y	100%	See "Public Contracting"
Implementation of the public contracting rules by affiliate companies	NA	Not applicable	See "Public Contracting"
Agreements submitted to prior approval from the Court of Auditors	Y	19 agreements in the overall amount of 65.116.027,60 €	See "Public Contracting"
Audits performed by the Court of Auditors			
	NA		There were no audits performed by the Court of Auditors during 2018.
Vehicle Fleet			
Number of vehicles	Y	+4	See "Vehicle Fleet"
Operating Expenses of Public Companies			
MRGO	Y		See "Reduction Measures of Operating Expenses "
State Treasury Unit Principle (art. 28 of Decree-law 133/2013)			
Cash and equivalents centralised in the Public Debt Management Institute (IGCP)	Y	83,29%	Demand deposit amount in the Public Debt Management Institute (IGCP) / Total demand deposit amount (*). See "State Treasury Unit Principle".
Cash and equivalents in Commercial Banking	Y	2 062 604,82 €	Demand deposit amount in Commercial Banking corresponding to the revenue collected from the stations within the last days of the month, in accordance with the exemption obtained from the State Treasury Unit Principle. (*)
Interest earned due to the non-compliance with the State Treasury Unit and provided as State Revenue	NA	0 €	There is no interest earned following the non-compliance with the State Treasury Unit and provided as State Revenue, since CP complied with the State Treasury Unit Principle.

(*) The amount of 1.250,114,12€ were deposited in an account of the "Banco Santander", bank owned by the Public Debt Management Institute, as at 31-12-2018.

MANAGEMENT GOALS

NON-FINANCIAL REPORTING

As to the 2018 Non-Financial Reporting, CP draws up its Sustainability Report since 2008 and publishes it in 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.

ACTIVITIES AND BUDGET PLAN⁴

In 2018, CP transported 126.3 million passengers, around 1% below the estimate (-1.2 million passengers transported).

This deviation is justified by the different occurrences that affected the regularity of the operation in 2018 (3.9% less train journeys than expected), namely CP and IP strikes and the high unavailability of rolling stock.

Despite these constraints, traffic revenues were close to 259 million euros, 1.9 million euros more (+0.8%) than planned – as a result of, in particular, the evolution of the country's economic figures, strong business dynamics and effectiveness of the company's anti-fraud actions. It should be noted that the ratio of fines issued / number of inspections carried out was 10.5%, in 2018, close to the registered in the previous year.

In 2018, the recurrent EBITDA⁵ was positive at 9.5 million euros, 9.4 million euros higher than expected.

The main justification for this improvement lies in the deviation registered in the External Services and Supplies – 9.5 million euros lower than projected – mostly due to general cost-reductions, a lower-than-expected number of non-programmed rolling stock interventions and the fact that no additional diesel railcars were rented from RENFE.

⁴ For the purposes of analysis, the revised version of CP's Plan of Activities and Budget (PAO) 2018-2020, sent to the sector and financial Ministries in May 2018, is considered. It already takes into account the changes imposed in the course of preparing the 2018 State Budget as well as the updating of the targets against the real 2017, in the meantime verified.

⁵ Before the compensation for termination of employment, fair value, impairment, provisions, depreciations, financing expenses and taxes and other operations, namely exchange differences, not related to the core business of the company.

Personnel Expenses without indemnities were higher than expected (+2.3 million euros), mainly due to the increase in overtime work and other premiums and allowances compared to what was planned.

Since the planned recruitments had not been authorised, the effective staff at the end of 2018 consisted of 2.658 workers, less 60 than planned.

The influence of the main headings of expenses in the turnover presented a favourable deviation of 3.7 p.p. compared with the forecast.

Cost Reduction Policy	2018 Implement.	2018 Budget	2018/2018P	
			Δ Absol.	Change %
(1) Sold commodities and consumed materials costs	5 881 459 €	7 174 140 €	-1 292 681 €	-18,0%
(2) External services and supplies	163 428 859 €	172 951 723 €	-9 522 864 €	-5,5%
(3) Personnel expenses corrected from charges i), ii) and iii)	96 277 781 €	94 704 541 €	1 573 240 €	1,7%
(3.i) Compensations for termination of employment	1 006 239 €	3 013 845 €	-2 007 606 €	-66,6%
(3.ii) Valuation of remuneration under the terms of the State B	3 483 374 €	3 101 699 €	381 675 €	12,3%
(3.iii) Impact of the implementation of article 21 of the Law no. 42/2016, of December 29th	4 846 141 €	4 518 365 €	327 776 €	7,3%
(4) Operating Expenses = (1)+(2)+(3)	265 588 099 €	274 830 404 €	-9 242 305 €	-3,4%
(5) Turnover	266 636 102 €	266 077 995 €	558 107 €	0,2%
(6) Influence of Expenses/Turnover = (4)/(5)	99,6%	103,3%	-3,7 p.p.	-

CP closed the financial year of 2018 with a Net Result of -105.6 million euros, approximately 16.5% better than predicted (-126.5 million euros).

INCOME AND EXPENSES (amounts in thousand euros)	PERIODS		Change 2018/2018P	
	Real. 31-12-2018	2018 P	Amount	%
Operating Result of the Transportation Activity (EBITDA)	9 488	58	9 430	16270,4%
Operating Result	-36 899	-51 697	14 799	28,6%
Financial Result	-67 867	-74 441	6 574	8,8%
Net Result	-105 627	-126 463	20 836	16,5%

Operating Results showed an improvement of 14.8 million euros when compared to the forecast. In addition to the aforementioned reasons for EBITDA, a positive deviation from the results of the subsidiary companies, namely EMEF, also stands out.

The Financial Result for 2018 was negative at 67.9 million euros, 6.6 million euros above the forecast, essentially due to interest rates being lower than initially expected.

The investment amount of 2018 reached 15.5 million euros, corresponding to an implementation rate of 44% regarding the initial budget. Several actions were rescheduled or postponed due to the maturity level of some projects, and to the constraints imposed on the increase of the productive capacity of EMEF.

CP had the support of the State, via granting capital increases to finance the debt service, investments, and the costs related to the agreement with the Organisations Representing Employees regarding variable premiums. The remaining operating needs were met by resorting to the company's own revenues.

There was an increase of 0.8% in the amount of Adjusted Indebtedness, as presented in the autonomous item of this report, having been placed below the limit of 2% established by article 56 of the 2018 State Budget Law.

BUDGET IMPLEMENTATION

In 2018, CP accounted for a revenue budget implementation of 89.2%.

Budgetary Implementation of Revenue All sources		2018		
Economic	Name	Budget (1)	Collections (2)	Implementation Rate (3) = (2) / (1)
R.04	Fines Penalties	36 000,00 €	239 218,02 €	664,5%
R.05 / R.11	AT FIN SOC E QUA SOC	0,00 €	3 657 522,29 €	-
R.07	Sale of Current Goods and Services	295 149 197,00 €	295 495 011,29 €	100,1%
R.08	Other Current Revenues	29 574 970,00 €	28 976 542,95 €	98,0%
R.09	Sale of Investment Goods	1 845,00 €	5 125 100,00 €	277783,2%
R.06 / R.10	Transfers	5 850 800,00 €	4 658 609,89 €	79,6%
R.12.06	Financial Liabilities - Loans	32 488 036,00 €	0,00 €	0,0%
R.12.07	Financial Liabilities - Capital Increase	106 857 975,00 €	80 908 060,00 €	75,7%
R.13 / R.15	Claims / Refunds not deducted in payments	0,00 €	105 456,85 €	-
R.16	Management Balance	208 610,00 €	208 610,00 €	100,0%
TOTAL		470 167 433,00 €	419 374 131,29 €	89,2%

The main deviations occurred in the following headings:

- / R.12.07, regarding granted capital increases (-25.9 million euros), namely due to the implementation level of investment expenses and to the amount of financial costs, which were lower than expected; It should be noted that the granted capital increases are net revenues

obtained from the sale of assets – in this case, from the property owned by the company in Rua Castilho which, cautiously, had not been initially considered;

- / R.12.06, regarding new funding from the Directorate-General of Treasury and Finance (-32.5 million euros), as the company did not need to resort to indebtedness. It should be noted that the budget of this heading included the possible funding of needs arising directly from the implementation of available funds, in compliance with the Law on Outstanding Commitments and Payments (reservation and commitments to be undertaken in 2018 but whose payment shall only be carried out in 2019), in the amount of 18.6 million euros, even if they did not correspond to actual indebtedness.

Regarding their own revenues, it should be noted that the increase of 10 million euros levied within the framework of the State Budget approved for 2018 was reached.

Expenditure was 87.4% of the available budget.

Budgetary Implementation of Expenses All sources		2018				
Economic	Name	Budget before withholdings (1)	Withholdings (2)	Available Budget (3) = (1) - (2)	Payments (4)	Implementation Rate (5) = (4) / (3)
D.01	Personnel expenses	114 347 000,55 €	0,00 €	114 347 000,55 €	113 865 595,65 €	99,6%
D.02	Purchase of goods and services	234 109 661,02 €	687 427,91 €	233 422 233,11 €	205 935 987,12 €	88,2%
D.10/D.03	Amortisations of loans/ Interest and other charges	82 911 605,61 €	0,00 €	82 911 605,61 €	66 709 884,72 €	80,5%
D.07	Purchase of capital assets	31 763 618,00 €	0,00 €	31 763 618,00 €	18 279 601,61 €	57,5%
D.04/D.06/D.09	Remaining amount	5 757 698,97 €	2 775 932,09 €	2 981 766,88 €	1 798 011,49 €	60,3%
TOTAL		468 889 584,15 €	3 463 360,00 €	465 426 224,15 €	406 589 080,59 €	87,4%

Should we only consider our own revenue source, the implementation of expenses amounted to 96.6% in 2018, with an emphasis on headings of personnel expenses (99.6%) and purchases of goods and services (95%).

During the financial year, the following increases of CP's own revenue budget were approved by the State Secretary for the Budget (SEO 1306/2018, SEO 1736/2018 and SEO 2011/2018):

- / Release of 3.1 million euros on Personnel Expenses heading;
- / Release of 31.7 million euros on the Goods and Services Acquisition heading;
- / Transfer of 9 million euros for the Goods and Services Acquisition heading by way of consideration in investment increase;
- / Release of 12 million euros exclusively for reinforcement increases destined to the amortisation of financial liabilities.
- / However, these funds were not used as their application was not necessary.

As foreseen in the legislation in force for 2018, the amount of the heading D.02.02 – Procurement of Services, was limited to the amount from payments carried out in the previous year.

FINANCIAL RISK MANAGEMENT

CP's financial risk management in 2018 is summarised in the following table:

Financial Risk Management Ordinance no. 101/09-SETF, of 30-01	COMPLIANCE			Description
	Y	N	NA	
Followed procedures regarding risk assessment and corresponding hedging measures				
Diversification of funding instruments			X	With the integration of CP in the consolidation perimeter of the State Budget in 2015, the company was able to stop relying on funding from commercial banking. This way, its funding needs were met by loans from the Portuguese State, in accordance with the laws in force for Reclassified Public Companies (EPR). A medium and long-term loan was entered into with the State at the end of 2014, at fixed rate. A new medium and long-term loan was entered into with the State at the end of 2018, at fixed rate.
Diversification of available interest rate modes			X	
Diversification of creditors			X	
Contracting risk hedging management instruments according to market conditions			X	There was no contracting of risk hedging instruments.
Implementation of an active policy for the strengthening of permanent capitals				
Consolidation of remunerated liability: transforming short-term liability to medium/long-term liability, under favourable conditions		X		At the end of 2014 the short-term debt was transformed into short and long-term debt through a loan granted by the Portuguese State. Regarding the postponement of the loan amortisation granted by the Portuguese State foreseen for 2018, for May 2019 and due to the transformation of the short-term debt of the debenture loan maturing in October 2019, the short and long-term debt represented at the end of 2018 only 50.4% of total debt.
Contracting an operation for minimising all-in cost			X	There was no loans in 2018.
Minimising the provision of real collaterals	X			Debt guaranteed by the Portuguese State decreased during 2018, following the amortisation of loans endorsed by the State, namely with the European Investment Bank.
Minimising restrictive clauses (covenants)			X	There was no loans in 2018. Existing loans were entered into with the aim of minimising restrictive clauses.
Measures pursued in order to enhance the company's financial structure				
Implementation of a policy that minimises the allocation of capital unrelated to investment financial hedging			X	CP kept the investment volume at a necessary minimum during 2018 in order to ensure safety and operability of rolling stock, systems, equipment, and fixed facilities. The State granted capital increases to CP for the funding of investment expenses.
Investments with proven social/corporate profitability, benefit from CF and E	X			
Incorporation in the Report & Accounts				
Description of the development of the annual average rate regarding funding during the last 5 years	X			Separate item of this Report.
Interest paid annually regarding remunerated liability and other charges in the last 5 years	X			Separate item of this Report.
Efficiency analysis of the financing policy and of the use of financial risk management instruments	X			Separate item of this Report.
Analysis of the effect from fair-value changes in swap agreements held in the portfolio, within the 2018 Financial Statements				
			X	The company had no risk hedging instruments (swap) in its portfolio.

Caption: CF - Community Funds
 E - Equity
 S/L - Short-term/Long-term
 Y - Yes
 N - No
 N.A. - Not applicable

In the chapter “Financing” of this report it is possible to obtain additional information regarding the financial management during 2018, including, specifically, the evolution of the average rate of financing.

LIMIT OF THE INDEBTEDNESS GROWTH

CP did not contract any loan in 2018 – the remunerated debt decreased about 1.1% from last year. Considering the adjusted indebtedness amount, i.e., taking into account the capital increases carried out by the Portuguese State, there was an accrual of 0.8%.

Remunerated Liability	2018	2017	Change 18/17	
	Amounts(€)		Amount	%
Remunerated financing (Current and Non-current)	2 586 791 550	2 614 381 000	-27 589 450	-1,1%
- granted by the Directorate-General of Treasur	1 528 056 000	1 528 056 000	0	0,0%
Subscribed capital	3 931 000 000	3 850 091 940	80 908 060	2,1%
Capital increases in cash	80 908 060	98 086 724	-17 178 664	-17,5%
Capital increases by credit conversion	0	418 291 940	-418 291 940	-100,0%
New investment	0			
Variation in adjusted indebtedness	0,8%			

Note: New investment - According to item no. 2 of article 146 of the Decree-law of the Budget Implementation, new investment with a material expression are those which are not included in the investment plan of the previous year and whose estimated expenditure for any year is equal to or greater than (euro) 10 000 000 or 10% of the CP annual budget.

$$\text{Variation in adjusted indebtedness} = \frac{(FR_t - FR_{t-1}) + (Capital_t - Capital_{t-1}) - \text{NovasInvestimentos}_t}{FR_{t-1} + Capital_{t-1}}$$

AVERAGE TIME FOR PAYMENT

During 2018, similarly to the previous years, CP had the support from the State, via capital increases, to fund the historical financial debt service (interest and amortisations), investments, and personnel expenses related to agreement on variables with Organisations representing employees, in relation to years prior to 2015.

Received increases and funds generated by the operating activity of the company allowed CP to ensure timely fulfilment of its financial liabilities to its suppliers and creditors.

As at 31st of December 2018, CP did not present any arrears for reasons that it may have been held liable for, as shown in the table below:

Matured debts (amounts in euros)	0-90 days	Matured debts in accordance with Art. 1 of Decree-law 65-A/2011			
		90-120 days	120-240 days	240-360 days	>360 days
Purchase of Goods and Services	2 601 711,39	0,00	0,00	0,00	0,00
Purchase of Capital	0,00	0,00	0,00	0,00	0,00
Balance owed to Suppliers (Total)	2 601 711,39	0,00	0,00	0,00	0,00

Note: As foreseen in the law, circumstances leading to noncompliance for reasons attributable to the creditor and circumstances associated with ongoing legal procedures were excluded.

The table below presents the evolution of the quarterly Average Time for Payment during 2018 in comparison with 2017:

Year	Quarter	Payment Deadline (days)
2017	1°	28
	2°	22
	3°	20
	4°	19
2018	1°	23
	2°	23
	3°	23
	4°	21
Δ(%) 4th quarter 2018/2017		11%

The Average Time for Payment continued to present reduced values and inferior to 30 days, albeit slightly superior to the values registered in 2017. The company has fulfilled their obligations towards their suppliers and creditors in a timely manner.

RECOMMENDATIONS FROM THE SHAREHOLDER ISSUED WHEN THE 2017 ACCOUNTS WERE APPROVED

The Accounts of 2015, 2016 and 2017 are pending approval from the responsible Ministry.

REMUNERATIONS

WAGE REDUCTION MEASURES

During 2018, under Law no. 114/2017 of December 29th which approved the State Budget for 2018, the 5% reduction in the gross fixed monthly salary of the members from the Board of Directors was maintained (see article 12 of Law no. 12-A/2010 of June 30th).

The recognition of the unenforceability of the scheme foreseen for public service employees was also maintained, regarding missions and daily allowances of the travelling personnel, wherefore the rules of the Company Agreements were still applicable in the aforementioned subjects.

During 2018, the enforcement of the agreements concluded with labour unions in 2013, regarding the payment of work provided in non-working days and official holidays were maintained, having been transmitted to the responsible Ministries at due time.

BOARD OF DIRECTORS' REMUNERATIONS

Term of Office	Position	Name	Appointment		OPRLO			Number of Offices
Start-End			Method	Date	Yes/No	Originating Entity	Paying Entity (F/T)	
30-06-2017 to 31-12-2019	President	Carlos Gomes Nogueira	Council of Ministers Resolution no. 111/2017 Online Official Gazette I series, no. 147)	01-08-2017	N	-	CP	1
30-06-2017 to 31-12-2019	Voting Member	Ana Maria dos Santos Malhó	Council of Ministers Resolution no. 111/2017 Online Official Gazette I series, no. 147)	01-08-2017	N	-	CP	1
30-06-2017 to 31-12-2019	Voting Member	Sérgio Abrantes Machado	Council of Ministers Resolution no. 111/2017 Online Official Gazette I series, no. 147)	01-08-2017	N	-	CP	1

Caption: F/T - From/To

OPRLO - Option for remuneration in the place of origin

Member of the Administration Board	Accumulation of Tasks - 2018		
	Entity	Task	Scheme (Public/Private)
Carlos Gomes Nogueira	EMEF	President B.o.D. (from 20-08-2018)	Public
	FMNF	Acting President B.o.D.	Public
Ana Maria dos Santos Malhó	EMEF	Voting Member B.o.D.	Public
	SIMEF	President B.o.D.	Public
Sérgio Abrantes Machado	EMEF	President B.o.D. (until 18-07-2018)	Public
		Voting Member B.o.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 - Ginestal Machado National Railway Museum Foundation

B.o.D. - Board of Directors

Public Manager Statute			Gross Monthly Pay (€)	
Member of the Board of Directors	Fixed (Y/N)	Classification (A,B,C)	Monthly Salary	Representation Expenses
Carlos Gomes Nogueira	y	A	5 722,75 €	2 289,10 €
Ana Maria dos Santos Malhó	y	A	4 578,20 €	1 831,28 €
Sérgio Abrantes Machado	y	A	4 578,20 €	1 831,28 €

Member of the Board of Directors	2018 Annual Remuneration (€)				
	Fixed (1)	Variable (2)	Gross Amount (3)=(1)+(2)	Pay cuts (4)	Final Amount (5)=(3)-(4)
Carlos Gomes Nogueira	107 587,70 €	0,00 €	107 587,70 €	5 379,39 €	102 208,31 €
Ana Maria dos Santos Malhó	86 070,16 €	0,00 €	86 070,16 €	4 303,51 €	81 766,65 €
Sérgio Abrantes Machado	86 070,16 €	0,00 €	86 070,16 €	4 303,51 €	81 766,65 €
TOTAL	279 728,02 €	- €	279 728,02 €	13 986,41 €	265 741,61 €

Member of the Board of Directors	Social Benefits (€)							
	Meal Allowance (€)		Social Protection Scheme		Life Insurance	Health Insurance	Other	
	Amount / Day	Annual Charges	Specify	Annual Charges	Annual Charges	Annual Charges	Specify	Annual charges
Carlos Gomes Nogueira	6,86	1 399,44	Social Security	24 274,44	0,00	305,01	Personal Accidents Insurance	5,63
Ana Maria dos Santos Malhó	6,86	1 618,96	Social Security	19 419,60	0,00	305,01	Personal Accidents Insurance	5,63
Sérgio Abrantes Machado	6,86	1 666,98	Social Security	19 583,12	0,00	305,01	Personal Accidents Insurance	5,63
	Total	4 685,38		63 277,16	0,00	915,03		16,89

Note: Amounts of the health insurance and personal accidents insurance premiums are identical for all employees, whereas the specified amounts correspond to the total premiums per capita (commercial premiums and related rates).

Member of the Board of Directors	Vehicle related costs - 2018								
	Assigned Vehicles (Y/N)	Conclusion of Agreement (Y/N) (S/N)	Reference Value of the Vehicle (I)	Mode	Start Year	Expiry Year	Monthly Rent (€) as at 31-12-2018	Rent Expenses (e)	Rent Expenses as at 31-12-2018
Carlos Gomes Nogueira and Ana Maria dos Santos Malhó (*)	Y	N	50 000,12	Long-term Lease	2018	2022	714,18	8 357,15	46
	Y	N	43 945,02	Long-term Lease	2018	2022	605,82	4 467,85	47
Sérgio Abrantes Machado	Y	Y	41 704,74	Long-term Lease	2018	2022	581,13	736,10	46

(*) Pool vehicles. Characteristics presented refer to the vehicles on 31-12-2018. During the year, until the authorisation of a new long-term lease agreement, vehicles in short-term lease agreement were used.

Member of the Board of Directors	Annual expenses associated with Missions (€)					
	Missions	Accommodation Cost	Daily Allowances	Other		Total amount spent with Travels
	(€)	(€)	(€)	Specify	Amount (€)	
Carlos Gomes Nogueira	3 475,23	1 986,31	1 063,29	Meals	2 747,11	9 271,94
Ana Maria dos Santos Malhó	439,33	885,10	375,28	Meals	826,99	2 526,70
Sérgio Abrantes Machado	260,34	102,12	125,09	Meals	92,47	580,02
Total						12 378,66

INSPECTION

SUPERVISORY BOARD

Term of Office	Position	Name	Appointment		Fixed remuneration statute (Monthly)	Number of Offices
Start-End			Method	Date		
13-11-2013 to 31-12-2015	President	António José Farinha Simão	Joint decree without no. of the Ministry of Finance and Economy	13-11-2013	1 602,37 €	1
13-11-2013 to 31-12-2015	Permanent Voting Member	Maria de Lurdes Pereira Moreira Correia de Castro	Joint decree without no. of the Ministry of Finance and Economy	13-11-2013	1 201,78 €	1
01-12-2015 to 31-12-2015	Permanent Voting Member	Nelson Manuel Costa Santos	Joint decree without no. of the Ministry of Finance and Economy	13-11-2013	1 201,78 €	1

Although appointed for a temporary position, the Supervisory Board members remain in office until new appointment, without prejudice to termination or resignation.

CERTIFIED PUBLIC ACCOUNTANT

Term of Office	Position	Audit Firm/Certified Public Accountant Identification			Appointment			No. of Years in office in the group	No. of Years in office in the company
Start-End		Name	Registration No. in the Portuguese Certified Public Accountant	Registration No. in Sold Commodities and Consumed Materials Costs	Method	Date	Agreement Date		
01-08-2014 to 31-12-2015	Audit Firm	Oliveira, Reis e Associados-Sociedade de Revisores Oficiais de Contas, Ld*	23	20 161 381	Joint Order w/o number of the 16th of May 2014 from the Ministries of Finance and Economy, took up the position on the 1st of August 2014 to complete the term of office 2013-2015	1-8-2014	16-5-2014	5	5
01-08-2014 to 31-12-2015	Certified Public Accountant	Oliveira, Reis e Associados-Sociedade de Revisores Oficiais de Contas, Ld*, represented by Dr. Joaquim Oliveira de Jesus	1 056	20 160 668	Joint Order w/o number of the 16th of May 2014 from the Ministries of Finance and Economy, took up the position on the 1st of August 2014 to complete the term of office 2013-2015	1-8-2014	16-5-2014	5	5

Name	Annual Value of the Service Provision Agreement 2018 (€)			Annual Amount of Additional Services 2018 (€)			
	Amount (1)	Reductions (2)	Final Amount (3) = (1) - (2)	Service Identification	Amount	Reductions	Final Amount (3) = (1) - (2)
Oliveira, Reis e Associados-Sociedade de Revisores Oficiais de Contas, Ld*, represented by Dr. Joaquim Oliveira de Jesus	21.500,04	N.A.	21.500,04	N.A.	N.A.	N.A.	N.A.
Total	21.500,04		21.500,04				

NA- Not applicable

EXTERNAL AUDITOR

Identification of the External Auditor (Audit Firm/Certified Public Accountant)			Contracting		No. of Years in office in the group	No. of Years in office in the company
Name	Registration No. in the Portuguese Certified Public Accountant Association	Registration No. In Sold Commodities and Consumed Materials Costs	Date	Duration		
Ribeiro, Rigueira, Marques, Roseiro & Associados, SROC, Lda	197	20 161 495	22-06-2017	3 years	5	5
Represented by: Joaquim Eduardo Pinto Ribeiro	1 015	20 160 630	22-06-2017	3 years	5	5
Shareholder responsible for quality control: Helena Isabel Gonçalves Lopes Rigueira	1 026	20 160 640	22-06-2017	3 years	5	5

Name of the External Auditor	Annual Amount of the Service Agreement - 2018 (€)			Annual Amount of Additional Services - 2018 (€)			
	Amount (1)	Reductions (2)	Final Amount (3) = (1) - (2)	Service Identification	Amount (1)	Reductions (2)	Final Amount (3) = (1) - (2)
Ribeiro, Rigueira, Marques, Roseiro & Associados, SROC, Lda	11 700,00	N.A.	11 700,00	N.A.	N.A.	N.A.	N.A.

Note: The amount of the contract value of provided audit services covering three financial years (2017 to 2019) and including auditing services of CPs individual and consolidated accounts and CP companies, is 66,300€ total for the three-year period. The amount for CPs individual and consolidated accounts exclusively is 35,100€ total for the three financial years.

IMPLEMENTATION OF ARTICLE 32 AND 33 OF THE PUBLIC MANAGER STATUTE

In accordance with the provisions of items 1 and 2 article 32 of the Public Manager Statute (Decree-Law no. 71/2007 from March 27th, in the wording of Decree-Law no. 8/2012 from January 18th, Amendment no. 2/2012 from January 25th and Decree-law no. 39/2016 from July 28th), no other credit cards or other payment instruments are used, for expenditures at the company's service, by the Members of the Board of Directors, and there is also no reimbursement to members of any eventual expenses of personal representation.

Expenses associated with communications, including mobile phones, home phones and internet, shall not exceed a monthly amount of 80€, as provided by Order no. 761/SETF/2012, of May 25th (Portuguese Official Gazette 2nd series) from the Honourable Secretary of State of Treasury and Finance.

Member of the Board of Directors	Communication Expenses (€)	
	Monthly limit	Annual Amount
Carlos Gomes Nogueira	80,00 €	63,22 €
Ana Maria dos Santos Malhó	80,00 €	166,71 €
Sérgio Abrantes Machado	80,00 €	85,25 €
TOTAL		315,18 €

Concerning the use of vehicles, and in compliance with the provisions foreseen in item 3 or article 33 of the Public Manager Statute, monthly expenses in fuel and tolls related to official cars may not exceed a quarter of the monthly allowance for expenses of personal representation.

Member of the Board of Directors	Annual expenses regarding vehicles (€)			
	Monthly Limit for Fuel and Tolls	Fuel	Tolls	Total
Carlos Gomes Nogueira and Ana Maria dos Santos Malhó (pool cars)	1/4 representation expenses	2 704,56	723,63	3 428,19
		1 248,66	57,71	1 306,37
Sérgio Abrantes Machado		1 518,85	225,85	1 744,70
Total				6 479,26

APPLICATION OF ARTICLES 16 OF THE CORPORATE PUBLIC SECTOR LEGAL SYSTEM (RJSPE) AND 11 OF THE PUBLIC MANAGER STATUTE (EGP)

No confidential or undocumented expenses were undertaken by the company or its managers.

REPORT ON REMUNERATIONS PAID TO WOMEN AND MEN

This information is available at the following website:

https://www.cp.pt/StaticFiles/Institucional/1_a_empresa/2_principios_bom_governo/remuneracoes_pagas_mulheres_homens.pdf

ANNUAL REPORT ON CORRUPTION PREVENTION

This information is available at the following website:

https://www.cp.pt/StaticFiles/Institucional/1_a_empresa/2_principios_bom_governo/identificacao_infracao_penal.pdf

PUBLIC PROCUREMENT

The proceedings adopted by the company about contracting are governed by the Public Contracts Code (CCP), approved by the Decree-Law no. 18/2008 from January 29th and its amendments, having been considered contracting authority of the special transportation sector. At the present moment, the company has an agreement with ACINGOV regarding the use of an electronic platform for hiring, thus, the company has the necessary means for the performance of public proceedings for acquisition, in accordance with the legislation in force.

CP resorts to public and limited contests in the proceedings related to the acquisition of goods and services, upon previous qualification or consultation to several entities. The company has a Regulation on the Leasing and Purchasing of Movable Property and the Procurement of Services and Construction Works since May 2014 and publishes a Regulation on Purchases on the following website:

https://www.cp.pt/StaticFiles/Institucional/1_a_empresa/2_principios_bom_governo/compras.pdf

In 2018, 19 employment agreements were submitted for early review of the Court of Auditors for exceeding the overall aggregate amount of 5,000,000€, in the total amount of 65,116,027.60€

NATIONAL PUBLIC PURCHASING SYSTEM

CP has concluded, on July 2010, an agreement of subscription to the National Public Purchasing System (SNCP) as a voluntary purchasing entity.

Bearing in mind the framework agreements already existing in Agência Nacional de Compras Públicas (ANCP) [National Agency of Government Procurements], CP has been analysing case by case if the use of the mentioned agreements is beneficial in view of the agreement amounts already concluded directly by the company, as well as if the technical characteristics in question correspond to its needs.

CP has executed the agreements of Entidade de Serviços Partilhados da Administração Pública (ESPAP) [Entity of Shared Services of the General Government] for the areas of surveillance and human safety, renting of vehicles, hiring travel agencies, acquisition of printing consumables, staff shop, paper and Microsoft Licenses.

VEHICLE FLEET

CP has no connection with the named State's Motor Vehicle Fleet, despite its voluntary subscription to the National Public Purchasing System (SNCP).

Bearing in mind the provisions of the Circular Letter from the Directorate-General of Treasury and Finance, no. 4238 of the 1st of July 2013, and of Order no. 5410/2014 from the Minister of Environment, Regional Planning and Energy and from the Secretary of State for Treasury of the 17th of April 2014, the ratio of two decommissioned vehicles for each new acquisition, the reduction of the vehicle range, and the maximum established rents have been complied with since 2014, resulting in a smaller automobile fleet and lower usage expenditure.

In 2018, three new AOV (Aluguer Operacional de Veículos) [*Operational Leasing of Vehicles*] contracts were started, replacing contracts that had ended in 2017. The one-off addition of a vehicle at the end of the year was verified, although the situation was rectified in early 2019.

Expenses with the car fleet amounted to 262,096€, which represents a decrease of 5% over the previous year, maintaining the trend that has been demonstrated since 2013.

REDUCTION MEASURES OF OPERATING EXPENSES

Cost Reduction Policy	2018 Implement.	2018 Budget	2017 Implement.	2016 Implement.	2018/2017	
					Δ Absol.	Change %
(0) EBITDA ^{a)}	9 488 456 €	57 961 €	11 164 196 €	-1 643 334 €	-1 675 740 €	-15,0%
(1) Sold commodities and consumed materials costs	5 881 459 €	7 174 140 €	6 242 781 €	5 459 521 €	-361 322 €	-5,8%
(2) External services and supplies	163 428 859 €	172 951 723 €	159 350 289 €	158 701 092 €	4 078 570 €	2,6%
(3) Personnel expenses corrected from charges i), ii) and iii) ^{b)}	96 277 781 €	94 704 541 €	93 886 556 €	93 457 302 €	2 391 225 €	2,5%
(3.i) Compensations for termination of employment	1 006 239 €	3 013 845 €	1 359 861 €	2 688 722 €	-353 622 €	-26,0%
(3.ii) Remuneration valuation under the terms of the State Budget Law 201	3 483 374 €	3 101 699 €	3 402 827 €	3 225 898 €	80 547 €	2,4%
(3.iii) Impact of the implementation of article 21 of the Law 42/2016, from December 29	4 846 141 €	4 518 365 €	1 224 549 €	0 €	3 621 592 €	295,7%
(4) Operating Expenses = (1)+(2)+(3)	265 588 099 €	274 830 404 €	259 479 626 €	257 617 916 €	-6 108 473 €	-2,4%
(5) Turnover ^{c)}	266 636 102 €	266 077 995 €	258 650 217 €	239 243 464 €	7 985 885 €	3,1%
(6) Influence of Expenses/Turnover = (4)/(5)	99,6%	103,3%	100,3%	107,7%	-0,7 p.p.	-
(i) Travels Expenses (FSE)	3 679 158 €	3 478 859 €	3 720 088 €	1 012 727 €	-40 930 €	-1,1%
(ii) Daily Allowances and Accommodation (Personnel Expenses)	4 213 018 €	3 993 191 €	4 227 017 €	3 951 109 €	-13 999 €	-0,3%
(iii) Expenses regarding vehicles ^{d)}	262 096 €	267 949 €	276 928 €	284 426 €	-14 832 €	-5,4%
Total = (i) + (ii) + (iii)	8 154 272 €	7 739 999 €	8 224 033 €	5 248 263 €	-69 761 €	-0,8%
(7) Expenses regarding studies, assessments, projects and consultancy	422 528 €	1 102 396 €	445 907 €	492 369 €	-23 379 €	-5,2%
Total Human Resources Staff (Governing Bodies+Leading Positions+Employees) ^{e)}	2 680	2 734	2 692	2 674	-12	0
No. Governing Bodies ^{a)}	6	6	6	6	0	0
No. of Leading Positions ^{a)}	20	18	18	17	2	0
No. Employees (w/o Governing Bodies and w/o Leading Positions) ^{a)}	2 654	2 710	2 668	2 651	-14	0
No. Employees/No. Leading Positions ^{a)}	133	151	148	156	-16	0
No. Vehicles	48	47	44	47	4	0

a) Regarding the data disclosed in 2017 a reclassification of favourable exchange rate differences from "Other income", in the amount of 3,461 thousand euros in 2017 and 1,987 thousand euros in 2016.

b) In order to assess the degree of compliance with the measures to reduce operating expenses (Sold commodities and consumed materials costs + External services and supplies + Personnel expenses) the expenses associated with compensations for termination of employment are not taken into account in accordance with the application of the provisions of article 21, Law No. 42/2016, from

c) The turnover is corrected from operating subsidies and compensatory allowances.

d) Expenses associated with vehicles include: rents/amortisations, inspections, insurances, tolls, fuel, maintenance, repairs, tyres, fees and taxes.

e) Average effective staff.

In 2018, CP recurrent EBITDA was positive at 9.5 million euros, which better than expected but 1.7 million euros lower than in the previous year.

However, this evolution is influenced, in particular, by the restitution of career progression (50% in July 2017 – article 21 of 2017 State Budget Law – and the remaining 50% in January 2018 – article 23 of 2018), which represented an increase in personnel expenses of 3.6 million euros over the previous year.

Excluding this impact, the recurrent EBITDA, would have improved by about 1.9 million euros compared to 2017, mainly boosted by the increase in sales and provided services related to passenger transportation.

This growth also allowed for a favourable development of the influence from the main headings of expenses in the turnover by 0.7 p.p. vis-à-vis 2017 and 8.1 p.p. regarding 2016. There was a favourable deviation of 3.7 p.p. compared to what was expected.

The main headings of expenses had a growth of 2.4% compared with the previous year, which can be justified by the following changes:

- / Increase of Personnel Expenses, excluding the impact of compensations of termination of employment, reversal of wage reductions and reinstatement of career progressions, due in particular to:
 - / Implementation of agreements, signed in December 2017 and February 2018, with Organisations Representing Employees regarding regulation of careers;
 - / Increase of expenses with overtime work and other bonuses;
- / Increase in External Supplies and Services – mainly due to the increase in expenses with the use of the infrastructure, as a consequence of the reintroduction of invoicing for the use of stations and traction power expenses;
- / Decrease in Sold commodities and consumed materials costs, due to the variation of the trajectories made with diesel traction and the average price of traction fuel.

Compared to the forecast, the main expense headings were 3.4% below the target.

This deviation is justified, in particular, by the fact that Supplies and External Services have been significantly below expectations because of, namely, a lower-than-expected number of non-programmed rolling stock interventions and the fact that no additional diesel railcars were rented from RENFE.

Personnel Expenses, adjusted for the impact of compensations of termination of employment, reversal of wage reductions and reinstatement of career progressions were higher than expected, mainly due to the registered deviation of overtime and other premiums and allowances when compared to previously planned expenses.

Regarding the average number of effective staff, the number of hires registered was not enough to compensate for the terminations, with a decrease of 12 employees compared to 2017, which represented a deviation of minus 54 employees than expected.

The headings travel and accommodation expenses of operating personnel, daily allowances and vehicles, have all decreased in 2017 due to a significant cost containment – being, in aggregate, about 1% below the previous year. These headings were, however, 5.4% higher than expected, mainly due to price updates above the initial forecast.

The company has tried to minimise the recourse to external contracting, doing so only in exceptional cases, duly substantiated. With this in mind, the value of specialised jobs, contracted in 2018, fell short of what was registered in the previous year and expected this year.

STATE TREASURY UNIT PRINCIPLE

In compliance with the legal provisions established regarding the State Treasury Unit Principle, to which public companies are subject, CP has requested exemption from it on a yearly basis.

Similarly, it has developed all efforts needed for full compliance with the State Treasury Unit Principle, concentrating the maximum amount of services in IGCP. Therefore:

- / In general, payments are made via IGCP;
- / Collections from customers are being directed to the IGCP account;
- / Since December 2010 the occasional treasury surplus are applied in IGCP - Cedic's;
- / The available values which have not yet been applied, due to their amount, are maintained in IGCP's account.

However, as a result of the specificities of the CP's activity, it has been necessary to maintain the movement of some bank accounts in the National Bank, since some services needed for its functioning could not be provided by IGCP. Among these services are the collection, carrying and counting of amounts, bank guarantees that cannot be replaced by secured deposits and safekeeping securities of affiliated companies.

Through Order no. 14198/2018 of September 7, IGCP agreed to the request of exemption from complying with the State Treasury Unit for said banking services for the years of 2018 and 2019.

In the period under review, CP did not earn any income resulting from financial investments in Commercial Banking. The table below shows the balances deposited in Commercial Banking at the end of each quarter of 2018:

Commercial Banking	1st quarter €	2nd quarter €	3rd quarter €	4th quarter €
BPI	3.124.752	1.822.339	2.372.279	2.050.605
CGD	1.446	1.435	1.423	1.412
Total	3.126.198	1.823.774	2.373.702	2.052.017
Interest gained	0	0	0	0

AUDITS PERFORMED BY THE COURT OF AUDITORS

There have been no audits by the Court of Auditors since 2014.

INFORMATION IN THE SEE [STATE CORPORATE SECTOR] WEBSITE

Information in the State-owned Company Sector (SOC) website	Disclosure		Remarks
	Y/N/N.A.	Update	
Statutes	Y	14-03-2012	
Company Characterization	Y	17-01-2017	
Governing authority and shareholder	Y	12-01-2016	
Governance Model / Members of the Governing Body	Y	03-08-2018	
Identification of the Governing Body	Y	03-08-2018	
Established remuneration statute	Y	03-08-2018	
Disclosure of the Governing Body's Remunerations	Y	03-08-2018	
Identification of tasks and responsibilities of the members of the B.o.D	Y	03-08-2018	
Presentation of the Governing Body's curricular summaries	Y	03-08-2018	
Public Financial Effort	Y	30-01-2018	
Summary Sheet	Y	07-03-2018	
Historical and current Financial Information	Y	18-01-2017	With reference to the 2014 Accounts
Good Governance Principle	Y	03-08-2018	
Internal and External Regulations that the company is subject to	Y	03-08-2018	
Relevant Transactions w/ related entities	Y	03-08-2018	
Other Transactions	Y	03-08-2018	
Sustainability analysis in the areas:	Y	03-08-2018	
Economical	Y	03-08-2018	
Social	Y	03-08-2018	
Environmental	Y	03-08-2018	
Assessment of the compliance with the Good Governance Principle	Y	03-08-2018	
Ethical Code	Y	03-08-2018	



FINANCIAL AND ECONOMIC ANALYSIS

OPERATING ACCOUNT

INCOME AND EXPENSES	PERIODS		Change 2018/2017	
	REAL 31-12-2018	REAL 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 compensations 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 of the transportation activity* (EBITDA)	9 488	11 164	-1 676	-15%
Depreciation and amortisation expenses/reversals	-53 738	-56 860	3 122	5%
Impairment of depreciable and amortisable investments (losses/reversals)	722	574	148	26%
Compensations for the termination of employment	-1 006	-1 360	354	26%
Gains/losses attributed to subsidiaries, associated companies 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-depreciable and non-amortisable investments (losses/reversals)	1 573		1 573	s/s
Exchange rates (increases/decreases) **	-1 364	3 183	-4 547	-143%
Other income (sale of assets: immovable properties, non-operational basic eq., scrap...)	2 968	1 530	1 438	94%
Other expenses (other write-off of rolling stock)	-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 the termination of employment, fair value, impairment, provisions, depreciations, financing expenses and taxes, and other operations unrelated to the company's activity.

**A reclassification of unfavorable exchange rate differences of 2017 from "Payable interest and similar expenses" to "Other expenses", in the amount of 278 thousand euros compared to the data disclosed in 2017.

NET RESULT

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 *Sales and Provided 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).

OPERATING RESULT OF THE PASSENGER TRANSPORTATION ACTIVITY (EBITDA)

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 by 1.7 million euros (-15%). This growth was essentially due to the following variations:

- / *Provided sales and services* increased by 8 million euros, mainly due to the increase in revenues from passenger transportation, as previously analysed;
- / Decrease in *Other Income* by 1.9 million euros, essentially due to the celebration 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;
- / Increase in *Personnel Expenses* (without compensation for termination of employment) by 6.1 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, signed in December 2017 and February 2018, with Organisations Representing Employees regarding regulation of careers;
 - / increase of expenses with overtime work and other bonuses;
 - / decrease in the effective staff;
- / Increase in *Expenses with External Services and Supplies* by 4.1 million euros, mainly highlighting the increase in expenses related to the use of stations (+2.3 million euros), due to IP reintroducing the invoicing of this service in the Network Directory of 2018, and traction energy (+1.6 million euros);

- / Increase in *Other Expenses* by 1.7 million euros, mainly due to the aforementioned celebration of an agreement with IP for the allocation of energy expenditure in shared spaces, accounting for expenses resulting from the insufficient estimate of taxes and ticket offering expenses;

OPERATING RESULT

The Operating Result in 2018 amounted to -36.9 million euros, which translates into an increase of 1.1 million euros (-3%), 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* of 3.1 million euros, as some assets reached the end of their useful life and this effect was not fully offset by the investment made;
- / The favourable change in *Impairment of non-depreciable and non-amortisable Investments* increased by 1.6 million euros, due to the fact that in 2018, the impairments, which were constituted as a result of new evaluations of properties held for sale and of the decommissioning of rolling stock not related to transport activity, were reverted.
- / Increase in *Other Incomes resulting from the sale of assets and scrap* in approximately 1.4 million euros, mostly as a result of the sale of a property owned by the Company at Rua Castilho, in 2018;
- / Favourable change in *Impairment of Receivables* by 0.9 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 of *Gains Allocated to Subsidiaries, Associated Companies and Joint Ventures* by 0.6 million euros, mainly due to the improvement of EMEF results compared to the previous year;
- / 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;
- / 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 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.

BALANCE SHEET

(amounts in thousand euros)

HEADINGS	PERIODS		Change 2018/2017	
	31-12-2018	31-12-2017	Amount	%
ASSET				
Non-current Asset	539 353	573 946	-34 593	-6%
Current Asset	40 991	43 888	-2 896	-7%
Asset Total	580 344	617 834	-37 489	-6%
EQUITY AND LIABILITY				
Equity which includes:	-2 165 490	-2 133 221	-32 269	-2%
Net Result of the period:	-105 627	-111 952	6 325	6%
Equity Total	-2 165 490	-2 133 221	-32 269	-2%
LIABILITY				
Non-current Liability	1 321 015	2 230 270	-909 255	-41%
Current Liability	1 424 819	520 785	904 034	174%
Liability Total	2 745 835	2 751 055	-5 220	0%
Equity + Liability Total	580 344	617 834	-37 489	-6%

ASSET

In 2018, CP's Asset decreased by 37.5 million euros, and the following impacts are the most significant:

- / *Fixed Tangible Assets* decreased by 40.4 million euros, resulting from the fact of undertaken investment not being sufficient to offset the depreciation of fixed tangible assets of the company;
- / Increase of the *Financial holdings – equity method* in 5.8 million euros. Said increases arose both from the implementation of the equity method to the accounts of affiliated companies, with a special contribution from EMEF, with positive results amounting to 6.4 million euros, and the partial amortisation of loans, in the amount of 1.3 million euros, by EMEF and Ecosáude;
- / The balance of the *State and other Public Entities* decreased by 7.3 million euros, mainly as a result of the decrease in the VAT value to be recovered; Bear in mind that in 2017, conditions for the acceptance of one significant part of the invoicing of IP regarding infrastructure use only existed at the end of the year, resulting in an unusual VAT value to be recovered by the end of the financial year;
- / The balance of *Customers and Other Credits Receivable* increased by 0.5 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 Company's activity;
- / The balance of *Cash and Cash Equivalents* increased by 4.5 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 Secretaries of State of Treasury and 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 by the end of November;
- / In December, 3 million euros fully paid-up on that month.

LIABILITY

CP's Liability decreased by 5.2 million Euros in 2018, and the following impacts are the most significant:

- / Decrease in *Loans Obtained* by about 28 million euros, following the partial amortisations of loans from the European Investment Bank (BEI);
- / Decrease in the balance of *Suppliers and Other Debts Payable* by 21.5 million euros, mainly due to accrual of expenses with interest payable and external services and supplies and charge for the use of infrastructures, which have not yet been invoiced;
- / The balance from *State and Other Public Entities*, increased by 0.6 million euros, resulting from the estimate of the Corporate Income Tax – Autonomous Taxation payable regarding the financial year of 2018.
- / 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.

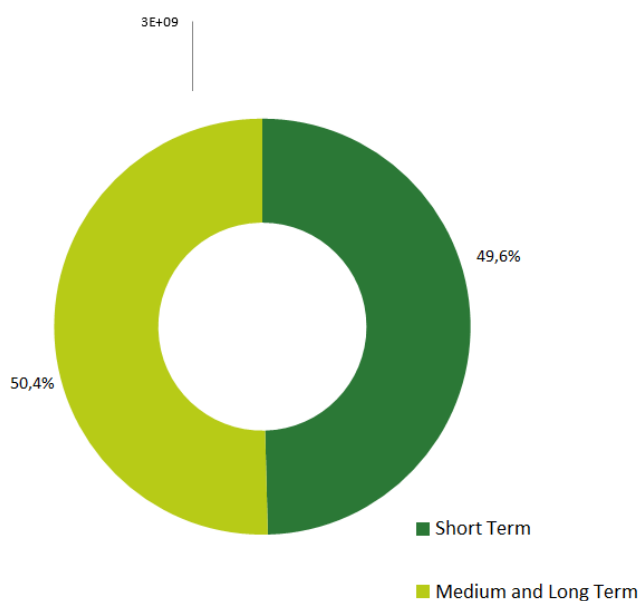
REMUNERATED DEBT

CP's remunerated debt as at December 31, 2018, showed a decrease of approximately 28 million euros vis-à-vis the previous year, following the amortisation of loans from BEI.

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 50.4% of the total debt, as per the following chart:



It is worth mentioning that short term debt consists of loans granted by the Portuguese State amounting to 762 million euros⁶, for a bond loan of 500 million euros and BEI loans amounting to 20.7 million.

⁶ Includes amortisation instalment foreseen for 2019 and amounts were due in 2018, for which they were expected to be converted into capital through the payment of capital increases in kind, which were extended to May 2019.

CO-FINANCING SOURCES

CP had a non-recoverable financing in 2018 of approximately 1.8 million euros, as co-financing of investments from the Portuguese State, in the scope of the Central Administration Investment and Expenditure Development Program (PIDDAC).

Said co-financing amount was intended for “Large Rolling Stock Repairs (type R)” and “Half-life Interventions of Alfa Pendular Trains” projects.

2018 Programme of Investment and Development Expenses from the Ministry of Interior (amounts 10 ³ €)	Amounts
Rolling stock repairs	800
Half-life intervention of Alfa Pendular trains	1 000
TOTAL	1 800

FINANCIAL COSTS

Financing costs maintained the downward trend in 2018, essentially due to the reduction of the company’s remunerated debt and the preservation of market rates at historically low levels.

Years	2018	2017	2016	2015	2014	2013
Financial Costs (€)	68 303 500	76 291 692	86 002 069	100 788 326	203 061 540	210 169 065
Average funding cost (%)	2,62%	2,70%	2,62%	2,63%	4,91%	5,52%

RISK MANAGEMENT INSTRUMENTS

CP does not currently have any financial risk management instruments/derivative products in its portfolio.



PERSPECTIVES FOR 2019

In regulatory terms, the year of 2019 marks the beginning of the market liberalisation process, which constitutes the opening of the railway passenger sector to several public and private operators, ensuring equal access to infrastructure, structurally altering the context in which CP shall 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 contracting proposal by direct agreement for a term of 10 plus 5 years, subject to the condition that the contract 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 for the use of infrastructure between CP and IP, 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 Ferrovia 2020 and Purchase of Rolling Stock Investment Plans will provide an opportunity for CP to restructure its rolling stock fleet and its production models.

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 regularity of the operation.

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

Taking into account the economic forecasts, the analysis of the known opportunities and constraints of the sector and financial Ministries, the following strategic objectives for the period 2019-2021 are defined:

- / Increase in the number of transported passengers;
- / Improvement of the provided service quality;

- / Reinforcement of the 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 area of ticketing, customer service and operational processes;
5. Optimisation of the human resources management model.

In this context, the growth trend started in 2013 is expected to continue in 2019, with a projected increase of about 1% in passenger traffic. Traffic revenues will keep pace with demand increases.

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 begin. The rental of 4 more *diesel* railcars to RENFE is also underway.

In terms of human resources, new recruitment processes are envisaged to meet the needs of middle managers, which play a key role in managing operations, reschedule workers and reduce high levels of overtime work and absenteeism.

In order to restore the productive operability of the current fleet, a significant increase of investments and expenses with maintenance of the material are expected.

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

Possible cost reduction and containment measures will continue to be implemented in 2019. It is understood, however, that operating expenses are reduced to minimum indispensable levels to ensure operability and the safety of the activity.



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, 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.



PROPOSAL OF APPLICATION OF RESULTS

In accordance with the provisions in force, it is proposed that the Net Results of the Financial Year, a deficit of 105,626,933 euros, are transferred to the account of Results brought forward.

Lisbon, March 21st, 2019

The Board of Directors

President: Dr. Carlos Gomes Nogueira

Voting Member: Dr. Ana Maria dos Santos Malhó

Voting Member: Eng. Sérgio Abrantes Machado



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 article 245 of the Securities Code was established in compliance with the applicable accounting norms, providing a true and appropriate image of the asset and the liability, of the financial situation and of the results of CP - Comboios de Portugal, EPE, and the management report exhibits accurately the business evolution, the performance and the position of the company and, also, it contains a description of the main risks and uncertainties of the company.

Lisbon, March 21st, 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

HEADINGS	NOTES	PERIODS	
		31/12/2018	31/12/2017
ASSET			
Non-current asset			
Fixed tangible assets	7	471 324 019	511 739 175
Financial holdings - equity method	8	40 238 303	34 422 340
Credits receivable	9	27 790 723	27 784 515
		539 353 045	573 946 030
Current asset			
Inventories	11	3 774 228	3 972 428
Customers	12	5 113 192	5 992 396
State and other public entities	13	7 874 368	15 224 009
Other credits receivable	14	5 053 785	3 644 603
Deferrals	15	807 260	860 196
Non-current assets held for sale	16	5 583 434	5 908 397
Cash and cash equivalents	5	12 785 051	8 285 560
		40 991 318	43 887 589
Total of assets		580 344 363	617 833 619
EQUITY AND LIABILITY			
Equity			
Subscribed capital	17	3 931 000 000	3 850 091 940
Legal reserves	18	24 703	24 703
Other reserves	19	1 306 650	1 306 650
Results brought forward	20	(6 190 140 885)	(6 078 189 239)
Adjustments/other changes in equity	21	197 946 202	205 496 134
Net result of the period		(105 626 933)	(111 951 646)
Total of equity		(2 165 490 263)	(2 133 221 458)
Liability			
Non-current liability			
Provisions	22	16 756 844	16 463 940
Loans obtained	23	1 304 258 630	2 205 799 791
Other debts payable	24	-	8 006 555
		1 321 015 474	2 230 270 286
Current Liability			
Suppliers	25	7 351 211	10 697 105
State and other public entities	13	881 781	332 793
Loans obtained	23	1 282 532 920	408 581 209
Other debts payable	24	134 053 240	101 173 684
		1 424 819 152	520 784 791
Total of liability		2 745 834 626	2 751 055 077
Total of equity and liability		580 344 363	617 833 619

Certified Accountant - Dr. Ana Coelho

President - Dr. Carlos Gomes Nog

Voting member - Dr.^a Ana Maria dos Santos Malhó

Voting member - Eng. Sérgio Abrantes Machado

Individual income statement by natures
Period ended on the 31st of December 2018

(amounts in euros)

INCOME AND EXPENSES	Notes	PERIODS	
		31/12/2018	31/12/2017
Provided sales and services	26	266 636 102	258 650 217
Operating subsidies	27	-	20 689
Gains/losses attributed to subsidiaries, associated companies and joint ventures	8,28	7 508 507	6 959 833
Sold commodities and consumed materials costs	29	(5 881 459)	(6 242 781)
External services and supplies	30	(163 428 859)	(159 350 289)
Personnel expenses	31	(105 613 535)	(99 873 791)
Inventory impairment (losses/reversals)	11	(239 463)	(412 344)
Impairment of receivables (losses/reversals)	12,14	413 857	(437 103)
Provisions (increases/decreases)	22	(1 066 785)	(143 856)
Impairment of non-depreciable and non-amortisable	32	1 572 711	(3)
Other income	33	26 874 850	24 998 663
Other expenses	34	(10 658 600)	(3 406 878)
Result before depreciations, financing expenses and taxes		16 117 326	20 762 357
Expenses / reversal of depreciation and amortisation	7,35	(53 737 680)	(56 859 593)
Impairment of depreciable and amortisable investments	7,36	721 647	573 768
Operating result (before financing expenses and taxes)		(36 898 707)	(35 523 468)
Interest and similar income gained	37	436 399	466 910
Payable interest and similar expenses	38	(68 303 618)	(76 570 729)
Result before taxes		(104 765 926)	(111 627 287)
Income tax of the period	10	(861 007)	(324 359)
Net result of the period		(105 626 933)	(111 951 646)

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

Individual income statement by functions

Period ended on the 31st of December 2018

(amounts in euros)

Individual income statement by functions	PERIODS	
	31/12/2018	31/12/2017
Provided sales and services	266 636 102	258 650 217
Cost of provided sales and services	(266 354 349)	(260 224 764)
Gross result	281 753	(1 574 547)
Other income	37 618 122	33 430 900
Distribution expenses	(35 730 189)	(36 605 965)
Administrative expenses	(26 588 336)	(25 636 979)
Research and development expenses	-	-
Other expenses	(12 480 057)	(5 136 877)
Operating result (before financing expenses and taxes)	(36 898 707)	(35 523 468)
Financing expenses (net)	(67 867 219)	(76 103 819)
Results before taxes	(104 765 926)	(111 627 287)
Income tax of the period	(861 007)	(324 359)
Net result of the period	(105 626 933)	(111 951 646)

Certified Accountant - Dr. Ana Coelho

President - Dr. Carlos Nogueira

Voting member - Engº Abrantes Machado

Voting member - Dr. Ana Malhó

Individual Statement of Changes in Equity during the 2018										(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	Adjustments / Other changes in equity	Net result of the period			
Position at the beginning of the 2018 period	1	17 a 21	3 850 091 940	24 703	1 306 650	(6 078 189 239)	205 496 134	(111 951 646)	(2 133 221 458)		(2 133 221 458)
Changes in the period			-	-	-	-	-	-	-		-
First implementation of the new accounting framework			-	-	-	-	-	-	-		-
Changes in accounting policies		6	-	-	-	-	-	-	-		-
Translation differences of financial statements			-	-	-	-	-	-	-		-
Realisation of revaluation surplus			-	-	-	-	-	-	-		-
Revaluation surplus			-	-	-	-	-	-	-		-
Adjustments by deferred taxes			-	-	-	-	-	-	-		-
Other changes recognised in equity		17 a 21	-	-	-	(7 549 932)	-	-	(7 549 932)		(7 549 932)
	2		-	-	-	(7 549 932)	-	-	(7 549 932)		(7 549 932)
Net result of the period	3		-	-	-	-	-	(105 626 933)	(105 626 933)		(105 626 933)
Comprehensive result	4 = 2 + 3		-	-	-	-	-	(105 626 933)	(113 176 865)		(113 176 865)
Operations with capital owners in the period											
Capital subscriptions			80 908 060	-	-	-	-	-	-		-
Share premium subscriptions			-	-	-	-	-	-	-		-
Distributions			-	-	-	-	-	-	-		-
Down payments to cover losses			-	-	-	-	-	-	-		-
Other operations			-	-	-	(111 951 646)	-	111 951 646	111 951 646		111 951 646
	5		80 908 060	-	-	(111 951 646)	-	111 951 646	80 908 060		80 908 060
Position at the end of the 2018 period	6 = 1+2+3+5		3 931 000 000	24 703	1 306 650	(6 190 140 885)	197 946 202	(105 626 933)	(2 165 490 263)		(2 165 490 263)

Certified Accountant - Dr. Ana Coelho

President - Dr. Carlos Gomes Nogueira

Voting Member - Dr.* Ana Maria dos Santos Malhó

Voting Member - Eng. Sérgio Abrantes Machado

Individual Statement of Changes in Equity during the 2017											(amounts in euro)	
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	17 a 21 #####	24 703	1 306 650	(5 933 624 420)	-	213 938 582	#####	#####	(2 529 206 026)		
Changes in the period		-	-	-	-	-	-	-	-	-		
First implementation of the new accounting framework		-	-	-	-	-	-	-	-	-		
Changes in accounting policies	6	-	-	-	-	-	-	-	-	-		
Translation differences of financial statements		-	-	-	-	-	-	-	-	-		
Realisation of revaluation surplus		-	-	-	-	-	-	-	-	-		
Revaluation surplus		-	-	-	-	-	-	-	-	-		
Adjustments by deferred taxes		-	-	-	-	-	-	-	-	-		
Other changes recognised in equity	17 a 21	-	-	-	-	-	(8 442 448)	-	(8 442 448)	(8 442 448)		
Net result of the period	2	-	-	-	-	-	(8 442 448)	-	(8 442 448)	(8 442 448)		
Comprehensive result	3	-	-	-	-	-	-	#####	#####	(111 951 646)		
Operations with capital owners in the period	4 = 2 + 3							#####	#####	(120 394 094)		
Capital subscriptions		516 378 664	-	-	-	-	-	-	-	-		
Share premium subscriptions		-	-	-	-	-	-	-	-	-		
Distributions		-	-	-	-	-	-	-	-	-		
Down payments to cover losses		-	-	-	-	-	-	-	-	-		
Other operations		-	-	-	(144 564 819)	-	-	144 564 817	144 564 817	144 564 817		
	5	516 378 664	-	-	(144 564 819)	-	-	144 564 817	516 378 662	516 378 662		
Position at the end of the 2017 period	6 = 1+2+3+5	#####	24 703	1 306 650	(6 078 189 239)	-	205 496 134	#####	#####	(2 133 221 458)		

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(amounts in euros)

CASH FLOW STATEMENT	31-12-2018	31-12-2017
Cash flows from operating activities - Direct method		
Collections from customers	297 250 240	282 024 138
Payments to suppliers	(216 748 976)	(207 813 593)
Payments to employees	(110 587 456)	(104 010 683)
Cash generated by operations	(30 086 192)	(29 800 138)
Income tax payments/collections	(403 195)	(186 579)
Other collections/payments	29 915 644	11 909 018
Cash flows from operating activities (1)	(573 743)	(18 077 699)
Cash flows from investment activities		
Payments regarding:		
Fixed tangible assets	(18 152 389)	(18 966 192)
Other assets	(154 000 000)	(179 516 477)
Collections from:		
Fixed tangible assets	5 125 100	1 844 951
Financial investments	1 381 588	502 505
Other assets	154 000 000	179 514 154
Investment grants	1 800 000	1 535 625
Interest and similar income gained	325 405	413 672
Dividends	395 369	331 688
Cash flows from investment activities (2)	(9 124 927)	(14 340 074)
Cash flows from funding activities		
Collections from:		
Loans obtained	-	6 000 000
Capital subscriptions and other equity instruments	80 908 060	98 086 724
Payments regarding:		
Loans obtained	(28 067 209)	(36 055 188)
Interest and similar expenses	(38 642 676)	(38 730 250)
Cash flows from funding activities (3)	14 198 175	29 301 286
Change in cash and cash equivalents (4) = (1) + (2) + (3)	4 499 505	(3 116 487)
Influence of exchange differences	(14)	(204)
Cash and cash equivalents at the start of the period	8 285 560	11 402 251
Cash and cash equivalents at the end of the period	12 785 051	8 285 560

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ATTACHMENTS TO THE FINANCIAL STATEMENTS

COMPANY IDENTIFICATION AND REPORTING PERIOD

(NOTE 1)

IDENTIFICATION

CP – Comboios de Portugal, E.P.E. is a corporate public entity, with legal person governed by public law, with administrative, financial and asset autonomy, with registered office at Calçada do Duque, no. 20, 1249-109 Lisbon, whose current legal system and Statutes were approved by Decree no. 137-A/2009 from June 12th, as amended by Decree no. 59/2012 from March 14th and by Decree no. 124-A/2018 from December 31st.

The aforementioned statutes were approved following the revision of the legal system of the State-owned enterprises established by Decree no. 558/99 from December 17th, as amended by Decree-law no. 300/2007 from August 23rd, and in the meantime revoked by Decree-law no. 133/2013 from October 3rd, which introduces broad alterations to the previous diplomas. The principles of good governance applicable to state and public companies became a part of the latter diploma. It is worth mentioning that this decree-law was amended by Law no. 75-A/2014 from September 30th regarding the indebtedness of non-financial State-owned enterprises and afterwards by Law no. 42/2016 from December 28th.

CP has as its main purpose 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.*

As a corporate public entity, CP is subject to the management guidelines established by the responsible economic and financial Ministries, implemented by the Government members responsible for the finance and transportation fields, as well as the financial control from the Court of Auditors and the Inspectorate General of Finance.

Furthermore, apart from the aforementioned control, it is foreseen in the statutes a dualistic structure of inspection composed by the Supervisory Board and the Certified Public Accountant.

CP is the parent company of a group of companies and those are its individual financing statements, whose balances and transactions with the companies from the group presented in note 39.

ACCESS TO THE INFRASTRUCTURE

The status of the infrastructure manager - Infraestruturas de Portugal, S.A. (IP), is now included in Decree-Law no. 91/2015, from May 29th.

The relationship between the CP railway operator and the infrastructure manager is described in Decree-law no. 217/2015 amended by Decree-Law no. 141/2008, from December 31st.

Article 10 et seq. regulate the rules for accessing the infrastructure and railway services.

There, it is foreseen that the companies must agree in the way of articulation, in the actions and decisions that must be made regarding the management, operation and development of infrastructures, and to its coordination with the public service of the railway transportation.

In accordance with aforementioned diploma, use rates will be owed to the manager of the infrastructure for the use of the railway infrastructure by companies and clusters of railway transportation. Still in accordance with the same article and with the aim of defending the principle of free competition, the use rates shall be established in order to avoid discrimination amongst companies of railway transportation operating in the infrastructure. The mentioned rates shall take into account, namely, the kilometre marking, the composition of rolling stock, the velocity, the load per axle and the time in which the infrastructure is used.

Besides the use of essential services of the railway infrastructure, the diploma foresees that the typology of the performed services to companies of railway transportation comprehends everything necessary to the effective exercise of the right of accessing the infrastructure, even the additional services, access to service facilities and provision of services and auxiliary services.

In accordance with the 1st Addendum to the Network Directorate 2018, the additional services are the services connected with the activity regarding the provision of railway transportation services, namely the supply of electrical energy for traction, in accordance with the foreseen proceedings of the applicable law, manoeuvres, and parking of rolling stock and exceptional transport and dangerous goods. Although IP does not have any obligation to provide these services in case of there being viable and comparable alternatives in the market, it is IP's policy to provide them in a non-discriminatory manner, any time they are requested and as long as there is available capacity for that purpose.

The access services to service facilities and the provision of services include the use of stations, provision of operational facilities at stations, and the provision of spaces for equipment installation in common areas of the stations and the provision of Information of a commercial nature. These service facilities are managed by IP, in which services can be provided to all railway companies that request them, always respecting the principle of non-discrimination.

The auxiliary services are the remaining services linked with the activity of providing railway transportation services, namely the access to the telecommunications network, and the technical inspection of the rolling stock, making capacity and viability studies regarding offer scenarios, supply of work-force for the operating activities of the operators. In accordance with the provisions of the mentioned legislation, the manager of the infrastructure can charge fees for the provision of auxiliary services, but has no obligation to do so.

Concession System

On January 1st, 1951, CP began the operation of the transportation in the railway network, within a unique concession system authorised by an agreement concluded between the State and former “Companhia dos Caminhos de Ferro Portugueses, S.A.”, (C.P.), in accordance with Decree-law no. 38426 from May 9th, 1951.

This agreement was revised and replaced by a new concession agreement in accordance with the Attached Bases to Decree-law no. 104/73 from March 13th, which was, in the meantime, revoked upon the nationalisation of the company through Decree-law no. 205-B/75 from April 16th.

The general bases associated with this new company concession were the result of the revision of the legal system regulating the operation of railway transportation and the coordination of the latter with other transportation means, since their inadequacy regarding production flexibility and rationalisation demands for this type of service within a modern management context was recognised. Such revision was carried out in accordance with article 19 of Decree-law no. 80/73 from March 2nd, which was an important instrument in the structuring of the new regulating guidelines of railway transportation, thus, making the legal bases of conversion of the railways viable.

In this last diploma it was recognised that, among other subjects, the fact that railway transportation represents a public service operated in a concession system agreement, established the need to consider the obligations and constraints imposed to the company in the name of public interests, with the resulting demands of being a company whose management has to comply with the specific principles of the private economic operators and, also, gradually match such demands to those of the remaining competitive transportation companies.

This guiding principle allowed the definition of the financial aid system to be provided by the State to the assignee, within the context followed in Europe, either aiming to build or renovate lines, or to cover the negative results from the operation, mostly through the operations subsidies scheme – which resulted in more clarity regarding the responsibilities concerning the management of the railway network.

This right to operations subsidies by CP also stems from the community regulations no. 1191/69 of the Council from June 26th, no. 1107/70 of the Council from June 4th and no. 1893/91 of the Council from June 20th, which address operation, transportation and tariffs obligations.

The Community Regulation no. 1370/2007 from the European Parliament and from the Council of October 23rd, amended by Regulation no. 2016/2338 from the European Parliament and from the Council of December 14th, and Decree-law no. 167/2008, later published, establish the legal system regarding the public service of passenger transportation, making the temporary and gradual adoption of measures for implementing public service agreements possible.

Decree-Law no. 124-A/2018, of December 31st, which revises Decree-Law 58/2018, of March 26th, of Decree-Law no. 137-A/2009 of June 12th, and Decree-Law No. 217-/2015, of October 7th, establishes: (i) the general rules applicable to all railway passenger transport operators, (ii) amend the legal regime applicable to CP, and (iii) revise the regime for the management and use of railway infrastructure and access to railway activity, aimed at reinforcing the independence of the infrastructure manager and introducing the necessary mechanisms to enable the organisation of the railway network to permit the operation of open access services and services provided under a public service agreement, proceeding to:

- a) the transposition of Directive (EU) 2016/2370 of the European Parliament and of the Council from December 14, 2016, which amends Directive 2012/34/EU as regards the opening of the national market for the railway transport of passengers and governance of railway infrastructure; and
- b) The conformity of national legal provisions to Regulation (EU) 2016/2338 of the European Parliament and Council from December 14th, 2016, amending Regulation (EC) no. 1370/2007 as regards the opening of national market for the railway transport of passenger services.

Finally, the Resolution of the Council of Ministers 188-A/2018, of December 31st, clarifies the competence of the Ministers of Finance and Planning and Infrastructure, with sub-delegation powers, to approve the draft of the public service agreement to be signed with CP, as well as authorise the expenditure with the respective compensatory allowances to be paid by the State under the State Budget Law for 2019.

PUBLIC SERVICE AGREEMENT

The conclusion of a public service agreement, which established the public service obligations and corresponding financial compensations, is the adequate and necessary instrument for clarifying the relationships between the State and the legal person governed by public law, as well as the corresponding liabilities, either from the State or from CP, establishing a procedure foreseen in Decree-law no. 558/99 from December 17th, amended by Decree-law no. 300/2007 from August 23rd

and, in the meantime, revoked and replaced by Decree-law no. 133/2013 from October 3rd, and later amended by law no. 75-A/2014 from September 30th and law no. 42/2016 from December 28th. Article 39 of Decree-law no. 133/2013 mentions, amongst other responsibilities, the exclusive competition to the sectorial ministries, the definition of the level of public service to be provided by the companies and the promotion of the necessary diligences for the concerning conclusion of agreements.

Decree-law no. 137-A/2009, amended by Decree-law no. 59/2012 from March 14th, and by Decree-Law no. 124-A/2018 from December 31, contemplated the framework which allows the conclusion of agreements of the public railway transportation services provided by CP, establishing that the corresponding contractual instrument must include specific provisions regarding the services to which the existence of public service obligations is justified.

On March 24th, 2011, CP concluded with the State the agreement named Temporary Scheme of Public Service Funding, focused on setting the conditions for the provision of public service, with a term between March 24th, 2011 and December 31st, 2019.

However, considering the Strategic Plan of Transports for the period between 2011 and 2015, in compliance with the Council of Ministers Resolution no. 45/2011 from November 10th, the mentioned agreement revealed to be inadequate, hence the need for a substantial revision which resulted in the conclusion of a new agreement.

In that context, CP and the State agreed to revoke the previous agreement, and CP awaited for the decision regarding the conclusion of a new public service agreement.

Until the conclusion of the new public service agreements, CP is due operation subsidies which were destined to cover other costs in which CP actually incurred on account of the provided public service.

The operations subsidies granted to CP regarding 2018 are recorded in the Council of Ministers Resolution no. 150/2018, published in the Portuguese Official Gazette, 1st Series, no. 222 from November 19th, 2018.

It is also worth mentioning that the amounts granted to CP by the State in 2018 correspond exclusively to the State's contribution for passes and the intermodal system Andante, and CP did not receive any additional compensation for the provision of its public service.

For 2019, and in accordance with Decree-Law 124-A/2018, from December 31st and the Council of Ministers from December 31, CP must operate under a public service agreement, pending the approval of the draft of the public service agreement to be concluded with CP.

ACCOUNTING FRAMEWORK OF PREPARATION OF FINANCIAL STATEMENTS (NOTE 2)

ACCOUNTING FRAMEWORK

The financial statements of CP – Comboios de Portugal, EPE, regarding the financial year of 2018 were prepared in accordance with the Accounting Normalisation System (SNC), following the provisions of ordinance no. 220/2015 of July 24th, which approves the new Financial Statement models starting on January 1st, 2016.

The SNC is composed by the Basis for the Presentation of the Financial Statements (BPFS), The Financial Statements Models (MDF), Accounts Code (CC), Accounting Standards and Financial Reporting (NCRF), Interpretation Rules (NI) and Conceptual Framework.

The financial statements, which include the balance sheet, income statement by nature, income statement by activity, statement of changes in equity, cash flow statement, and attached file, were approved by the Board of Directors of the Company on March 13th, 2019, being presented in euros and prepared in accordance with the assumptions of the continuity and of the accrual basis in which the items are recognised as assets, liabilities, equity, income and expenses when they satisfy the recognition criteria and definitions for these elements within the conceptual framework, in accordance with the financial statements' qualitative characteristics of comprehensibility, relevance, materiality, reliability, reliable representation, substance over form, neutrality, prudence, completeness and comparability.

The accounting policies presented in note 4 were used in the financial statements for the period concluded on December 31st, 2018, and for the comparative financial information presented in these financial statements for the period concluded on December 31st, 2017.

DEROGATIONS OF THE SNC [ACCOUNTING NORMALISATION SYSTEM]

There were no derogations made to the provisions of SNC.

COMPARATIVE VALUES

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

FIRST-TIME ADOPTION OF THE ACCOUNTING STANDARDS AND FINANCIAL REPORTING (NCRF) – TRANSITIONAL DISCLOSURE (NOTE 3)

The company's transition to NCRF was carried out on the 1st of January 2009, and those financial statements were disclosed for the first time in the Annual Report and Accounts of 2010, with the comparative values already converted into NCRF.

MAIN ACCOUNTING POLICIES (NOTE 4)

The main accounting policies applied in the elaboration of these financial statements are as follows:

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.

Financial holdings are recognised through the equity method every time there is control or significant influence of CP over those companies.

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 NCRF requires the formulation of judgments, estimates and assumptions which affect the application of accounting policies and 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 those for which the assumptions and estimates are considered significant, are presented in the headings "Value judgments", "Main assumptions concerning the future" and "Main sources for uncertain estimates" present in this note.

RELEVANT ACCOUNTING POLICIES

FIXED TANGIBLE ASSETS

Recognition and Valuation

CP's fixed tangible assets are accounted for by the cost of acquisition deducted from the corresponding accumulated depreciations and impairment losses. At the date of transition to the NCRF (January 1st, 2009), CP decided to consider the revalued amount of fixed tangible assets - established in accordance with the previous accounting policies - as their cost, which was generally comparable to the cost measured in accordance with the NCRF.

The cost includes the purchase price, including non-refundable taxes and excluding commercial discounts and rebates and, also, the necessary amounts to set the asset in the local and working condition, namely the expenses of transportation and assembling.

The subsequent costs are recognised as fixed tangible assets only if it is likely that they will create future economic benefits for CP. 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.

Some of the items of the fixed tangible asset might need replacements in regular intervals (large repairs). In these circumstances, the replacement cost of a part of an item within the fixed tangible asset is recognised in the carrying value, when the cost is incurred, if the recognition criteria is complied with. The carrying value of the parts which are replaced is not recognised in accordance with the norms of non-recognitions of the NCRF 7 - Fixed Tangible Assets.

Fixed Tangible Assets of the State Linked to the CP Operations and Investment Allowances

CP's fixed tangible assets include assets owned by the State (assets set forth in the joint order no. 261/99, of March 24th) and which are assigned to the operating activity of the company. The assets

made available by the Portuguese State, without transfer of the property of the State, are registered in the financial statements of CP in order to allow an appreciation of the economic performance of the Company.

MAINTENANCE AND REPAIR EXPENSES

Rolling Stock:

- / Expenses incurred with routine maintenance during the useful life of the rolling stock are recognised as operating expenses;
- / The expenses incurred in large and indispensable multi-annual repairs, in order to ensure the continuity of the asset's operation, are recognised in the 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;
- / The expenses incurred with plans of multi-annual programmed maintenance are recognised in fixed tangible assets, through the partial or total replacement of the replaced component.

The maintenance and repair of these fixed tangible assets are CP's responsibility during the period in which these are part of their operations. 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
<i>Rolling Stock:</i>	
<i>diesel</i> and electric locomotives:	
- Main Component	17 to 35
- Secondary Component	5 to 15
<i>diesel</i> 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

The government grants related with fixed tangible and intangible assets are initially recognised in equity, when there is a guarantee that the grant will be received and that CP will comply with the conditions associated to the assignment of the grant. The grants compensating CP for expenses and losses incurred are recognised as income within the income statement in a systematic basis, and in the same period in which the expenses are recognised. The grants compensating CP for the acquisition of an asset are recognised in the income statement in a systematic basis in accordance with the useful life of the asset.

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

CP considers that the nature of its rolling stock and, in particular, the absence of interoperability with the European network, invalidates the establishment of an appropriate market value, given the absence of an active market. Thus, this amount is only established when there are proposals of sale of specific material or by the establishment of a residual value.

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. CP considers that, for the calculation of expected cash flows, it is essential to take into account the features of the provided public service as well as the specificities of the funding structure that has been followed until the current moment.

In the absence of public service provision contracting, CP understands that it is not possible to establish the use value in accordance with what has been established by the Accounting Normalisation System, given 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. 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.

FINANCIAL INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

Subsidiaries

Subsidiaries are all the entities controlled by the company.

Control over an entity corresponds to the power of managing the financial and operating policies of an entity or of an economic activity with the aim of obtaining benefits from it.

The existence of control is assumed when the company holds over half of the voting rights or when it holds the power of managing the financial and operating policies of a Company or an economic

activity with the aim of obtaining benefits from it, even if the percentage the company holds is less than 50%.

Investments in subsidiaries are accounted through the purchase method, and both the fair value of the assets and liabilities and the possible *goodwill* are included in the carrying value of the investment, which is amortised. *Goodwill* is tested annually, regardless of the existence of impairment indicators. Possible impairment losses are recognised in results of the period. The recoverable amount is established based on the value of asset use, and it is calculated recurring to assessment methodologies supported in techniques of discounted cash flows, considering the market conditions, the temporal value and the business risks. After that, they are measured through the equity method since the date in which the Company assumes control over its financial and operating activities until the moment when that control is terminated.

If the part of the company in subsidiary losses exceeds its interest in said subsidiary, the recognition of its part of additional losses is discontinued. Additional losses are taken into account regarding the recognition of a provision for the entire amount of the responsibilities of CP in the subsidiary companies.

Associated companies

The measuring of investments in associated companies in the individual financial statements is established in accordance with the equity method, except in the case of severe and lasting restrictions which significantly harm the capacity of transfer of funds for the holder company – if that is the case, the cost method is used.

Associated companies are entities in which the company has significant influence but does not control its financial and operating policies. It is assumed that the Company has significant influence when it holds the power to influence over 20% of the voting rights of the associated company. If the Company holds less than 20% of the voting rights, it is assumed that it does not have significant influence, except when that influence can be clearly demonstrated.

If the part of the company in associate company losses exceeds its interest in said associate, the recognition of its part of additional losses is discontinued. The carrying value in accordance with the equity method is also considered interest in the associate, along with any long-term interests, whose liquidation is not planned nor is likely to happen in the foreseeable future, as is the case of long-term loans. Additional losses are taken into account through the recognition of a liability in the single measure in which the investor has incurred in legal or constructive obligations, or in case the investor has made payments in favour of the invested company.

OTHER FINANCIAL ASSETS/LIABILITIES

CP only recognises a financial asset, a financial liability or an equity instrument when it becomes part of the provisions present in the agreement of the instrument.

CP measures its financial assets/liabilities at cost or amortised cost without any impairment loss or at fair value with the alterations of fair value to be recognised in the income statement.

Upon the initial recognition, the assets and liabilities measured at fair value through results are reassessed by their fair values with reference to their market value at the balance sheet date, without any deduction associated with transaction costs that may occur until the sale. Investments in equity instruments, that are unquoted and for which it is impossible to reliably estimate fair value, are maintained at acquisition cost deducted from possible impairment losses. Investments held to maturity are measured at amortised cost using the effective interest rate method.

Measurement at cost or amortised cost without impairment losses

The following financial instruments are measured at cost or amortised cost without impairment losses:

- / Financial instruments:
 - / Cash or with an established maturity;
 - / If the profit for its holder is of a fixed amount, of a fixed interest rate during the life of the instrument or, also, if it is of a variable rate which is a normal market indexing rate for funding operations (such as Euribor) and, furthermore, when it includes a spread over the same indexing rate; and
 - / That do not contain any agreement clause which may result in nominal value loss and accumulated interest for the holder (except the typical cases of credit risk), namely in receivables from customers, other accounts receivable, accounts payable to suppliers, other accounts payable, and bank loans.
- / Agreements to grant or take out loans that:
 - / Cannot be settled in net base,
 - / When entered into, they are expected to fulfil the conditions for recognition at cost or at amortised cost without impairment losses; and
 - / The entity establishes, in the moment of initial recognition, to be measured at cost without impairment losses.
- / Investments in equity instruments which are not publicly negotiated and whose fair value cannot be obtained in a reliable manner, as well as agreements linked to such instruments which, if

entered into, result in the delivery of such instruments - which shall be measured at the cost without impairment losses.

Measuring at Fair Value through Results

Financial instruments which are not measured at cost or at amortised cost, as previously mentioned, should be measured at fair value.

The financial instruments for which it is not possible to obtain fair values in a reliable manner are measured at cost or amortised cost without impairment losses.

IMPAIRMENT

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

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

Concerning debt instruments, if the amount of impairment loss decreases in a subsequent period, the impairment loss previously recognised is reversed against results of the financial year up until the recovery of the acquisition cost, given the case of the increase being objectively related with an event occurring after the recognition of impairment loss.

JOINTLY CONTROLLED ENTITIES

In the joint ventures under jointly controlled entities, the company includes in its accounting records and recognises in its financial statements:

- / The cash or resources contributions, as investment in the jointly controlled entity;
- / It's part of the profits in the jointly controlled entity;
- / Losses resulting from contributions or asset sales to the jointly controlled entity when they are the result of a decrease in the net realisable value of current assets or of an impairment loss;
- / Gains resulting from contributions or sales are fully recognised when the assets have already been realised by the jointly controlled entity. If the assets are still held in the joint venture, the only part to be recognised is the one with a gain attributable to the participation in other ventures; and
- / The part of the profits of the joint venture related to sale for the venturer shall be deduced from the result of the joint venture. The mentioned part of the profits shall be recognised when the venturer resells the assets to third parties.

Its interest in the jointly controlled entity is recognised by the equity method.

INVENTORIES

The existence of goods and of raw materials, subsidiaries and of consumption are accounted for at acquisition cost, adopting the weighted average cost as the costing method for outgoings. When necessary, the impairment is recognised for obsolete, slow rotation and defective existences, and it is presented as a deduction to the asset.

CUSTOMERS AND OTHER ACCOUNTS RECEIVABLE

The accounts receivable are measured by their nominal value deduced from the associated impairment losses.

Impairment losses are accounted for based in the evaluation of the estimate losses, associated to doubtful credit at the balance date. Identified impairment losses are accounted for against results, and they are subsequently reversed for results if there is a decrease in the amount of the estimate loss in a later period.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, bank deposits and other short-term investments of high liquidity and 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, which include at least one non-current asset), are classified as held for sale when their cost is primarily recovered through sale, the assets or groups of assets are available for immediate sale and when there is a significant likelihood for their sale.

Non-current assets or groups of assets acquired only with the aim of a subsequent sale, which are available for immediate sale and whose sale is very likely, are also classified as non-current assets held for sale.

Immediately before being classified as held for sale, all non-current assets and all assets and liabilities included in a group of assets for sale are measured in accordance with the applicable NCRF 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 CP's financial statements are measured using the currency of the economic environment in which the entity functions ("the 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

Revenues produced in CP concern the provision of passenger transportation services, the sale of goods and other services related with railway transportation, deducted from discounts and price deductions. Revenue is recognised at its fair value.

The services provided by CP are usually concluded between each reporting period. The income resulting from CP's activity is recognised in the income statement, at the time in which the service is provided, which concerns the date of the beginning of the trip, and when it is likely that the revenue and expenses amount is reliably measured and, also, that the economic benefits will revert to CP.

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) the company has a legal or constructive obligation arising from a past event (ii) it is likely that there will be an outflow of resources 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 INTEREST AND SIMILAR EXPENSES INCURRED

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

The profit tax accounted for in results includes the effect of current taxes and deferred taxes. Tax is recognised in the income statement, except when it is linked with items being moved in equity, which implies their recognition in equity.

Deferred tax assets are only recognised when there are reasonable expectations of future tax profits that are sufficient for their use, or in situations where there are temporary taxable differences which can offset the temporary deductible differences in their reversal period.

A revision of those deferred taxes is performed at the end of each financial year, and such taxes are reduced whenever their future use is no longer likely.

The company does not recognise any deferred tax assets or liabilities in 2018, as it considers that it is not expectable that the group of companies, covered by the special taxation scheme, will receive future taxable profits that allow the use of accumulated tax losses of CP or generate income tax payments.

The current taxes correspond to the expected amount to be paid over the period's taxable income, using the tax rate in force at the date of the balance sheet, and any adjustments to taxes of previous periods.

CP is the controlling company of a group of companies which is taxed in accordance with the special taxation scheme for the consolidated result, as mentioned in note 10.

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 presented financial statements reflect the subsequent events occurred until March 21st, 2019, date in which they were approved by the Management Board in accordance with the provisions 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 41.

VALUE JUDGEMENTS

The preparation of the financial statements in accordance with the NCRF standards requires that the managers express their judgment in the process of application of the company's accounting policies.

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:

- / CP's operating situation presents sustainability, regarding for instance the preservation of a positive EBITDA of transportation activity in 2018, which indicates the existence of future sustainability factors;

- / The publication of the council of ministers resolution no. 188-A72018 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 granted all its support to the company, namely in what concerns the necessary support to the company's funding, with the aim of ensuring the debt service and the operation and investment needs; and
- / It is also worth mentioning the importance of the service CP provides nowadays to the Portuguese economy, since in 2018 CP transported 126 million passengers (+4 million transported passengers compared with 2017), as a factor of vital importance for the functioning of the economic activity, enhancing the need for the State to ensure the support necessary to the continuity of CP.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements in accordance with the NCRF requires the use of some 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 main sources for estimate uncertainty at the balance sheet date, which have a significant risk of causing a material adjustment to the carrying values 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 of the entity 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 in 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.

DOUBTFUL COLLECTIONS

Impairment losses concerning doubtful credits are based on the assessment carried out by CP regarding the likelihood of recuperation of the balances of accounts receivable, old balances, debt annulments and other factors. There are certain circumstances and facts which might alter the estimates of impairment losses of balances of receivables vis-à-vis the considered assumptions, including alterations of the economic environment, of the sectorial trends, of the deterioration of the credit standing from the main customers, and of significant non-compliance. 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. Taking the principle of prudence into account, CP has created provisions whenever there is an obligation (legal or constructive), derived from a past event in which an outflow of resources to settle the obligation is likely and, thus, a reliable estimate of such obligation can 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 shall be recognised at the lowest value between their net book value and their fair value, deducted from selling costs. In order to determine fair value, namely regarding rolling stock, and taking the absence of an active market into account, CP uses the amount from recent transactions with similar material as reference, adjusting that amount to the technical characteristics of the material and 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.

CASH FLOW (NOTE 5)

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

The Company classifies the paid interest and dividends as funding activities, and the received interest and dividends as investment activities.

As at the 31st of December 2018, all cash and cash equivalents balances are available for use.

The cash flow statement regarding the financial year of 2018 shows negative cash flows from operating activities by approximately 0.6 million euros. However, there is an improvement of about 17.5 million euros compared with the previous year.

It should also be noted that there was an increase of 15.2 million Euros in the cash flows generated by the operating activity when compared to the one accounted for in the same period of the previous year, resulting from the increase in sales and provision of services associated with the transportation of passengers. There was also a significant increase (18 million euros) in the heading other collections/payments, mainly due to the recovered VAT from accepted and paid invoices at the end of the year 2017 regarding the charges for the use of infrastructures. Also noteworthy was the increase in payments to suppliers of 8.9 million euros and in payments to staff of 6.6 million euros (the latter resulting from restoring progressions, implementing agreements signed in December 2017 and February 2018 with organisations representing the workers, and also the increase in overtime work and other bonuses.

Flows from funding activities show the capital increases granted by the State in order to deal with the amortisation of funding and interest with maturity during the period.

CASH AND CASH EQUIVALENTS HEADING

The cash and cash equivalents heading comprises the following balances:

(amounts in euros)

Description	31/12/2018	31/12/2017
Cash	443 038	418 744
Cash equivalents	12 342 013	7 866 816
Subtotal	12 785 051	8 285 560
Bank overdrafts	–	–
Total	12 785 051	8 285 560

DISAGGREGATION OF THE VALUES UNDER THE HEADING OF AND CASH EQUIVALENTS

The disaggregation of the headings cash and cash equivalents are presented in the following table:

(amounts in euros)

Description	31/12/2018	31/12/2017
Cash		
Central cash	639	716
Petty cash	2 600	2 600
Treasury Fixed Cash Fund	10 660	10 569
Train station cash	424 139	404 859
Automatic vending machine cash	5 000	–
	443 038	418 744
Demand deposits		
Banco Português de Investiment	2 062 605	2 609 657
Caixa Geral de Depósitos	1 412	853
Inst. Gestão Crédito Público	10 277 996	5 256 306
	12 342 013	7 866 816
Subtotal	12 785 051	8 285 560
Bank overdrafts	–	–
Total	12 785 051	8 285 560

ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS (NOTE 6)

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

OTHER FIXED TANGIBLE ASSETS (NOTE 7)

At the end of 2018, CP presented a fixed tangible asset organised by fixed asset categories, as presented in the following table:

(amounts in euros)		
Description	31/12/2018	31/12/2017
Gross amount:		
Lands and natural resources	18 941 131	19 895 484
Buildings and other constructions	86 407 837	87 929 248
Basic equipment	1 398 261 758	1 389 127 605
Transportation equipment	1 287 880	1 287 880
Administration equipment	22 885 087	21 909 346
Other fixed tangible assets	63 705 157	62 485 920
Ongoing investments	5 085 710	6 038 697
Advance payments for investment purposes	1 384 371	2 768 742
Subtotal	1 597 958 931	1 591 442 922
Accumulated depreciation and impairment:		
Depreciation of the period	53 737 680	56 859 593
Accumulated depreciation of previous periods	1 067 903 232	1 017 128 507
Impairment losses of the period	(721 647)	(573 768)
Impairment losses of previous periods	5 715 647	6 289 415
Subtotal	1 126 634 912	1 079 703 747
Net book value	471 324 019	511 739 175

CP's fixed tangible assets are measured at cost, which are depreciated on a straight-line basis, in accordance with the useful lives specified in note 4.

The variation in impairment losses is due to decommissions during the year 2018 in the rolling stock heading. 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	Decommissioning	Transfers	Other adjustments	Closing Balance
Gross value:								
Lands and natural resources	19 895 484	-	(870 322)	(84 031)	-	-	-	18 941 131
Buildings and other constructions	87 929 248	-	(2 030 751)	(196 073)	-	705 413	-	86 407 837
Basic equipment	1 389 127 605	598 990	-	1 333 332	(4 866 383)	14 171 075	(2 102 661)	1 398 261 758
Transportation equipment	1 287 880	-	-	-	-	-	-	1 287 880
Administration equipment	21 909 346	825 519	(1 103)	-	(190 574)	341 899	-	22 885 087
Other fixed tangible assets	62 485 920	544 402	-	-	-	674 835	-	63 705 157
Ongoing investments	6 038 697	11 565 831	-	-	-	(12 518 818)	-	5 085 710
Advance payments for investment purposes	2 768 742	1 990 033	-	-	-	(3 374 404)	-	1 384 371
	1 591 442 922	15 524 775	(2 902 176)	1 053 228	(5 057 157)	-	(2 102 661)	1 597 958 931
Accumulated depreciation and impairment:								
Buildings and other constructions	40 294 419	2 264 510	(236 921)	(16 806)	-	-	-	42 305 202
Basic equipment	965 188 607	48 368 750	-	1 329 714	(4 866 377)	-	(2 102 661)	1 007 897 833
Transportation equipment	1 265 944	9 436	-	-	-	-	-	1 275 380
Administration equipment	20 158 706	865 726	(1 103)	-	(190 574)	-	-	20 832 815
Other fixed tangible assets	47 100 424	2 229 238	-	-	-	-	-	49 329 662
Fixed Tang. Assets -Accum. Impair. Losses- Basic Equipment	5 715 647	(721 647)	-	-	-	-	-	4 994 000
	1 079 703 747	53 016 033	(238 024)	1 312 908	(5 057 091)	-	(2 102 661)	1 126 634 912
Total	511 739 175	(37 491 258)	(2 664 152)	(259 680)	(66)	-	-	471 324 019

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 December 31st, 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

FINANCIAL HOLDINGS – EQUITY METHOD (NOTE 8)

The particulars of the financial holdings in which CP applies the equity method are presented 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
EMEF, SA	Investment	23 664 057	-	23 664 057	17 300 824	-	17 300 824
EMEF, SA	Loans	11 750 000	-	11 750 000	13 000 000	-	13 000 000
SAROS, SA	Investment	478 519	-	478 519	471 786	-	471 786
FERNAVE, SA	Investment	2	-	2	2	-	2
FERNAVE, SA	Loans	2 600 000	-	2 600 000	2 600 000	-	2 600 000
ECOSAÚDE, SA	Loans	285 480	-	285 480	297 495	-	297 495
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		40 238 303	-	40 238 303	34 422 340	-	34 422 340

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						
EMEF, SA	30 300 824	-	-	6 363 233	(1 250 000)	35 414 057
SAROS, SA	471 786	-	-	402 101	(395 368)	478 519
FERNAVE, SA	2 600 002	-	-	-	-	2 600 002
ECOSAÚDE, SA	297 495	-	-	-	(12 015)	285 480
OTLIS, ACE	242 222	-	-	137 706	(35 161)	344 767
TIP, ACE	510 011	-	-	605 467	-	1 115 478
Subtotal	34 422 340	-	-	7 508 507	(1 692 544)	40 238 303
Impairment	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-
Total	34 422 340	-	-	7 508 507	(1 692 544)	40 238 303

The increase of EMEF's financial holding during 2018 through the implementation of the Equity Method should be noted, as well as from TIP, who, in 2018, continues to register a positive changes in their results.

Amortisations of loans carried out by the companies EMEF and Ecosaúde, amounting to 1,250,000 euros and 12.015 euros respectively should also be noted.

The summarised financial information regarding affiliate companies (pending approval from the General Meeting) is as follows:

(amounts in euros)

Name of the associated company	% of the holding	Reference date	Assets	Liabilities	Equity	Income	Net Result
EMEF, SA	100	31-12-2018	56 906 378	33 242 322	23 664 056	74 512 540	6 363 233
SAROS, SA	100	31-12-2018	580 408	101 889	478 519	567 028	402 101
FERNAVE, SA	100	31-12-2018	600 550	3 723 466	(3 122 916)	1 131 728	64 043
ECOSAÚDE, SA	100	31-12-2018	649 568	815 477	(165 909)	2 127 764	(74 712)
TIP, ACE	33	31-12-2018	18 727 137	15 346 900	3 380 237	7 673 926	2 224 632
OTLIS, ACE	14	31-12-2018	5 358 279	2 944 906	2 413 373	6 111 521	987 418

OTHER FINANCIAL INVESTMENTS (NOTE 9)

CP has financial holdings in several companies which are recognised at the cost without impairment losses, since the value of these holdings is not publicly negotiated and there is no possibility of obtaining their fair value in a reliable manner.

At the date of each period of financial reporting, CP assesses the impairment of these financial assets, recognising an impairment loss 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
Bonds CONSOLIDATED 1942	Acquisition cost	-	-	-	662	-	662
Work compensation fund	Acquisition cost	24 989	-	24 989	13 119	-	13 119
		28 515 112	(724 389)	27 790 723	28 508 904	(724 389)	27 784 515

Eurofima is a supranational organisation, under the corporate form, composed of public railway transportation companies. Eurofima was incorporated on November 20th, 1956, as a result of a treaty (“Convention”) between the different adhering European member states. The articles of association of Eurofima determined that the “Convention” would last for 50 years after the establishment. However, in the extraordinary general meeting of February 1st, 1984, the extension of the Convention term was approved by all Member states for a further 50 years, i.e. until 2056.

The amount accounted for in the holding of Eurofima corresponds to a subscription of 52,000,000 Swiss Francs at the date of initial capital subscription and subsequent capital increases. CP, as well as all the other shareholders of Eurofima, only paid 20% of that amount, and the remaining 41,600,000 Swiss Francs are still payable. The shareholders can be requested to pay said amount at any moment and unconditionally.

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)	-
Bonds CONSOLIDATED 1942 1942	662	-	(662)	-	-	-
Work compensation fund	13 119	11 870	-	-	-	24 989
	28 508 904	11 870	(662)	-	(5 000)	28 515 112
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)
	(724 389)	-	-	-	-	(724 389)
Total	27 784 515	11 870	(662)	-	(5 000)	27 790 723

The only change in this heading, during the financial year of 2017, is related to the contributions required by law for the work compensation fund, through new work agreements entered into by the company, as well as the write-off of APOR shares and demobilisation of “Bond Consolidated 1942”.

INCOME TAX (NOTE 10)

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 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, S.A., SAROS – Sociedade de Mediação de Seguros, Lda., Fernave – Formação Técnica, Psicologia Aplicada e Consultadoria em Transportes e Portos, S.A., and Ecosaúde – Educação, Investigação e Consultoria em Trabalho, Saúde e Ambiente, S.A.

CP does not account for deferred tax assets connected with the reporting of tax losses, impairments and temporary provisions which have not been accepted for tax purposes, since it considers that there are no expectations that the aforementioned group of companies – which is under the special taxation scheme – will obtain future taxable profits which enable 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 tax to be paid, associated with autonomous taxation.

INVENTORIES (NOTE 11)

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

(amounts in euros)

Description	31/12/2018	31/12/2017
Gross Amount:		
Goods	-	-
Raw, auxiliary and consumable materials	9 436 174	9 394 911
Advance payments for purchasing purposes	-	-
	9 436 174	9 394 911
Accumulated impairments		
Impairments of the period	(239 463)	(412 344)
Impairments of previous periods	(5 422 483)	(5 010 139)
	(5 661 946)	(5 422 483)
Net Book Value	3 774 228	3 972 428

CP verifies on a biannual basis if the realisable value of the inventory is or is not inferior to the value for which these are recognised in the company's accounts. If the value for which the inventory is recognised is superior to the net realisable value, it recognises an impairment loss by the difference between those two variables.

Until 2011, the base standard for assessing the impairment of these materials was the non-rotation for more than 5 years - and it was applied to all inventory in storage.

Since the financial year of 2012, and bearing into account the durability of most of the parts used for repairs of rolling stock, the company opted to assess more thoroughly the impairment of this universe of assets. In order to do so, the depreciation of the storage parts of rolling stock was calculated in accordance with the estimated useful life of the series of material to which they were linked, which allowed the identification of the actual obsolete and unused materials. The criterion of non-movement for over 5 years was maintained for the remaining materials.

Bearing in mind the application of this new criterion, an impairment loss of €239,463 was recognised in 2018, as identified in the following table:

(amounts in euros)

Description	Opening Balance	Losses	Reversal	Settlement	Closing Balance
Inventory impairments					
Goods	-	-	-	-	-
Raw, auxiliary and consumable materials	(5 422 483)	(239 463)	-	-	(5 661 946)
Total	(5 422 483)	(239 463)	-	-	(5 661 946)

CUSTOMERS (NOTE 12)

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:		
Current account customers		
General	3 945 650	4 732 867
Associated companies	452 491	430 745
Joint ventures	452 392	19 250
Other related parties	262 659	809 534
Customers - bad debts	-	-
Customers - accumulated impairment losses	1 751 983	2 179 805
Subtotal	6 865 175	8 172 201
Accumulated impairment		
Impairment losses of the period	427 822	(492 563)
Impairment losses of previous periods	(2 179 805)	(1 687 242)
Subtotal	(1 751 983)	(2 179 805)
Net book value	5 113 192	5 992 396

The movements of impairment losses are analysed as follows:

(amounts in euros)					
Description	Opening Balance	Losses	Uses	Reversals	Closing Balance
Impairment losses					
General customers	2 179 805	-	(171)	(427 651)	1 751 983
Total	2 179 805	-	(171)	(427 651)	1 751 983

Ageing of receivables from customers are presented as follows:

(amounts in euros)				
Description	up to 90 days	Between 90 and 180 days	Between 180 and 360 days	Over 360 days
General customers	2 950 367	702 657	292 625	-
Associated companies	452 491	-	-	-
Joint ventures	452 393	-	-	-
Other related parties	262 659	-	-	-
Total	4 117 910	702 657	292 625	-

STATE AND OTHER PUBLIC ENTITIES (NOTE 13)

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

(amounts in euros)

Description	31/12/2018	31/12/2017
Asset		
Income tax		
Special payment on account	817 660	1 201 660
Withholding tax	91 690	63 362
VAT		
VAT receivable from Nov. and Dec.	6 184 921	12 659 217
VAT requested refunds	779 643	384 566
VAT withholding tax receivable	-	880 964
Total	7 874 368	15 224 009
Liability		
Income tax	861 007	324 359
Income tax withholdings	3 390	4 725
Social Security contributions	16 261	2 805
Other taxes	1 123	904
Total	881 781	332 793

The main change is essentially due to the increase of the heading of 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 was concluded favourably for the company.

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

OTHER ACCOUNTS RECEIVABLE (NOTE 14)

The heading of other accounts receivable presents the amounts accounted for in the following table:

Description	(amounts in euros)	
	31/12/2018	31/12/2017
Gross Amount:		
Current account Suppliers - debit balance	1 115	2 544
Other debtors - Employees	84 492	42 677
Sundry debtors - current accounts	2 443 882	1 986 099
Sundry debtors - Doubtful collection	3 142 619	3 131 746
Sundry creditors - debit balance	139 550	115 222
Sundry creditors-dep. given collateral	368 210	368 210
Sundry creditors -VAT- operations to be settled	13 999	98 044
Debtors/creditors- sundry - invoicing to be issued	534	(403)
Sundry debtors/creditors - health insurance	195 852	183 129
Sundry creditors -ODC- galp frota card/via verde [electronic toll]	20 899	-
Other accounts receivable/payable - deposits to be settled	(763)	(780)
ODC - business units/other	181 717	162 719
Debtors by accrual of income	1 604 297	687 142
Subtotal	8 196 403	6 776 349
Accumulated impairment		
Impairment of the period - other debts to third parties	(10 872)	55 460
Impairment previous periods-Other debts to third parties- short term and medium and long term	(3 131 746)	(3 187 206)
Subtotal	(3 142 618)	(3 131 746)
Net book value	5 053 785	3 644 603

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

- / in the heading of sundry debtors, where the increase of Medway's and Fernave's debt is highlighted;
- / in the heading of debtors by accrual of income, which presents an increase of around 917,155 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, as well as the specialisation of contractual bonuses arising from contracts with EMEF.

The movements of impairment losses are analysed as follows:

Description	(amounts in euros)				
	Opening Balance	Losses	Use	Reversals	Closing Balance
Impairment losses					
Other third party debts	3 131 746	13 794	(2 922)	-	3 142 618
Total	3 131 746	13 794	(2 922)	-	3 142 618

DEFERRALS (NOTE 15)

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

(amounts in euros)		
Description	31/12/2018	31/12/2017
Liability		
Income to be recognised		
Deferrals.-recognised income-other deferrals-recognised income	807 260	860 196
Total	807 260	860 196

This heading covers the various insurance premiums borne by the company, before the period of incidence thereof, which report to the first quarter of the following year. The main insurances constituting the balance of this heading relate to insurance for accidents at work, health, multi-risk and civil liability.

NON-CURRENT ASSETS HELD FOR SALE (NOTE 16)

One of the goals of the company is to proceed with the disposal 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, CP believes they must remain in this heading of asset since the 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.

The company assesses the existence of impairments in these assets on a biannual basis and, whenever necessary, adjusts the amounts already recognised.

After the establishment of these impairments, rolling stock classified in the non-current assets held for sale category got a value equal to zero as per the particulars below reported as at the 31st of December 2018:

(amounts in euros)

Description	Book value (1)	Allowances 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		
Lands 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, CP reclassified – in the heading Land and Buildings – the property of Rua Faria de Guimarães, in Oporto, to non-current asset held for sale.

The variation in the basic equipment heading is due to the net value of the rolling stock decommission carried out during 2018.

SUBSCRIBED CAPITAL (NOTE 17)

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 determined 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 determined 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 determined 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 in 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 18)

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 and by Decree-Law no. 124-A/2018 from December 31st 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 19)

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 20)

The company has transferred the net results of the financial years to results brought forward.

Since CP chose to value its fixed tangible assets by their considered cost at the date of transition to the SNC, the balance of revaluation surplus is accounted for in this heading.

ROLLING STOCK

The company reassessed the fixed tangible asset for the first time in 1995.

The reassessment focused on the fixed tangible asset present in the heading of basic equipment which encompasses rolling stock, as at December 31st, 1995.

The system used consisted of the early calculation of the amortisations corresponding to the financial year of 1995 and, afterwards, the application - to the amounts of the fixed asset and corresponding accumulated amortisations - of the legal coefficients of inflation present in Ordinance no. 338/95 from April 21st, previously corrected with a factor of 1.04.

In the financial year of 1997 there was a new reassessment of the fixed tangible asset present in the heading of basic equipment, encompassing rolling stock, in accordance with Decree-law no. 31/98 from February 11th.

OTHER FIXED TANGIBLE ASSETS

In the financial year of 1999, the company carried out the inventory and valuation of assets contained in the remaining headings of fixed tangible assets, purchased until December 31st 1997, except for the assets corresponding to the rolling stock and the fleet parts. Such assets were valued at market price, accounted for in CP's accounts as free reassessment, and depreciations to be carried out according to the expected useful life. This work was coordinated by the companies *Ernst & Young* and CPU-Consultores de Avaliação, and it essentially covered the identification of goods, the corresponding assessment based on the criterion of the current market value and the calculation of the surplus of the latter for historical cost.

ADJUSTMENTS/OTHER VARIATIONS IN EQUITY (NOTE 21)

The particulars of this heading are analysed as follows:

Description	(amounts in euros)	
	31/12/2018	31/12/2017
Allowances	106 456 194	114 006 126
Financial repair	91 357 368	91 357 368
Transitional adjustments	132 640	132 640
Total	197 946 202	205 496 134

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.

The amount of the heading of allowances essentially concerns allowances received for rolling stock, whereas decreases accounted for in this element of the capital, of allocation, result in income of the financial year, in a systematic and rational basis during the useful life of the asset, of a part of that allowance, in the same proportion in which the depreciations are 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 Reserve 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	-	(172 860)
59301014 PIDDAC-Improv. Interface Branch Line Lousã	(134 792)	(162 680)
59301024 PIDDAC-SubProj Change Max Veloc 45 Modern Carriag.	(23 039)	(50 383)
59301025 PIDDAC-Repl.Wheelset Transmission Boxes UDD's450	(347 009)	(384 919)
59301027 PIDDAC-Modernisation of 4 railcars 3500	(890 313)	(995 313)
59301029 PIDDAC-Large Repair R2 - 2334	(267 222)	(294 630)
59301030 PIDDAC-Large Repair R2 - 2340	(262 654)	(290 062)
59301031 PIDDAC-Large Repair R2 - 2326	(201 951)	(222 146)
59301032 PIDDAC-Large Repair R3 - 9635	(10 887)	(32 662)
59301034 PIDDAC-Large Repair R2 - 2197010	(49 021)	(67 997)
59301035 PIDDAC-Large Repair R2 - 2403	(165 044)	(181 412)
59301036 PIDDAC-Large Repair R2 - 2404	(380 429)	(417 244)
59301037 PIDDAC-Large Repair R2 - 360	(3 747)	(26 227)
59301039 PIDDAC-Large Repair R2 - 2405	(268 026)	(292 578)
59301040 PIDDAC-Large Repair R2 - 468	-	(8 296)
59301041 PIDDAC-Large Repair R2 - 2197025	(101 328)	(117 540)
59301042 PIDDAC-Large Repair R2 - 463	(8 379)	(33 518)
59301043 PIDDAC-Large Repair -Gr R-R2 461	(20 949)	(83 794)
59301044 PIDDAC-Large Repair R2 469	(15 712)	(53 419)
59301045 PIDDAC-Large Repair R2 2197012	(78 569)	(89 283)
59301046 PIDDAC-Large Repair R2 2197034	(101 705)	(115 574)
59301047 PIDDAC-Large Repair R2 2197011	(61 717)	(70 038)
59301048 PIDDAC-Large Repair R2 2197020	(101 705)	(115 574)
59301049 PIDDAC-Large Repair R2 8597004	(40 857)	(46 892)
59301050 PIDDAC-Large Repair R2 8597007	(61 285)	(69 642)
59301051 PIDDAC-Large Repair R2 1415	(139 190)	(150 953)
59301052 PIDDAC-Large Repair R2 2197028	(102 861)	(116 730)
59301053 PIDDAC-Large Repair R2 1997008	(50 919)	(57 785)
59301054 PIDDAC-Large Repair R2 2197019	(119 042)	(132 911)
59301055 PIDDAC-Large Repair R2 0451	(56 561)	(94 268)
59301056 PIDDAC-Large Repair R2 2197027	(119 042)	(132 911)
59301057 PIDDAC-Large Repair R2 1997002	(117 446)	(139 203)
59301058 PIDDAC-Large Repair R2 3154	(306 432)	(330 624)
59301059 PIDDAC-Large Repair R2 9634	(76 974)	(98 966)
59301060 PIDDAC-Large Repair R2 2197007	(119 042)	(132 911)
59301061 PIDDAC-Large Repair R2 3266	(243 217)	(262 047)
59301062 PIDDAC-Large Repair R2 0458	(153 086)	(205 208)
59301063 PIDDAC-Large Repair R2 0457	(52 617)	(77 874)
59301064 PIDDAC-Large Repair R2 1997004	(78 579)	(89 471)
59301065 PIDDAC-Large Repair R2 1997009	(50 312)	(58 166)
59301066 PIDDAC-Large Repair R2 2197015	(79 016)	(87 559)
59301067 PIDDAC-Large Repair R2 2197016	(53 763)	(59 423)
59301068 PIDDAC-Large Repair R2 2197001	(80 121)	(88 482)
59301069 PIDDAC-Large Repair R2 1413	(103 903)	(111 745)
59301070 PIDDAC-Large Repair R2 3260	(52 538)	(56 502)
59301071 PIDDAC-R1 CPA's (Tilting train) 4000	(1 546 888)	(596 471)
59301072 PIDDAC-Large Repair R2 0462	(135 753)	-
59301073 PIDDAC-Large Repair R2 0362	(237 164)	-
59301074 PIDDAC-Large Repair R2 3256	(233 500)	-
59301075 PIDDAC-Large Repair R2 464	(132 596)	-
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)

PROVISIONS (NOTE 22)

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	1 217 824	90 000		(193 955)	1 113 869
Work accidents and occupational illnesses	10 171 288	60 396	(773 881)	-	9 457 803
Railway accidents	1 723 237	1 114 172			2 837 409
Financial Investments	3 296 341	254 463	-	(258 291)	3 292 513
Other	55 250	-		-	55 250
Total	16 463 940	1 519 031	(773 881)	(452 246)	16 756 844

The change in the heading of provisions is mainly due to the increase in the 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 23)

At the end of the financial year of 2018 the heading of funding obtained presented the particulars of the following table:

(amounts in euros)		
Description	31-12-2018	31-12-2017
Non-current		
Loans granted		
Bank loans	94 026 667	114 711 667
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	2 205 799 791
Current		
Loans granted		
Bank loans	20 685 000	28 067 209
Bond loans	500 000 000	-
Applic. of Effective Rate Bond Loans	(180 080)	-
Other funders	762 028 000	380 514 000
Total	1 282 532 920	408 581 209

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

(amounts in euros)

Description	31/12/2018	31/12/2017
Non-current		
Loans granted		
Bank loans		
Up to 1 year	20 685 000	28 067 209
From 1 to 5 years	86 426 667	82 178 333
Over 5 years	7 600 000	32 533 333
Bond loans		
From 1 to 5 years	500 000 000	-
Applic. of Effective Rate Bond Loans	(180 080)	-
From 1 to 5 years	-	500 000 000
Applic. of Effective Rate Bond Loans	-	(313 588)
Over 5 years	200 000 000	200 000 000
Applic. of Effective Rate Bond Loans	(5 796 037)	(6 140 287)
Other funders		
Up to 1 year	762 028 000	380 514 000
From 1 to 5 years	1 015 028 000	1 245 542 000
Over 5 years	1 000 000	152 000 000
Total	2 586 791 550	2 614 381 000

As at December 31st, 2018, future payments of the outstanding capital regarding non-current funding obtained are analysed as follows:

(amounts in euros)

Description	2019	2020	2021	2022	2023	2024 and following	Total
Loans granted							
Bank loans	20 685 000	37 693 333	23 800 000	23 666 667	1 266 667	7 600 000	114 711 667
Bond loans	500 000 000					200 000 000	700 000 000
Applic. of Effective Rate Bond Loans	(180 080)					(5 796 037)	(5 976 117)
Other funders	762 028 000	481 514 000	381 514 000	101 000 000	51 000 000	1 000 000	1 778 056 000
Total	1 282 532 920	519 207 333	405 314 000	124 666 667	52 266 667	202 803 963	2 586 791 550

OTHER DEBTS PAYABLE (NOTE 24)

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 growth	-	8 006 555
Total	-	8 006 555
Current		
Investment fund providers	1 123 690	808 073
Creditors by outstanding subscriptions	36 843 299	35 477 347
Other debtors and creditors	7 586 234	7 827 089
Creditors by expenditure growth	88 391 460	56 979 203
Employees	58 245	25 836
Advance payments from customers	50 312	56 136
Total	134 053 240	101 173 684

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 25)

The heading of suppliers shows the following particulars:

(amounts in euros)

Description	31/12/2018	31/12/2017
Suppliers current account		
General	4 939 777	4 833 349
Subsidiary companies	638 633	4 248 376
Associated companies	707 332	803 191
Joint ventures	780 214	(14 746)
Other related parties	155 889	750 886
Invoices received and pending approval	129 366	76 049
	7 351 211	10 697 105

When compared to the previous year, in 2018, the significant reduction of debts to subsidiary companies, namely debt to EMEF, should be noted.

PROVIDED SALES AND SERVICES (NOTE 26)

Provided sales and services have the following particulars:

(amounts in euros)

Description	2018	2017
Provided services		
Passengers	267 761 261	257 691 658
Networks	761 776	761 467
Maint./lease/clean. rolling stock	1 375 076	1 416 819
Rescue train	896 917	896 917
Compensation for damage	119 819	388 900
Cleaning/ Safety	137 013	133 621
Computer/accounting/ other services	679 806	835 773
Other Metro Mondego	569 372	649 439
Other services	3 068 053	3 684 441
Discounts and rebates in sales	(8 732 991)	(7 808 818)
Total	266 636 102	258 650 217

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.

OPERATING ALLOWANCES (NOTE 27)

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

(amounts in euros)

Description	2018	2017
Miscellaneous allowances		
Energy Efficiency Fund	-	10 000
Project Shift2Rail-IMPACT	-	3 579
Project Shift2Rail-PIVOT	-	7 110
Total	-	20 689

GAINS/LOSSES ATTRIBUTED TO SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES (NOTE 28)

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

(amounts in euros)

Description	2018	2017
Gains		
Application of the equity method	7 508 507	6 959 833
Total	7 508 507	6 959 833

The increase in gains allocated to subsidiaries, associated companies and joint ventures is mostly due to the improvement in the results from EMEF and TIP, which, in 2018, continues to register a positive variation in their results.

SOLD COMMODITIES AND CONSUMED MATERIALS COSTS (NOTE 29)

Sold commodities and consumed materials costs are as follows:

(amounts in euros)

Description	2018	2017
Goods	-	-
Raw, auxiliary and consumable materials	5 881 459	6 242 781
Total	5 881 459	6 242 781

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 30)

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

(amounts in euros)

Description	2018	2017
Sub-agreements:		
Cleaning facilities	(233 202)	(256 574)
Cleaning rolling stock	(2 816 215)	(2 594 909)
Surveillance	(1 808 880)	(1 919 303)
Additional and auxiliary services	(4 657 686)	(1 568 279)
Restoration services	(2 707 330)	(2 784 636)
CP/Renfe Agreement	(4 357 937)	(4 495 362)
Other sub-agreements	(6 624 602)	(6 533 039)
Specialised services:		
Maintenance and repair	(33 971 976)	(34 612 197)
Specialised works	(422 528)	(446 020)
Surveillance and safety	(1 041 642)	(803 329)
Use of rolling stock	(290 734)	(471 459)
Other specialised works	(2 503 566)	(2 402 903)
Materials	(165 413)	(176 362)
Energy and fluids:		
Electricity	(24 864 548)	(23 107 211)
Fuels	(151 874)	(159 338)
Water	(121 872)	(124 021)
Other	-	(20)
Travels, accommodation and transport	(3 699 672)	(3 728 431)
Cont. CP/ACE (EMEF/Siemens)	(4 708 376)	(4 717 504)
Miscellaneous services:		
Rents and leases:		
Infrastructure usage fee	(55 229 187)	(56 175 213)
Other rents and leases	(12 010 784)	(11 220 051)
Communication	(510 481)	(528 763)
Insurance	(281 741)	(253 435)
Other services	(248 613)	(271 930)
Total	(163 428 859)	(159 350 289)

In 2018 and despite the effort to contain expenses, the heading of external services and supplies increased by 4.1 million euros.

This increase was mainly due to the increase in electricity costs for traction and the additional and auxiliary services related to the use of stations, as Infraestruturas de Portugal reintroduced the invoicing of this service in the Network Directory of 2018.

PERSONNEL EXPENSES (NOTE 31)

The heading of personnel expenses has the following particulars:

(amounts in euros)

Description	2018	2017
Remuneration of governing bodies	(348 311)	(365 899)
Remunerations of personnel	(81 873 090)	(77 020 433)
Compensations	(1 006 239)	(1 359 861)
Charges on remuneration	(18 185 970)	(17 066 801)
Insurance for work accidents and occupational illnesses	(2 479 617)	(2 338 650)
Social action expenses	(174 578)	(244 072)
Other personnel expenses	(1 545 730)	(1 478 075)
Total	(105 613 535)	(99 873 791)

Despite the decrease in the Company'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 State Budget Law), as well as the implementation of agreements signed in December 2017 and February 2018 with the organisations representing employees, and also the increase in overtime work and other bonuses.

The particulars of employees from the permanent staff as at December 31st, 2018 and 2017, by position in Administration/superior management and professional category is presented as follows:

Description	31/12/2018	31/12/2017
Governing bodies *	6	6
Directors/senior management	267	267
Upper management	254	253
Middle management	13	14
Middle managers	216	225
Highly qualified professionals	2 099	2 111
Semi-skilled professionals	70	72
Total	2 658	2 681

* Includes three members belonging to the Supervisory Board

IMPAIRMENT OF NON-DEPRECIABLE AND NON-AMORTISABLE INVESTMENTS (NOTE 32)

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

(amounts in euros)

Description	2018	2017
Losses		
Non-current assets held for sale	(49 170)	-
In financial investments		(3)
Reversals		
Non-current assets held for sale	1 621 881	-
Total	1 572 711	(3)

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, in the amount of € 1,482,052, as shown in the table below, resulting from the decommissioning of rolling stock not related to transport activity.

(amounts in euros)

Description	Opening Balance	Additions	Reversals	Tranfers	Closing Balance
Buildings and other constructions	94 557		(139 829)	49 170	3 898
Basic equipment	8 691 294	49 170	(1 482 052)	(49 170)	7 209 242
Total	8 785 851	49 170	(1 621 881)	-	7 213 140

OTHER INCOME (NOTE 33)

The heading of other income has the following particulars:

(amounts in euros)

Description	2018	2017
Supplementary income	9 308 427	9 132 043
Inventory gains	6 093	7 076
Remaining financial assets	1 984 069	3 461 517
Non-financial investments	2 460 956	766 326
Other	13 115 305	11 631 701
Total	26 874 850	24 998 663

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), 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 34)

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

(amounts in euros)

Description	2018	2017
Taxes	(128 377)	(151 898)
Bad debts	(334)	-
Inventory losses	(121 835)	(20 826)
Non-financial investments	(2 157 421)	(19)
Other	(8 250 633)	(3 234 135)
Total	(10 658 600)	(3 406 878)

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 basic equipment heading, of which the rolling stock was classified as non-current asset held for sale, with recognised impairment, which was reverted at the same moment, as referenced in note 32.
- / 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;
- / 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 35)

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

(amounts in euros)

Description	2018	2017
Expenses		
Fixed tangible assets	(53 749 021)	(57 000 846)
Reversals		
Fixed tangible assets	11 341	141 253
Total	(53 737 680)	(56 859 593)

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 4. The expected useful lives of assets are revised annually, in order to verify their accuracy.

This heading recorded a reduction in expenses by 3.1 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 36)

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	1 029 587
Total	721 647	573 768

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

INTEREST AND SIMILAR INCOME GAINED (NOTE 37)

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

(amounts in euros)

Description	2018	2017
Interest gained	436 399	466 910
Total	436 399	466 910

This heading essentially accounts for income associated with interest on loans to affiliate companies. These interest rates decreased as a result of the amortisation of loans of the companies EMEF and Ecosaúde, and the downward revision of the rates charged, in accordance with the growth of the rates charged by the National Commercial Bank.

PAYABLE INTEREST AND SIMILAR EXPENSES (NOTE 38)

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

(amounts in euros)

Description	2018	2017
Interest charges	(65 068 891)	(72 996 596)
Other expenses and losses	(3 234 727)	(3 574 133)
Total	(68 303 618)	(76 570 729)

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 to the company.

RELATED PARTIES DISCLOSURE (NOTE 39)

CP usually undertakes part of its activities through subsidiaries, associated companies and joint ventures.

With reference to December 31st, 2018, the shareholder structure of the Company (Direct holdings), is presented in the following table:

Holdings	(Holding %)	
	31/12/2018	31/12/2017
EMEF, SA	100%	100%
CP CARGA, SA *	5%	5%
FERNAVE, SA	100%	100%
SAROS,Lda	100%	100%
ECOSAÚDE, SA	100%	100%
TIP, ACE	33%	33%
OTLIS, ACE	14%	14%

* as per sales agreement of the affiliate company, having CP maintained this holding on short term.

CP also has indirect holding and control in other companies of the group through holding in the aforementioned companies, namely:

- / SIMEF, ACE (held in 51% by EMEF).
- / NOMAD Tech (held in 35% by EMEF).

The transactions between related parties are presented in the following table:

(amounts in euros)

Description	2018	2017
Sales and service provisions		
Subsidiaries		
EMEF, SA	4 165 311	4 851 081
FERNAVE, SA	289 652	210 544
SAROS, Lda	2 743	3 354
ECOSAÚDE, SA	25 386	25 990
Associated companies		
TIP, ACE	4 930 032	4 763 721
OTLIS, ACE	6 531 981	4 666 344
Indirect holding companies		
EMEF / SIEMENS, ACE	758 567	758 498
total	16 703 672	15 279 532
Expenses		
Subsidiaries		
EMEF, SA (*)	(28 750 513)	(32 179 410)
FERNAVE, SA	(560 251)	(531 594)
ECOSAÚDE, SA	(780 259)	(809 166)
Associated companies		
TIP, ACE	(472 686)	(625 661)
OTLIS, ACE	(61 382)	(217 144)
Indirect holding companies		
EMEF / SIEMENS, ACE	(4 775 061)	(4 897 837)
Total	(35 400 152)	(39 260 812)
Investment		
Subsidiaries		
EMEF, SA	10 112 536	11 841 041
Associated companies		
TIP, ACE	1 529	353 373
OTLIS, ACE	4 800	-
Total	10 118 865	12 194 414

(*) The invoice amount issued by this affiliated company is included in CP's expenses and investment.

Balances with related parties are, likewise, presented in the following table:

(amounts in euros)

Description	31/12/2018	31/12/2017
Assets		
Investment		
Subsidiaries		
EMEF, SA	11 750 000	13 000 000
FERNAVE, SA	2 600 000	2 600 000
ECOSAÚDE, SA	285 480	297 495
Customers and other accounts receivable		
Subsidiaries		
EMEF, SA	1 720 141	38 690
FERNAVE, SA	601 918	430 078
SAROS,Lda	309	32
ECOSAÚDE, SA	-	54
Associated companies		
TIP, ACE	452 491	430 745
OTLIS, ACE	262 336	360 434
Indirect holding companies		
EMEF / SIEMENS, ACE	78 367	79 830
Liabilities		
Suppliers and other accounts payable		
Subsidiaries		
EMEF, SA	(840 185)	(939 252)
FERNAVE, SA	(89 374)	(18 601)
ECOSAÚDE, SA	(85 864)	(72 944)
Associated companies		
TIP, ACE	(878 314)	(988 081)
OTLIS, ACE	(135 823)	(424 936)
Indirect holding companies		
EMEF / SIEMENS, ACE	(519 093)	(487 386)
Total Asset + Liability	15 202 389	14 306 158

GUARANTEES AND SURETIES (NOTE 40)

Guarantees and sureties provided by CP to companies of the group and associated companies:

(amounts in euros)

Company	Amount
EMEF (letter of intent)	729 196
EMEF (surety)	437 500
Fernave (guarantee)	3 497

Guarantees provided in favour of CP:

(amounts in euros)

Company	Amount
Guarantees and sureties provided to CP by the State	614 711 667
Guarantees and bank sureties provided to CP by bank entities in favour of third parties (*)	165 042

* includes escrow account at IGCP amounting to 150.000€

RELEVANT EVENTS AFTER THE BALANCE SHEET DATE (NOTE 41)

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 the company, 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.

PROPOSAL FOR APPLICATION OF RESULTS (NOTE 42)

In accordance with the provisions in force, it is proposed that the Net Results of the Financial Year, a deficit of 105,626,933 euros, are transferred to the account of Results brought forward.



ATTACHMENTS

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

FINANCIAL STATEMENTS AUDIT REPORT

Opinion

We have audited the attached financial statements of CP – Comboios de Portugal, E.P.E (“Company”), comprising the Balance Sheet as at 31st of December, 2018, (showing a total of 580,344,363 Euros and a total negative equity of 2,165,490,263 Euros, including a Net loss of 105,626,933 Euros), the Income Statement by nature, the Statement of the changes in equity, and the Cash Flow Statement of the period that ended on that date, and the corresponding Attachment which includes a summary of the relevant accounting policies.

In our opinion, the attached financial statements truly and appropriately present, in all material aspects, the financial position of CP – Comboios de Portugal, E.P.E. as at 31st of December, 2018, and its financial performance and cash flow regarding the year that ended on that date, in accordance with the Accounting Standards and Financial Reporting implemented in Portugal through the Accounting Normalisation System.

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 financial statement audit” section below. We are independent from the Company 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 Company has been accumulating consecutive net losses of significant amounts (particularly, the net loss of the periods ended on the 31st of December 2015, 2016 and 2017, whose Annual Reports 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 2,165,490,263 Euros.

Additionally, throughout the analysed year, we note that there was a significant decrease of 27,589,450 Euros in remunerated debt. Nevertheless, the Company still has a high degree of indebtedness, with net assets mostly financed by the Sector and Financial responsible Ministries.

Since the Company renders a public service, its continuation depends on the financial support of the Portuguese Government, who holds the totality of the Company's capital.

As mentioned in note 41 of the attachment, from December 31st, 2018, for external reasons, the Company has not yet been able to complete the recommendation foreseen in the Court of Auditors' decision no. 5/2018, to conclude the implementation of EMEF, S.A.'s business model.

Our opinion is not altered on this matter.

Key Audit Matters

Key audit matters are those of greater importance in the audit of the financial statements for the current year according to our own professional judgement. Said matters were considered as a whole within the audit of the 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
<p>Revenue Recognition</p> <p>As at 31st of December, 2018, the revenue from the services rendered by the Company, which essentially include the transportation of passengers, increased to 266,636,102 Euros, as per note 26.</p> <p>The risk of revenue recognition is related to the high number of records in the ticketing system and their incorporation into accounting, for which we considered it a key audit matter.</p>	<p>We undertook the following auditing procedures, among others:</p> <ul style="list-style-type: none"> a) Surveying and identifying the existing controls for the revenue cycle; b) Testing the operability of controls used in the incorporation of revenue into accounting; c) Analysing revenue adjustments at the end of the year; and d) Identifying and analysing the main variations in the revenue heading.
<p>Impairment of fixed tangible assets</p> <p>As at 31st of December, 2018, the impairment of fixed tangible assets amounts to 4,994,000 Euros, as per note 7.</p> <p>The impairment tests carried out by the Company 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 regarding immovable properties, leading us to consider this topic as a key audit matter.</p>	<p>We undertook the following auditing procedures, among others:</p> <ul style="list-style-type: none"> a) Analysing the criteria defined by the Company for the identification of slow-moving or obsolete rolling stock; b) Analysing the support for the recognised impairments' calculation, including the corresponding criteria applied and independent evaluations of immovable properties; c) Analysing the main impairment movements registered in the year; d) Inquiring the Company's management; and e) Verifying the suitability of the impairment disclosures presented in the attached notes.
<p>Provisions</p> <p>The Provisions present a balance of 16,756,844 Euros as at 31st of December, 2018, as per note 22.</p>	<p>We undertook the following auditing procedures, among others:</p>

<p>This heading essentially includes the provisions for ongoing legal actions, occupational accidents, work-related diseases, and railway accidents.</p>	<p>a) Breaking down the balance of the Provisions' heading and analysing the main transactions of the year;</p>
<p>The liability associated with occupational accidents and work-related diseases is supported by an actuarial study prepared by an independent expert.</p>	<p>b) Obtaining a list of ongoing legal actions through external confirmation procedures with the attorneys, and analysing the replies;</p>
<p>The transactions accounted for in these provisions are covered in the opinions from the legal secretaries of the Company.</p>	<p>c) Inquiring the Company's legal department and management.</p>
<p>Provisions are considered a key audit matter due to the high level of judgement and uncertainty associated with them.</p>	<p>d) Obtaining and analysing 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.</p>

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

The management board is responsible for:

- Preparation of financial statements that truthfully and appropriately present the financial position, financial performance, and cash flow of the Company, in accordance with the Accounting Standards and Financial Reporting implemented in Portugal through the Accounting Normalisation System;
- 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 Company'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 Company's financial information.

Responsibilities of the auditor regarding the financial statement audit

Our responsibility is to obtain reasonable assurance about whether the 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 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 Company'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 Company'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 Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- 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 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 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 financial statements and, considering the knowledge and assessment of the Company, we did not identify any material misstatement.

Non-financial information foreseen in article 66-B of the Portuguese Commercial Companies Code

In compliance with article 451, item 6 of the Portuguese Commercial Companies Code, we inform that the Company mentioned in its corporate governance report that it will prepare a report separate from the management report, which shall include the non-financial information, in accordance with article 66-B 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 includes the elements required of the Company 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 the Company 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 in the meeting of the Board of Directors held on the 13th of May, 2017, for a 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 financial statements due to fraud. As a result of our work, we did not identify any material misstatement in the 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 Company during the audit.
- We hereby inform that we did not provide other services to the Company other than the audit.

Lisbon, on the 16th 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

[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

FINANCIAL STATEMENTS AUDIT REPORT

Opinion

We have audited the attached financial statements of **CP – COMBOIOS DE PORTUGAL, E.P.E** ("Company"), comprising the Balance Sheet as at 31st of December, 2018, (showing a total of 580,344,363 Euros and a total negative equity of 2,165,490,263 Euros, including a Net loss of 105,626,933 Euros), the Income Statement by nature, the Statement of the changes in equity, and the Cash Flow Statement of the period that ended on that date, and the Attachment which includes a summary of the relevant accounting policies.

In our opinion, the attached financial statements truly and appropriately present, in all material aspects, the financial position of **CP – COMBOIOS DE PORTUGAL, E.P.E.** as at 31st of December, 2018, and its financial performance and cash flow regarding the year that ended on that date, in accordance with the Accounting Standards and Financial Reporting implemented in Portugal through the Accounting Normalisation System.

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 financial statement audit" section below. We are independent from the Company 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 Annual Reports and Accounts of the Company 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 Company has been accumulating consecutive net losses of significant amounts, presenting as at 31st of December, 2018, a total negative equity of 2,165,490,263 Euros. Although there was a decrease of 27,589,450 Euros in remunerated debt, by debt-to-equity swap, the Company still has a high degree of indebtedness. Since the Company is a legal person governed

Registered in the Portuguese Certified Public Accountant Association under no. 23
Registered in the CMVM under no. 20161381
Share capital of € 15,000
Registration/Corporate Taxpayer no. 501266259
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by public law, and considering that it renders a public service with relevant obligations, its ability to continue 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 financial statements for the current year according to our own professional judgement. Said matters were considered as a whole within the audit of the financial statements, and we did not issue a separate opinion regarding them.

Key audit matter	Solution of the Auditor
Impairment of fixed tangible assets	
<p>As at 31st December, 2018, the book value of fixed tangible assets amounted to 471,324 thousand Euros. As disclosed in note 4, the Company recognises impairment losses when the recoverable amount of a certain asset is inferior to its book value.</p> <p>The impairment tests carried out by the Company are based on validations prepared by the responsible operating officers who are based on several assumptions and criteria defined by the Company, particularly the rolling stock movement and the expected remaining useful life related to the operation, leading us to consider this topic as a key audit matter.</p> <p>Following its analysis process, the Company presents, in its financial statements as at 31st of December 2018, accumulated impairment losses of 4,994 thousand Euros, regarding the fixed tangible assets (Note 7).</p>	<p>We undertook the following procedures regarding this matter, among others:</p> <ul style="list-style-type: none"> i) Analysing the criteria defined by the Company 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 throughout the year in the impairment losses of fixed tangible assets heading; iv) Reading and analysing the minutes of the Board of Directors and inquiring the management; and v) Verifying the suitability of the disclosures presented in the attached notes.
Revenue Recognition	
<p>The revenue from the services rendered by the Company as at 31st of December 2018 increased to 266,636 thousand Euros. Said revenue is essentially due to passenger ticket sales. The disclosures related to this matter are presented in notes 4 and 29 of the attached notes.</p> <p>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.</p>	<p>We undertook the following procedures regarding this matter, among others:</p> <ul style="list-style-type: none"> 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; and 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.
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Key audit matter	Solution of the Auditor
Provisions Valuation	
As at 31 st of December 2018, the provisions heading presents a balance of 16,757 thousand Euros, of which 3,951 thousand Euros correspond to ongoing legal actions and railway accidents, 9,458 thousand Euros to occupational accidents and work-related diseases, and 3,348 thousand Euros to other risks and charges. The disclosures related to this matter are presented in notes 4 and 22 of the attached notes.	We undertook the following procedures regarding this matter, among others:
The liability associated with occupational accidents and work-related diseases is supported by an actuarial study prepared by independent actuarial experts hired by the Company.	i) Breaking down the balance of the Provisions heading;
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 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.	ii) Obtaining and analysing lists of ongoing legal actions in which the Company is involved through external confirmation procedures with the attorneys of the Company;
	iii) Inquiring the Company's legal department regarding the suitability of the judgements made in relation to the ongoing legal actions.
	iv) Reading and analysing the minutes of the Board of Directors and 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 of the 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.

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

The management board is responsible for:

- Preparation of financial statements that truthfully and appropriately present the financial position, financial performance, and cash flow of the Company, in accordance with the Accounting Standards and Financial Reporting implemented in Portugal through the Accounting Normalisation System;
- 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 Company'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 Company's financial information.

Responsibilities of the auditor regarding the financial statement audit

Our responsibility is to obtain reasonable assurance about whether the 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 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 Company'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 Company'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 Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- 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 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 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 financial statements and, considering the knowledge and assessment of the Company, we did not identify any material misstatement.

Non-financial information foreseen in article 66-B of the Portuguese Commercial Companies Code

In compliance with article 451, item 6 of the Portuguese Commercial Companies Code, we inform that the Board of Directors mentioned in its management report that it will prepare a report separate from the corporate governance report, which shall include the non-financial information required in article 66-B 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 includes the elements required of the Company 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 the Company 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 years 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 financial statements due to fraud. As a result of our work, we did not identify any material misstatement in the 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 Company on the 16th of April, 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 Company during the audit;
- We hereby inform that we did not provide other services to the Company and its entities other than the audit.

Lisbon, 16th of April, 2019

OLIVEIRA, REIS & ASSOCIADOS, SROC Lda.

Represented by

[Signature]

Joaquim Oliveira de Jesus, Certified Public Accountant no.

1.056

SUPERVISORY BOARD REPORT AND OPINION

2018 INDIVIDUAL 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 Association¹ and articles 420 and 452 from Portuguese Commercial Companies Code² (CSC), the Supervisory Board is tasked with presenting the report of its supervisory action and expressing opinions regarding the management report, the individual financial statements, and the proposal for allocation of results of CP – Comboios de Portugal, E.P.E., hereinafter referred to as CP, documents regarding accounting of the financial year 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. Furthermore, the conclusions in the Audit Report of the External Auditor on the financial statements regarding such period have also been considered³, which are consistent with the conclusions of the legal review conducted to the accounts of CP.

In compliance with the guidelines of the shareholder State, particularly the ones contained in the circular letter of the Directorate-General of Treasury and Finance (DGTF) no. 1116, of the 12th of March 2019⁴, the Supervisory Board is also tasked with ascertaining the compliance with the legal guidelines in force for the State-owned Company Sector (SOC), particularly the compliance with the remunerations in force during 2018, as well as ascertaining the compliance with the submission of the Annual Report of Good Practice of the Corporate Governance, which shall contain current and complete information on such matters, as provided for in item 1 of article 54 of the Corporate Public Sector Legal System, approved by Decree-law no. 133/2013, from October 3rd, and amended by Law no. 75-A/2014 from September 30th, and no. 42/2016 from December 28th, hereinafter referred to as RJSPE.

It should be noted, for information and context purposes within the scope of this document, that:

- CP is a public company, which is governed by its Articles of Association and Decree-Law no. 133/2013, from October 3rd, in its current edition, which was approved by RJSPE;

¹ Approved by Decree-Law no. 137-A/2009, from June 12th, amended and republished by Decree-Law no. 59/2012, from March 14th, and no. 124-A/2018, from December 31st.

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 Mandatory, in accordance with item 2 of article 45 of the Corporate Public Sector Legal System [RJSPE], and with paragraph b) of item 1 of article 245 of the Securities Code.

⁴ Concerning instructions on the 2018 accounting process.

SUPERVISORY BOARD

- On the 31st of December 2018, CP holds securities admitted to trading on a regulated market;
- Although there is no new public service concluded between the State and CP, and since the company is still entitled, under National and Community Legislation, to compensatory allowances to cover the negative results of operations on behalf of the public service provided, the State has only been awarded, in recent years, funds corresponding exclusively to the contribution for transport cards and the andante intermodal system;
- However, the State has maintained its support for the company, in particular with regard to the financial support needed to secure debt services and meet exploration and investment needs, through loans and capital increases;
- The Management Report and the Financial Statements of CP, approved by the Board of Directors on the 21st of March 2019, were prepared in compliance with articles 65, 66, 66A and 66B of the Portuguese Commercial Companies Code and according to the Accounting Normalisation System (SNC), as provided in Ordinance no. 220/2015, from July 24th;
- In order to analyse budget implementation, the company took into account the budget used in the last reviewed version of the 2018-2020 Activities and Budget Plan (PAO), sent to the Sector and Financial Ministries in May 2018, which has not yet been approved at the time this opinion was drawn up;
- It is also worth mentioning that, in order to assess the compliance with the legal guidelines in force for the SOC, the company took into consideration the financial information of the previous years, mainly 2015 to 2017, whose accounts have not yet been approved;
- Financial holdings in other companies are recognised in the financial statements through the equity method, whenever there is control or significant influence over the affiliate companies of CP, while remaining holdings are recorded at their purchase cost without impairment losses determined by the company, since it is not possible to obtain their fair value in a reliable way;
- Pursuant to the European Union Regulations, within the scope of the second notification of 2014⁵ regarding the Excessive Deficit Procedure and the revision of the European System of National and Regional Accounts⁶, CP was reclassified and included in the frame of Public Administrations for National Accounts purposes since 2015.

2. SUMMARY OF THE ACTION UNDERTAKEN BY THE SUPERVISORY BOARD

⁵ Issued on September 2014.

⁶ ESA 2010.

SUPERVISORY BOARD

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) Issued an opinion regarding the restructuring and recapitalisation of FERNAVE;
- vi) Prepared reports focused on the reports submitted by the Board of Directors regarding activities and quarterly budgetary implementation, under the conditions foreseen in the RJSPE;
- vii) Prepared the opinion regarding the Interim Consolidated Report & Accounts for the first half of 2018;
- viii) Issued opinions on the Activities and Budget Plan (PAO) for 2018 and 2019.

3. ACTIVITY UNDERTAKEN BY CP

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 Planning and Infrastructure⁷ 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 subject to public service obligations, and its main purpose corresponds to the provision of public railway transportation services for passengers, in railroads, railroad sections and byways which are part of, or come to be a part of, the national railroad network, as well as the international passenger transportation.

⁷ Currently the Ministry of Infrastructures and Housing.

SUPERVISORY BOARD

Public service obligations and the corresponding financial compensations are established by entering into agreements. CP and the State entered into an agreement on the 24th of March 2011, named 'Transitional Scheme for the Public Service Funding' which was supposed to be in force until the 31st of December 2019.

However, taking the Transport Strategic Plan (PET)⁸ into account, which covered the 2011-2015 time horizon, CP and the State agreed on the termination of the agreement in force, having found it inadequate.

With the publication of the Decree-Law no. 124-A/2018, from December 31st, which amended the legal system applicable to the public railway transportation of passengers and the legal system applicable to CP, the conditions for the conclusion of the public service agreement. Said agreement must be completed during 2019, taking into account the current work situation.

In this scope and given the economic forecasts and the guidelines from the responsible ministries, the Board of Directors established the following strategic goals for the 2018-2020 period:

- Reinforce the quality of the service provided, aimed at customer satisfaction and in order to meet mobility needs;
- Boost organisation, by strengthening the means of production, efficiency and productivity, namely in the acquisition of rolling stock, as well as the rejuvenation of the staff and the renegotiation of the Company's Agreement;
- Create more value, by promoting dialogue with social and political actors, with organisations representing employees and by establishing strategic partnerships with the infrastructure manager and other stakeholders;
- Promote financial balance, by establishing a contracting framework both for the public service and for the infrastructure use, by upholding the repair of the historical debt, by rationalising expenses, by profiting from non-essential assets, and by promoting sustainability of affiliate companies.

During 2018, CP transported approximately 126.3 million passengers, which represented an increase of around 3.5% (approximately 4.2 million passengers) compared with 2017. Despite this increase, it stood 1% below expectations, due to the train cancellations⁹ resulting, in large part (71%), from the CP and Infraestruturas de Portugal, SA (IP) strikes.

The increase was registered in the Urban Service of Lisbon, with a growth of 5.1% (+4,230 passengers) and the Urban Service of Oporto, with a growth of 1.8%, whereas the Long-Distance Service maintained the same number of passengers, and the Regional Service showed a fall of 3.4%.

⁸ Approved by the Council of Ministers Resolution no. 45/2011, from November 10th.

⁹ According to the company, 3.9% of trains did not run in 2018, compared to what was programmed.

SUPERVISORY BOARD

Through the analysis of the passengers-kilometre measurement, it is possible to confirm an identical growth in the Urban Service of Lisbon and Oporto compared to 2017, of 5.3% and 1.9%, respectively.

The overall occupancy rate sustained a slight increase in 2018 reaching 32.2% (+1.8 p.p. compared with 2017), mainly due to a reduction in supply, where the kilometre seats offered were 3.9% lower than in the previous year, with emphasis on the Urban Services of Lisbon and Oporto, with a reduction of 4.5% and 4.1%, respectively.

In this framework, it is important to highlight the increase in profits from traffic, amounting to 9.1 million euros compared with the previous financial year (+3.7%), thereby reaching 259 million euros, distributed between the 119.8 million euros from the Urban Services of Lisbon and Oporto (46.3%), 110.5 million euros from the Long-Distance Service (42.7%) and 28.7 million euros from the Regional Service (11.0%). As shown by the demand analysis, profits have followed the same growth trend, particularly in the Long-Distance Service which increased by 3.2% vis-à-vis the previous year. Also noteworthy is the contribution in profits obtained from the tariff update that occurred at the start of 2018, of about 1.7% for the Urban Services of Lisbon, Oporto and Coimbra, 1.5% for the Long-Distance Service, 2% for the Regional Service up to 50km, and 1.5% for the resulting routes.

As stated in the Report, the company identifies other relevant factors with impact in the improvement of results obtained, namely the customer-oriented commercial policy, the Fight against Fraud, the continued growth of tourism, as well as the recovery of the country's economic indicators.

According to the information contained in the Report, the ratio between the number of reviews and the number of fines issued was of around 10.5%, similar to 2017.

It is also worth noting, with regard to the Fight against Fraud, the publication of the Ordinance no. 37/2018, from January 29th, which allows non-complying passengers to voluntarily pay the fines to the supervising agent, which is expected to reduce the sense of impunity for offenders.

Regarding Human Resources, CP ended 2018 with a total of 2,683 employees¹⁰, accounting for 26 employees less than in the previous year, having 29 joined and 55 left, mostly through the termination of employment agreements by mutual consent and for retirement reasons.

CP performed Investments amounting to 15.5 million euros, in which 12.4 million euros was used in rolling stock repairs and about 10% in fixed facilities, in order to ensure all interventions deemed essential by the company to guarantee safety and operability of material and railway premises.

¹⁰ Corresponding to employees bound to CP, and including staff on duty of the company, assigned or requested staff from other entities, and also employees with unpaid leaves.

4. ECONOMIC AND FINANCIAL ANALYSIS

From the analysis of the financial statements attached to CP's Report and Accounts, encompassing the Balance Sheet which, as at 31st of December 2018, showed a total of 580.3 million euros and a total negative equity of 2,165.5 million euros, including a negative net result of 105.6 million euros, the Income Statement by natures, the Statement of Changes in Equity, and the Cash Flow Statement regarding the year ended on that date, and also the Attachment to the financial statements which contains a summary of the most significant accounting policies, we present the matters considered of most importance as follows.

- Losses presented in 2018, amounting to 105.6 million euros, are inferior in about 6.3 million euros to what was accounted for in the previous year (112 million euros), mainly due to the following:
 - ✓ An increase of around 8 million euros in provided sales and services, mainly due to the growth of around 5.3 million euros in the sale of one-way tickets;
 - ✓ A reduction of nearly 8 million euros in interest and similar expenses, resulting almost exclusively from the decrease of interest-bearing financial liabilities coupled with the maintenance of historical minima interest rates;
 - ✓ A decrease in depreciation of approximately 3.1 million euros, in particular as a result of the end of the useful life of some assets, which were not offset by new investments;
- Improvements mitigated by the negative variation of some expense headings, namely:
 - ✓ Increase in personnel expenses (without compensation) by approximately 6.1 million euros compared to 2017 and despite the reduction in employee numbers, amounting to a total of 104.6 million euros due, in particular, to the restitution of wage progressions which began in 2017¹¹, resulting from the collective agreements signed in December 2017 and February 2017 with the Organisations Representing Employees (ORT) concerning career regulations and the increase in overtime work and other allowances paid to CP workers. It should also be noted that, from the analysis of the information contained in the individual chapter

¹¹ Due to the application of the provisions of Articles 20 and 21 of the 2017 State Budget Law (Law no. 42/2016 of December 28th), and the effects of which were made in a phased manner (50% from July and 100% to leave from January 2018) and without retroactive effects.

SUPERVISORY BOARD

regarding the disclosure of compliance with legal guidelines, the effects of the aforementioned wage restitution and ORT agreements had an impact of around 10.7 million euros in 2018;

- ✓ Increase in expenses with Supplies and External Services by approximately 4.1 million euros, in particular as a result of increased electricity costs for traction (+1.6 million euros), with additional and auxiliary services (+2.3 million euros) related to expenses on stations shared with IP, under the terms of the Network Directory of 2018 and the infrastructure use fee (+1 million euros) also paid to that public company. It should be noted that these costs were 9.5 million euros below the forecast due, in particular, to a number of non-programmed rolling stock interventions which were lower than expected and to the postponement of renting rolling stock from RENFE as was originally planned.
- In this context, the recurrent (or adjusted)¹² EBITDA is worse by around 1.7 million euros (-15%) compared to 2017, amounting to around a positive 9.5 million euros.

In 2017, this indicator increased by about 12.8 million euros¹³ compared to 2016;

- In this context, the recurrent (or adjusted) EBITDA is worse by around 1.7 million euros (-15%) compared to 2017, amounting to around a positive 9.5 million euros.
 - ✓ The reversal of the impairment of non-depreciable and non-amortisable investments by approximately 1.6 million euros, as a result of new evaluations of properties held for sale and decommission of rolling stock not related to transport activity;
 - ✓ The increase in income (other income) from the sale of assets and scrap was around 1.4 million euros, mainly as a result of the sale of the property at Rua Castilho;
 - ✓ The improvement in gains attributed to Subsidiaries, Associates and Joint Ventures by more than 0.6 million euros, due in particular to the improvement of EMEF results;
 - ✓ The reversal of the impairments of debts receivable, in the amount of 0.9 million euros, as a result of the collection procedures developed by CP, which resulted

¹² The Recurring EBITDA is defined by CP as the "Operating Result of the transport activity", that is, the EBITDA "before compensation for termination of employment, application of the equity method, fair value, impairment, provisions, depreciation, financing expenses and taxes and other transactions not related to the activity of the company".

¹³ After being reviewed by the company in 2018, due to the formalisation of the agreement with IP for the distribution of energy expenses in shared spaces, which implied, as indicated in Note 33, the correction of similar materiality income and expenses from previous years (with net impact of the results in only 26 384 euros).

SUPERVISORY BOARD

in the recovery of some credits, namely from IP. It should be noted that, according to clarifications provided to CF, the recognition of the impairment of IP's debts resulted, fundamentally, from the formal non-recognition of said debt due to divergences between the parties – which, according to the company, resulted in an event of loss of said asset under the terms of paragraph 24(b) of NCRF 27. However, in the case of public debtors, namely public companies held 100% by the State or other public bodies, CF is of the opinion that the creation of impairments on these types of credits should be based on a detailed evaluation of the existence of objective evidence of a loss event, as determined in paragraph 23 of the aforementioned NCRF 27.

- As regards to the Financial Result, it was negative by 67.9 million euros and, therefore, better than the one recorded in 2017 (-76.1 million euros). This reduction, of around 8.2 million euros, is in line with the reduction that has been occurring in the financing obtained, as well as the maintenance of historically low interest rates (as mentioned above). Also in this context, it should be noted that interest income related to loans to subsidiaries decreased by around 7% (-30.5 million euros) as a result of the amortisation of the loans granted to EMEF and Ecosaúde, and the downward revision of the interest rates charged by CP to its affiliates.
- Assets decreased around 37.5 million euros (-6%) compared to 2017 – largely explained by the decrease in fixed tangible assets by around 40.4 million euros and resulted from their respective annual depreciations and disposals occurred in the fiscal year, which were only partially offset by a small amount of new investments (15.5 million euros);
- The contribution of financial holdings, which increased by around 5.8 million euros was also noted in the aforementioned variation, highlighting, in this context, the amount of 6.4 million euros from EMEF following the positive results obtained in 2018 by this affiliate company;
- In the current financial year, four capital increases were made, to a total of 80.9 million euros, all made through cash contributions. As in previous years, these increases were intended to meet the needs incurred from debt services, investments made and part of personnel expenses related to the variables agreement.
- As a result of the Balance Sheet, and due to the successive losses calculated in previous years, although partially offset by the new capital increases paid by the State shareholder, CP's interest on equity remains strongly negative, amounting approximately 2,165.5 million euros at the end of 2017. This situation is mentioned in the emphases of both the Legal Certification of Accounts issued by the ROC and the Audit Report of the External Auditor. It is also pointed out that, as stated in previous reports, this situation places the company within the scope of Article 35 of the CSC;

SUPERVISORY BOARD

- Liabilities decreased by 5.2 million euros compared to 2017 (-0.19%), mainly due to the decrease in interest-bearing liabilities of about 28 million euros¹⁴, offset by the increase of the balance of Suppliers and other payables, of about 21.5 million euros. It should be noted that this increase was due, as stated in the management report, to the specialisation of expenses, namely related to the charges for the use of the infrastructure;
- In addition to the reduction of the remunerated debt, which amounted to 2,586.8 million as at December 31st, 2018. It is also noted that CP did not contract any loan during the financial year or 2018. From the analysis to the profile of said debts, it is concluded that the majority (50.4%) are medium and long term. It should also be noted that the total debt also includes loans from the State (1,528.1 million euros – 59.1%), bondholders (694 million euros – 26.8%), from Euroftma (250 million euros – 9.7%) and, lastly, from BEI (114.7 million euros – 4.4%);
- As in previous years, the company has negative cash flows from its operating activities (-0.6 million euros), but significantly better than those recorded in 2017 (+17.4 million euros). This positive change is mainly due to the increase in collections from customers (+15.2 million euros) and other incomes (+18 million euros), which were, in this case, related to the VAT refund that resulted from invoicing the use charge rates issued by IP at the end of 2017.
- In addition, and as has already been pointed out in previous reports, it should be noted that the company's operating activity does not generate enough resources to self-finance, making its operation dependent on obtaining shareholder support, whether through new DGTF financing or through further capital increases.

5. COMPANY GOVERNING STRUCTURE AND COMPLIANCE WITH LEGAL GUIDELINES IN FORCE FOR THE STATE-OWNED COMPANY SECTOR

Under the terms of the aforementioned competences, it is the Supervisory Board's responsibility to analyse, as presented below, the company's compliance with the guidelines in force for the State-owned company sector (SOC), with the guidelines established in the mentioned Circular Letter of the DGTF no. 1116, from March 12th, 2019, particularly the ones related to the remuneration policy in 2018, as well as the demand stated in item 1, article 54 of RJSPE, which establishes the mandatory preparation of an Annual Report on Good Practice of the Corporate Governance, which shall contain current and complete information about all subjects regulated under the aforementioned legal scheme applicable to the SOC.

Management Report

¹⁴ Resulting from the amortisations of the BEI loan.

SUPERVISORY BOARD

In compliance with the provisions of articles 65, 66, 66-A and 66-B of the Portuguese Commercial Companies Code, CP's Management Report contains the fulfilment of such provisions and other matters legally in force, generally complying with the guidelines applicable to the SOC, namely arising from RJSPE.

Under the terms foreseen in paragraph c), item 1 of article 245 of the Portuguese Securities Code, the information contained in the Management Report discloses, as far as it is known by the Supervisory Board, the information foreseen in paragraph a) of the abovementioned article, including individual accounting documents, having been prepared in accordance with the applicable accounting standards, and presenting a true and appropriate image of assets, liabilities, financial position and results of CP. The management report also faithfully discloses the progress of the business, of the performance and the position of the Company, containing a description of the main risks and uncertainties that the company faces.

Report on non-financial information foreseen in article 66-B of the Portuguese Commercial Companies Code

In relation to, particularly, the mandatory disclosure of non-financial information and information on the diversity of certain large companies and groups, added to the Portuguese legal order by Decree-law no. 89/2017 from June 27th, under which the Securities Code and the Portuguese Commercial Companies Code were amended, CP's Board of Directors chose to present, as mentioned in the management report, a separate report which shall be published in its website within the legal deadline, thereby complying with paragraph b), item 9 of the mentioned article 66-B of the Portuguese Commercial Companies Code.

Corporate Governance Report

In compliance with item 2 of article 54 of RJSPE, CP presents an Autonomous Report of Good Practice of Corporate Governance regarding the analysed financial year, which we believe, under the terms of item 5 of article 420 of the Portuguese Commercial Companies Code, includes the elements that the company is required to provide under article 245-A of the Portuguese Securities Code and further legal provisions in force, including applicable guidelines, and no inaccuracies were found therein.

Notwithstanding the information and opinion given above, the following facts are highlighted:

- Having as a reference the model established for 2018 by the Technical Unit for Surveillance and Monitoring of the Public Enterprise Sector (UTAM), the report generally meets the defined structure;

SUPERVISORY BOARD

- The Ordinance regarding the approval by the shareholders of the accounting documents for the financial year of 2017, including the RGS of such year, are not attached to the latter since, as aforementioned, the accounts have not yet been approved.

- CP's governing structure, currently in force, comprises a three-element Board of Directors (President, Vice-President and two voting members), a Supervisory Board, a Certified Public Accountant and an Advisory Board¹⁵, and is considered adequate to size and complexity, complying with the law in force, namely with article 30 and subsequent articles of RJSPE. It should be recorded that, since July 2015, the Board of Directors of the company operates solely with a President and two voting members. CP also has an External Auditor¹⁶, whose agreement was renewed in 2017 for another 3 years, who provides audit services to CP's individual and consolidated accounts, and prepares biannual and annual reports.

Guidelines in force for the SOC

In compliance with the guidelines provided by the shareholder, conveyed in the mentioned Circular Letter of the DGTF from March 12th, 2019, compliant with article 420 of the Portuguese Commercial Companies Code, and also with the abovementioned matters regarding the Management Report, we assessed the specific information provided therein concerning the compliance with the legal guidelines applicable to the company, for which we emphasise the following:

- No management goals were established for this financial year, and the activity of the Company was focused on the PAO for 2018, presented by the Board of Directors in the first draft on August 23rd, 2017, and later reviewed in May 2018, which has not yet been approved;
- In accordance with current guidelines, the company provides, in a separate chapter, the information regarding the execution of the PAO 2018, namely the operational objectives, EBITDA, personnel expenses, indicator evolution regarding the weight of operating expenses in turnover, investment, and the adjusted indebtedness limit, justifying, overall, the observed deviations.
- By integrating the Public Administrations' perimeter with CP, the company presents, under the legally required terms, detailed information on the state of budget execution,

¹⁵ Pending appointment of all its members.

¹⁶ In accordance with item 2 of article 45 of RJSPE, companies classified as Groups A and B as provided by the Council of Ministers Resolution nos. 16/2012, from February 14th, and 18/2012, from February 16th, are under the obligation to submit annual financial information and an external audit, to be carried out by an auditor of the Portuguese Securities Market Commission.

SUPERVISORY BOARD

both in terms of revenue and expense, and refers, in each case, the most important deviations and their arguments.

- With regard to the financial risk management, and in compliance with the provisions of Ordinance no. 101/2009 – SETF, of January 30th, it is highlighted that the activity of CP is exposed to the liquidity risk and interest rate risk. Concerning the former, such risk is controlled, to some extent, by the fact that CP depends exclusively on the direct financial support from the State since it has been re-classified within public administration.

Concerning the latter, it is highlighted that the Company did not contract any financial instrument in 2018 for the coverage of interest rate, nor does it hold any instrument for such purpose in its portfolio with reference to the 31st of December 2018. Regarding other measures of risk management, and as mentioned in previous reports from the Supervisory Board, we still believe that it would be advisable to perform a sensitivity analysis of the interest rate for a 1% and 2% change, encompassing funding with a variable interest rate, in order to determine the degree of exposure and possible impacts on the company's results;

- Concerning indebtedness, and according to what was previously mentioned, CP did not take out any loan in 2018, with remunerated debt declining by approximately 28 million Euros (-1.1%) compared to 2017, due to the loan amortisations of EIB (European Investment Bank);
- In this context, the adjusted indebtedness amount, determined in accordance with the formula set forth in item no. 4 of the article 146 of the Decree-Law no. 33/2018, from May 15th (DLEO), that is, taking into consideration the capital increases made by the State and new investments with material expression¹⁷, represented an increase of 0.8%, thus falling below the 2% threshold imposed under article 56 of the State Budget Law for 2018 (OE2018);
- In accordance with the “Mandatory Legal Obligation Compliance” section of the Report and Accounts, CP did not identify any arrears¹⁸ attributable to the company at the end of 2018;

¹⁷ Those which are not included in the previous year's investment plan and whose estimated annual expenditure is equal to or greater than 10 thousand euros or 10% of the company's annual budget (see Article 1461 (2) of the DLEO 2018). It should be noted that the company did not identify any Investment under these conditions.

¹⁸ Under the terms foreseen by Decree-Law no. 65-A/2011, from May 17th.

SUPERVISORY BOARD

- As per the verification carried out by the Company, the Average Time for Payment was of 21 days in 2018 (therefore, less than 30 days¹⁹), representing a two-day increase compare to December 31st, 2017. Meeting the responsibilities towards its suppliers and other creditors is essentially justified by capital increases carried out by the shareholder, similar to what occurred in 2017;
- As aforementioned, the accounts referring to the financial year of 2017 have not been approved yet by the shareholder, and therefore there were no recommendations to take into account for 2018;
- CP reveals compliance with the provisions regarding pay cuts foreseen in Law no. 12-A/2010, from June 30th (for public managers and equivalent, starting on the 1st of June 2010);
- Additionally, and in compliance with the provisions of Article 32 of the Public Manager Statute (EGP), it should be highlighted that the Board of Directors did not use credit cards²⁰, and no expenses related to personal representation have been refunded to them;
- It is also highlighted that the Company did not grant any management awards in 2018, complying with the legal provisions on this matter;
- The members of the Board of Directors had right to certain royalties, particularly, social benefits, such as health and personal accidents insurance, equally and generally distributed to the remaining employees of the company;
- According to the report, no confidential or undocumented expenses were incurred by the company or its managers;
- In accordance with item no. 2 of the Council of Ministers Resolution no. 18/2014, from March 7th, the company drew up, and posted on its website, a report on the remuneration paid to men and women, the last of which was reported regarding the year of 2016²¹;
- Still within the scope of the disclosure of the compliance with legal guidelines under the terms foreseen in the aforementioned Circular Letter of DGTF, from March 12th, 2019,

¹⁹ Under the terms of the Council of Ministers Resolution no. 34/20018, from February 14th, the degree of compliance with the objective was exceeded.

²⁰ Including other similar payment methods.

²¹ Under the terms of item no. 2 of the Council of Ministers Resolution no. 18/2014, from March 5th, the companies of the SOC must promote, every three years, the preparation of a report, which shall be disclosed internally and made available on their respective website, regarding the remuneration paid to women and men, which aims at diagnosing and preventing the unjustified differences in remuneration.

SUPERVISORY BOARD

namely in regard to the preparation and disclosure of the annual report on corruption prevention, as provided in item no. 1 of the Article 46 of RJSPE, it is important to note that CP has a “Risk Management Plan 2018-2019”, available on its website, which includes corruption risks and related crimes, as well as specifications of management risks, corruption and related crimes under that context, also identifying risks, mitigation measures and the implemented control mechanisms associated with each of the activities of the company. Also available on the company’s website is the “Annual Implementation Report on the Risk Management Plan of Corruption and Related Offences 2018-2019” and the “Annual Implementation Report on the General Risk Management Plan 2018-2019”. Concurrently, company prepares an annual report in which it identifies the facts that may be eligible as a criminal or disciplinary infraction. The report of 2018 is available at the company’s website²²;

- Within the scope of public procurement, CP is governed by the Code of Public Agreements, being considered a contracting authority of the special transportation sector. In that scope, CP uses public and limited contests, by previous qualification or consultation to several entities. The Purchasing Regulation, which sets out the rules applicable to the leasing and purchasing of movable property and the purchase of services and construction works, is available on the respective website;
- In this context, the company submitted 19 agreements, amounting to over 5 million euros each, for early review by the Court of Auditors in 2018, in the overall amount of 65 million euros;
- CP voluntarily joined the National System of Public Purchases in 2010, so the advantages of using the Framework Agreements subscribed by ESPAP, IP are verified case by case;
- CP is not bound to the State’s Motor Vehicle Fleet. However, CP has complied with the guidelines in force for this matter, particularly the Circular Letter of DGTF no. 4238, from July 1st, and the Ordinance no. 5410/2014, from the Ministry of Environment, Land Planning and Energy and the Secretary of State of Treasury, from April 17th, 2014²³;
- As at December 31st, 2018, CP’s fleet consisted of 48 vehicles, which resulted in an increase of 4 vehicles compared to the end of 2017 (44 vehicles)²⁴, 3 of which were purchased under AOV (vehicle operating leasing) contracts in lieu of three previous

²² Dated from April, 2019.

²³ By means of which the ratio of two vehicles decommissioned for each new acquisition, the reduction of the range of the vehicles and the defined maximum incomes was established, which translated into a smaller vehicle fleet and with lower use expenses.

²⁴ At the end of 2016, CP’s vehicle fleet consisted of 47 vehicles.

SUPERVISORY BOARD

contracts that had ended in 2017. Under this circumstance, if we exclude the aforementioned substitution, there is only the increase of one vehicle – which, nevertheless, determines the non-compliance with the applicable legal orientation. However, despite the fact that the company did not request exemption of that principle, it states that the situation was regularised at the beginning of 2019;

- Regarding expenses related with the vehicle fleet, there was a decrease of 5.4% compared to 2017;

Also with regard to the remaining reduction measures of operating expenses scheduled under the terms of article 145 of DLEO 2018, and in addition to the aforementioned aspects, the following are also included:

- The companies with a positive EBITDA must ensure a reduction of the total weight of the expenses with consumptions, supplies, external services and personnel²⁵ turnover²⁶. To this extent, CP has presented a slight improvement of this indicator by 0.7 pp in 2018 when compared to 2017;
- In this context, a growth of 2.4% in relation to 2017 in the main headings should be highlighted – especially in the External Services and Supplies (+2.6%), mainly due to the increase in expenses with the use of infrastructure (reintroduction of invoicing for the use of stations and expenses with energy for traction), which were partially offset by the decrease in Costs of Goods Sold and Matters Consumed (-5.8%);
- As mentioned above, there has been an increase in personnel expenses (without indemnities) of about 6.1 million euros, due in particular to the implementation of the agreements on career regulations, signed in December 2017 and February 2018 and the reversal of wage reductions. Thus, excluding those effects, an increase of 2.8 million euros (+3%) was calculated. When compared to the one foreseen in PAO 2018, there was increase of 2.3 million euros (+2.2%). The increase is due, according to the company, to an increase in overtime work and other premiums and bonuses paid to the employees;
- As regards to the travel and accommodations of operating personnel, the company applied the provisions of the Company Agreements, which made it so there was a decrease of about 1.1% vis-à-vis 2017 – a year in which there was an increase of 267.3% (+2.7 million euros compared to 2016);

²⁵ Excluding the impact of compensation for termination of employment, reversal of wage reductions and reposition of career progressions.

²⁶ Excluding operating subsidies and compensatory allowances.

SUPERVISORY BOARD

- With regard to daily allowances, expenses remained broadly at the same level as 2017, with a slight rise of 0.3%;
- With regards to expenses for specialised work, it was found that the amount contracted in the year was 5.2% below 2017 and represented 38.3% of the forecast;
- Regarding the State Treasury Unit Principle, CP has requested the corresponding exemption on an annual basis, considering that the specific characteristics of the company's activity require the maintenance of some bank accounts and bank services offered by commercial banking;

Therefore, in 2018 and similarly to what happened in 2017, through IGCP Ordinance, EPE no. 14198/18-., from January 19th, CP obtained authorisation for not complying with the State Treasury Unit Principle regarding some services, particularly collecting and counting values, meal cards and bank guarantees that cannot be replaced by secured deposits;

Nonetheless, CP has undertaken all efforts in order to comply with said principle wherever possible, thereby centralising its cash with IGCP, EPE, as much as possible, not receiving any income from commercial investments in commercial banking in 2018;

6. FURTHER ASPECTS

- Although CP's activity is being conducted according to the 2018 Activities and Budget Plan, which is still pending approval, there were no specific guidelines intended for the company, therefore it is not appropriate to analyse the compliance with such instrument;
- There were no fixed management goals for the financial year, nor management agreements entered into with managers, which makes it equally impossible to assess their fulfilment;
- In 2018, there is still a lack of attribution (by the State) of compensatory allowances to the part of the operation which corresponds to the provision of public service, but the work tending to contract the public service to be provided by CP occurred during the aforementioned exercise, which shall allow that, in 2019, compensatory payments be made in order to ensure the company's economic and financial sustainability;

SUPERVISORY BOARD

- CP implemented more efficient commercial policies, adjusted its supply according to demand, as a way of implementing strategies able to maximise revenue. This resulted in a 3.5% increase in the number of transported passengers compared with 2017, which resulted in an increase in traffic revenues, despite the strong constraints on its activity, implying a reduction in the supply, regularity and daily punctuality;
- In 2018, CP prepared the international public tender for the acquisition of 22 railcars for the Regional Service, which was then launched on January 7th, 2019 – it was fundamental to ensure the provision of a quality and efficient railway transportation service and to increase CP's resilience and responsiveness to the current pressure on the nationwide passenger transport system.
- According to the report, CP has not yet responded, for external reasons, to the recommendation of the Court of Auditors (Agreement no. 5/2018) regarding the conclusion of the implementation of EMEF S.A.'s new business model;
- In addition to the above, CP's operational activity and its success are strongly influenced by many internal and external factors, namely the economic, social and labour environments, the future of EMEF, the conditions of the infrastructure and its complementarity with other modes of transport;

7. OPINION

In accordance with the previous information and taking into consideration the Legal Certification of Accounts arising from the assessment performed by Oliveira, Reis & Associados, Sociedade de Revisores Oficiais de Contas, Lda., and the External Auditors' Report, Pinto Ribeiro, Lopes Rigueira & Associados, Sociedade de Revisores Oficiais de Contas, Lda., with whom we agree, for the preparation of this Report and Opinion, the Supervisory Board analysed the individual financial statements, prepared in compliance with the accounting principles generally accepted in Portugal, having concluded that such elements truly and appropriately convey the financial position of CP, as at 31st of December 2018, and how the results for the financial year ended on said date were obtained.

Within the scope of its functions, the Supervisory Board also noticed that the set of CP's individual financial statements provides a suitable understanding of the company's financial position, its results, and cash flows associated with the year under analysis.

In conclusion, the Supervisory Board's opinion points:

SUPERVISORY BOARD

i) To the approval of the Management Report and Individual Financial Statements of CP, concerning the financial year of 2018, considering the points highlighted in the Legal Certification of Accounts;

ii) To the approval of the Proposal for the Allocation of Results for the financial year, presented by the Board of Directors, in order to move the negative Net Result of 105,626,933 euros to results brought forward.

Finally, the Supervisory Board notes with appreciation and thanks all the collaboration that was provided throughout 2018, both by the previous and the current Board of Directors and the employees of CP.

Lisbon, on the 9th of May 2019.

The Supervisory Board,

The President,

[Signature]

António Farinha Simão

The voting members,

[Signature]

Maria de Lurdes Correia de Castro

[Signature]

Nelson Costa Santos

REPORT AND ACCOUNTS 2018



COMBOIOS DE PORTUGAL