

Report and Accounts 2019



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 € 3 959 489 351.01 (as at the 31st December, 2019)

Design and Coordination:

Department of Planning, Control and Management Information

Financial Management

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

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MESSAGE FROM THE PRESIDENT





The Board of Directors, of which I am the Chairman, took office on July 19th, 2019, aware of the enormous challenges ahead, but imbued with a spirit of trust in the abilities and competence of everyone who work in this company and how they will achieve the plan established.

This plan - substantiated in the Council of Ministers Resolution No. 110/2019 from June 27th - is based on the recovery of rail mobility service levels in Portugal in the short term and the launch of a more ambitious project to ensure the medium and long term development and sustainability of the company and the sector.

At an early stage, we shall seek to quickly reverse the deterioration of the service provided and create a centre of expertise in the railway sector, in order to, in a second phase, invest in creating the conditions to provide the country with the capacity to design and build the Portuguese train.

Having said that, I am pleased to see that the first steps towards implementing this plan have already been taken.

At the end of the year, CP signed a Public Service Agreement with the Portuguese State to be in force for the next decade, establishing service levels and guaranteeing appropriate financial compensations for the service provided.

On the other hand, the Portuguese State recognised the added value resulting from the internalisation of the maintenance operation, determining the integration of EMEF in CP with effect from January 1st, 2020 and, at the same time, authorising the reopening of Guifões Workshop to increase the installed capacity of repair and maintenance of rolling stock.

The tender for the acquisition of 12 bi-mode railcars and 10 electric railcars was also launched in 2019, thus interrupting a long disinvestment cycle.

As far as operational indicators are concerned, in 2019 the company carried approximately 145 million passengers. There was an increase of 19 million passengers travelling in CP's trains, in comparison with the previous year, and a traffic income increase of 15 million euros, corresponding to an improvement of 15% and 6% respectively. The growth in the number of passengers was common to all services of the company.

CP had a positive recurrent EBITDA of 48 million euros, representing an improvement of 39 million euros compared with 2018. It is also worth mentioning the improvement in results of affiliate companies, specifically of EMEF.

The Financial Result also recorded an improvement of 12.6 million euros, mainly due to the decrease in the financial liability.

In line with the remaining indicators, the Net Result showed an improvement of 51% compared with the previous year (+54 million euros), going from -105.6 million euros, in 2018, to -51.6 million euros in 2019.

I would like to express my gratitude to all Associates and respective Representative Organisations for their professionalism and dedication, which lead to the improvement in results and main indications.

It should also be noted the work carried out by the previous Board of Directors and the support provided by the Sector and Financial Ministries.

Finally, to our Customers, we thank them for their preference.

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BOARD OF DIRECTORS



President

Nuno Pinho da Cruz Leite de Freitas

Vice-President

Pedro Miguel Sousa Pereira Guedes Moreira

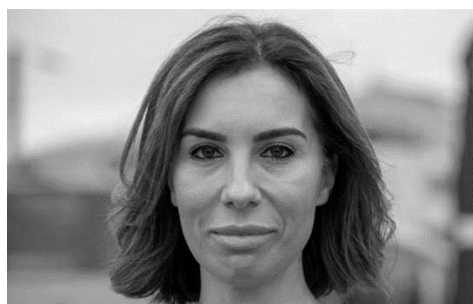


Voting Member

Ana Maria dos Santos Malhó

Voting Member

Maria Isabel de Magalhães Ribeiro



Voting Member

Pedro Manuel Franco Ribeiro

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2019 SUMMARY



SNCF

3572

| Operating Indicators | 2019 | 2018 | 2017 | Δ 19-18 | Δ % |
|---|----------------|----------------|----------------|----------------|-------------|
| Demand | | | | | |
| Passengers (10 ³) | 144 894 | 126 275 | 122 028 | 18 619 | 15% |
| Passengers Kilometre (10 ³) | 4 436 079 | 4 104 131 | 4 032 713 | 331 948 | 8% |
| Supply | | | | | |
| Trains (10 ³) | 434 | 431 | 445 | 3 | 1% |
| Train-Km (10 ³) | 29 094 | 28 531 | 29 129 | 563 | 2% |
| Provided Seat-Kilometre (10 ⁶) | 13 015 | 12 727 | 13 242 | 288 | 2% |
| Human Resources | | | | | |
| Fleet - Active Fleet | 2 646 | 2 658 | 2 681 | -12 | -0,5% |
| Average Effective Staff | 2 634 | 2 680 | 2 692 | -46 | -2% |
| Fleet - Active Fleet | | | | | |
| Railcars | 240 | 237 | 239 | 3 | 1% |
| Locomotives | 32 | 32 | 31 | 0 | 0% |
| Carriages | 104 | 104 | 104 | 0 | 0% |
| Financial Indicators | | | | | |
| Income from Traffic | 273 850 | 259 025 | 249 890 | 14 825 | 5,7% |
| Compensatory Allowances * | 341 263 | 288 559 | 278 678 | 52 704 | 18,3% |
| Operating Income * | 293 231 | 279 072 | 267 514 | 14 159 | 5,1% |
| EBITDA * | 48 032 | 9 487 | 11 164 | 38 545 | 406,3% |
| Operating Result * | 4 411 | -36 898 | -35 802 | 41 309 | -112,0% |
| Net Result | -51 578 | -105 627 | -111 952 | 54 049 | -51,2% |
| * (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). | | | | | |
| ** 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 compared to the data disclosed in 2017. | | | | | |
| Ratios | | | | | |
| Labour Productivity (10 ³) (Train-km/Average Effective Staff) | 11,0 | 10,6 | 10,8 | 0,4 | 4% |
| Expense influence in the Turnover w/o Operating Subsidies *** | 100,4% | 100,9% | 101,4% | -0,5p.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). | | | | | |

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MACROECONOMIC FRAMEWORK


COMBOIOS DE PORTUGAL
Informe-se sobre vantagens na sua viagem
para toda a Europa em CP.pt


COMBOIOS DE PORTUGAL

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2019 in review¹

The Portuguese economy has been growing for several consecutive quarters and has registered – over the last few years – one of the periods of greatest and most prolonged economic growth, which occurred within a balanced framework of external accounts. This performance has made it possible to resume a movement of convergence vis-à-vis the European Union that has been absent for 15 years. The key factors to explain these developments were the stabilisation of the financial sector, the recovery of investment, the rebalancing of external accounts and the progress achieved in the structural consolidation of public accounts.

In 2019, the Gross Domestic Product (GDP) increased 2.2% in volume, 0.2 percentage points lower than the previous year. These developments resulted from the less intense positive contribution of domestic demand, reflecting the slowdown in private consumption.

Net foreign demand made a slightly less negative contribution than in 2018, with a deceleration in exports and imports of goods and services.

The unemployment rate remained at the previous year's level, at 6.7%.

A low rate of inflation was registered, with the Harmonised Index of Consumer Prices (HICP) accounted for an annual average rate of change of 0.3% in 2019, lower than the 1.2% of the previous year.

An important incentive to mobility and the use of public transport was implemented in 2019, which consisted of Order no. 1234-A/2019 of the Offices of the Secretaries of State for Budget and Deputy and for Mobility, which enshrined the Tariff Reduction Support Program in Public Transport (PART).

The positive indicators of the economy, the measures to encourage mobility and the increase in tourism contributed favourably to the evolution of demand for the Company in 2019, maintaining the growth trend registered since 2013.

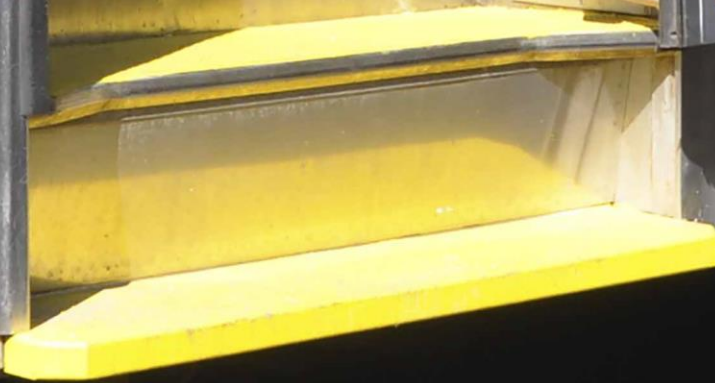
¹ Sources: www.INE.pt and Banco de Portugal – Statistical Bulletin.

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OUR BUSINESS IN 2019

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Classe

Carruagem
2



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GENCIA

How Much We Produced

In 2019 CP's supply – evaluated in Trains*Kilometres – was of 29,094 thousand CK. It was 2% higher than in the previous year, a development essentially explained due to the existence of labour conflicts that led to the suppression of more than 8000 trains, several derailments that disturbed countless circulations and reductions in the availability of rolling stock. On the other hand, it is noted the electrification of Minho and Douro Lines rail sections in 2019.

| Trains Kilometre (*10 ³) | 2019 | 2018 | 2017 | 2019- 2018 | 2019 /2018 |
|--|---------------|---------------|---------------|-----------------------|-----------------------|
| Urban Serv. Lisbon | 6 540 | 6 471 | 6 651 | 69 | 1,1% |
| Urban Serv. Oporto | 4 594 | 4 463 | 4 601 | 131 | 2,9% |
| Long Distance Serv. | 8 860 | 8 687 | 8 592 | 173 | 2,0% |
| Regional Serv. | 9 099 | 8 909 | 9 286 | 190 | 2,1% |
| TOTAL | 29 094 | 28 531 | 29 129 | 563 | 2,0% |

The number of seat-kilometres offered was also higher than in the previous year – as were the occupancy rates – due to a growth in demand higher than the supply.

| Provided Seat Km (*10 ⁶) | 2019 | 2018 | 2017 | 2019- 2018 | 2019 /2018 |
|--|---------------|---------------|---------------|-----------------------|-----------------------|
| Urban Serv. Lisbon | 5 843 | 5 732 | 6 001 | 112 | 1,9% |
| Urban Serv. Oporto | 2 224 | 2 183 | 2 276 | 41 | 1,9% |
| Long Distance Serv. | 2 698 | 2 642 | 2 685 | 55 | 2,1% |
| Regional Serv. | 2 250 | 2 171 | 2 280 | 80 | 3,7% |
| TOTAL | 13 015 | 12 727 | 13 242 | 288 | 2,3% |

| Occupancy rate | 2019 | 2018 | 2017 | 2019- 2018 |
|-----------------------|--------------|--------------|--------------|-----------------------|
| Urban Serv. Lisbon | 27,3% | 23,3% | 21,2% | 3,9 p.p. |
| Urban Serv. Oporto | 29,0% | 29,8% | 28,1% | -0,9 p.p. |
| Long Distance Serv. | 64,0% | 62,5% | 61,3% | 1,4 p.p. |
| Regional Serv. | 21,1% | 21,3% | 21,0% | -0,3 p.p. |
| TOTAL | 34,1% | 32,2% | 30,5% | 1,8 p.p. |

Our Customers - Demand

In 2019, more than 144 million passengers were transported by CP, corresponding to a 14.7% increase regarding 2018 and representing, in absolute terms, an increase of approximately 19 million transported passengers.

The Lisbon Urban Service and the Oporto Urban Service – with an increase of 18.4% and 7.7% respectively – were the main contributors to this growth.

This evolution is justified by the implementation of the tariff reduction support program (reduction of monthly passes prices), the increase in tourism, the different forms of fighting fraud and the recovery of the country's economic indicators.

| Passengers (*10 ³) | 2019 | 2018 | 2017 | 2019- 2018 | 2019 /2018 |
|--|----------------|----------------|----------------|-----------------------|-----------------------|
| Urban Serv. Lisbon | 103 292 | 87 235 | 83 005 | 16 057 | 18,4% |
| Urban Serv. Oporto | 23 674 | 21 979 | 21 591 | 1 695 | 7,7% |
| Long Distance Serv. | 6 698 | 6 386 | 6 388 | 312 | 4,9% |
| Regional Serv. | 11 231 | 10 674 | 11 044 | 556 | 5,2% |
| TOTAL | 144 894 | 126 275 | 122 028 | 18 619 | 14,7% |

| Passengers-Km (*10 ³) | 2019 | 2018 | 2017 | 2019- 2018 | 2019 /2018 |
|---|------------------|------------------|------------------|-----------------------|-----------------------|
| Urban Serv. Lisbon | 1 592 342 | 1 338 164 | 1 270 474 | 254 179 | 19,0% |
| Urban Serv. Oporto | 644 347 | 651 162 | 638 990 | -6 815 | -1,0% |
| Long Distance Serv. | 1 725 672 | 1 651 975 | 1 644 831 | 73 697 | 4,5% |
| Regional Serv. | 473 718 | 462 830 | 478 419 | 10 888 | 2,4% |
| TOTAL | 4 436 079 | 4 104 131 | 4 032 713 | 331 948 | 8,1% |

Profits

Profits from traffic exceeded 273 million euros in 2019, representing an increase of 14.8 million euros regarding the previous year (+5.7%).

The evolution of profits is justified by the growth in demand and the average tariff update, on January 1st, 2019, of AP and IC Long Distance services and occasional urban services tickets by 1.14%. The prices of the monthly and occasional Regional service passes have remained unchanged.

| Profits from Traffic (*10 ³ €) | 2019 | 2018 | 2017 | 2019-2018 | 2019/2018 |
|---|----------------|----------------|----------------|------------------|------------------|
| Urban Serv. Lisbon | 95 342 | 91 682 | 86 322 | 3 660 | 3,8% |
| Urban Serv. Oporto (*) | 30 706 | 28 147 | 26 898 | 2 558 | 8,3% |
| Long Distance Serv. | 118 688 | 110 461 | 107 085 | 8 171 | 6,9% |
| Regional Serv. | 29 114 | 28 734 | 29 585 | 380 | 1,3% |
| TOTAL | 273 850 | 259 025 | 249 890 | 14 825 | 5,7% |

(*) 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.

Our Employees

Staff

The company closed 2019 with 2 669 effective staff members, i.e. 14 employees less than at the end of the previous year.

| Staff as at December 31st | 2019 | 2018 | 2017 | Δ 2019-2018 |
|---------------------------|------|------|------|-------------|
| Bound | 2669 | 2683 | 2709 | -14 |
| Effective staff | 2646 | 2658 | 2681 | -12 |
| On duty | 2645 | 2656 | 2678 | -11 |

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.

During 2019, 73 employees joined the company's effective staff² and 87 employees left the company, mainly due to termination of employment agreements by mutual consent or for retirement reasons.

| Bound staff as at December 31st | | | | |
|--|------|------|------|-------------|
| Career | 2019 | 2018 | 2017 | Δ 2019-2018 |
| Administrative | 92 | 101 | 100 | -9 |
| Technical Support and Management | 79 | 82 | 86 | -3 |
| Commercial | 1221 | 1237 | 1248 | -16 |
| Material | 55 | 68 | 74 | -13 |
| Transport Operating | 122 | 107 | 110 | 15 |
| Other | 13 | 14 | 17 | -1 |
| Technical | 272 | 282 | 281 | -10 |
| Traction | 807 | 786 | 787 | 21 |
| TOTAL | 2661 | 2677 | 2703 | -16 |
| Board of Directors + Supervisory Board | 8 | 6 | 6 | 2 |
| TOTAL | 2669 | 2683 | 2709 | -14 |

² The recruitments carried out in 2019 were authorised by:

- Order no. 237/19-SEP from 29-03-2019 for 14 Shunters and Rolling Stock Operators;
- Council of Ministers Resolution 110/2019 from 05-07-2019 for 120 employees: 20 sales assistants, 40 inspection and sales operators and 40 train drivers. Process to be concluded in 2020.

Around 83% of the employees are from the operating area and belong to the “commercial”, “traction”, “transport operation” and “material” professional careers.

Absenteeism and Overtime Work

Absenteeism and overtime rates increased slightly compared to the previous year, with a particular focus on operational categories.

| Indicators (%) | 2019 | 2018 | 2017 | Δ 2019-2018 |
|--------------------------------|-------|-------|-------|-------------|
| Absenteeism Rate (w/o strikes) | 7,2% | 6,9% | 6,9% | 0,3 p.p. |
| Overtime Work Rate | 14,1% | 12,8% | 12,9% | 1,3 p.p. |

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.

A total of 451 professional training programmes were carried out – an average of 20.25 hours of training per employee – most of them conducted by Fernave, a company belonging to the CP Group. The professional training programmes were distributed among the following topics:

| Training Subjects 2019 | Number of Trainees | Workload | Sessions |
|----------------------------------|--------------------|-----------------|------------|
| Customer | 666 | 8 137,0 | 53 |
| Management | 762 | 4 816,5 | 72 |
| Quality and Environment | 6 | 63,0 | 2 |
| Overall Safety | 1 090 | 8 753,5 | 197 |
| Safety - Technical Qualification | 1 545 | 31 676,0 | 114 |
| Services/Languages | 24 | 504,0 | 3 |
| Information Technologies | 21 | 263,0 | 10 |
| Total | 4 114,0 | 54 213,0 | 451 |

Fleet

At the end of 2019, CP held 376 rolling stock units for the active fleet in commercial service with the following typology and service allocation:

| Type of Material | 2019 | 2018 | 2017 | Δ 19-18 |
|---------------------|------------|------------|------------|----------|
| Electric railcar | 189 | 189 | 189 | 0 |
| Diesel railcar | 51 | 48 | 50 | 3 |
| Electric locomotive | 24 | 24 | 24 | 0 |
| Diesel locomotive | 8 | 8 | 7 | 0 |
| Carriages | 104 | 104 | 104 | 0 |
| Total | 376 | 373 | 374 | 3 |

| Service | 2019 | 2018 | 2017 | Δ 19-18 |
|--------------------------|------------|------------|------------|----------|
| Urban Serv. Lisbon | 91 | 91 | 91 | 0 |
| Urban Serv. Oporto | 34 | 34 | 34 | 0 |
| Reg. Serv./Long Distance | 246 | 243 | 244 | 3 |
| Medway lease | 5 | 5 | 5 | 0 |
| Total | 376 | 373 | 374 | 3 |

The active fleet has 23 *diesel* railcars, series 592 and 592.2, which are rented from RENFE.

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.

Service Quality

In 2019, CP's Global Index of Regularity was of 99.2%, 2.2 percentage points higher than in the previous year. This increase was common to all services.

| Regularity | 2019 | 2018 | 2017 | Δ 2019-2018 |
|----------------------------|-------|-------|-------|-------------|
| Urban Serv. Lisbon | | | | |
| Sintra / Azambuja | 98,7% | 97,0% | 99,4% | 1,8 p.p. |
| Cascais | 99,4% | 97,9% | 99,3% | 1,5 p.p. |
| Sado | 99,4% | 97,8% | 99,3% | 1,6 p.p. |
| Urban Serv. Oporto | | | | |
| Aveiro | 99,5% | 97,8% | 99,6% | 1,7 p.p. |
| Braga | 99,9% | 99,0% | 99,9% | 0,9 p.p. |
| Caíde | 99,9% | 99,0% | 99,9% | 0,9 p.p. |
| Guimarães | 99,9% | 98,9% | 99,8% | 1,1 p.p. |
| Long Distance Serv. | | | | |
| Alfas | 99,5% | 97,8% | 99,4% | 1,7 p.p. |
| Intercidades | 99,7% | 97,0% | 99,4% | 2,7 p.p. |
| Regional Serv. | | | | |
| Regional Serv. | 99,0% | 95,4% | 98,7% | 3,6 p.p. |
| Overall CP | 99,2% | 97,0% | 99,2% | 2,2 p.p. |

There was also a general improvement in the Daily Index of Punctuality compared to the previous year, with particular emphasis on Long Distance Services, which still remain below the desirable values.

| Daily Punctuality | 2019 | 2018 | 2017 | Δ 2019-2018 |
|--------------------------------|--------------|--------------|--------------|-----------------|
| Urban Serv. Lisbon (1) | | | | |
| Sintra / Azambuja | 86,0% | 83,8% | 87,2% | 2,2 p.p. |
| Cascais | 86,4% | 92,3% | 92,1% | -5,9 p.p. |
| Sado | 79,8% | 80,3% | 83,3% | -0,5 p.p. |
| Urban Serv. Oporto (1) | | | | |
| Aveiro | 82,5% | 78,1% | 82,1% | 4,5 p.p. |
| Braga | 89,7% | 89,5% | 90,3% | 0,2 p.p. |
| Caíde | 84,6% | 89,4% | 91,8% | -4,8 p.p. |
| Guimarães | 81,7% | 87,7% | 89,0% | -6,0 p.p. |
| Long Distance Serv. (2) | | | | |
| Alfas | 65,2% | 56,2% | 46,6% | 9,0 p.p. |
| Intercidades | 60,9% | 53,5% | 58,0% | 7,4 p.p. |
| Regional Serv. (2) | | | | |
| Regional Serv. | 80,0% | 78,2% | 78,6% | 1,8 p.p. |
| Overall CP | 82,2% | 81,5% | 88,2% | 0,7 p.p. |

Notes: (1) Delays exceeding 3 minutes
(2) Delays exceeding 5 minutes

Delays and withdrawals in circulation resulted mainly from the following causes:

1. The responsibility of IP:
 - a. Speed limitations imposed by IP for infrastructure works, reflected in the intersections and connections of passengers and tractive stock;
 - b. Signalling malfunctions;
 - c. Overhead contact line malfunctioning, flooding and rail blocks.
2. The responsibility of CP:
 - a. Tractive stock malfunctioning
3. The responsibility of third parties:
 - a. Accidents with people;
 - b. Accidents with vehicles at level crossings.

Investments

In 2019, CP invested a total of 18.5 million euros, 79% of which were assigned to rolling stock.

| Investments 2019 | Amount (*10 ³ €) |
|-------------------------|---------------------------------------|
| Rolling Stock | 14 558 |
| Fixed Facilities | 1 158 |
| Commercial Equipment | 375 |
| Computerisation | 1 391 |
| Other Investments | 1 015 |
| TOTAL | 18 499 |

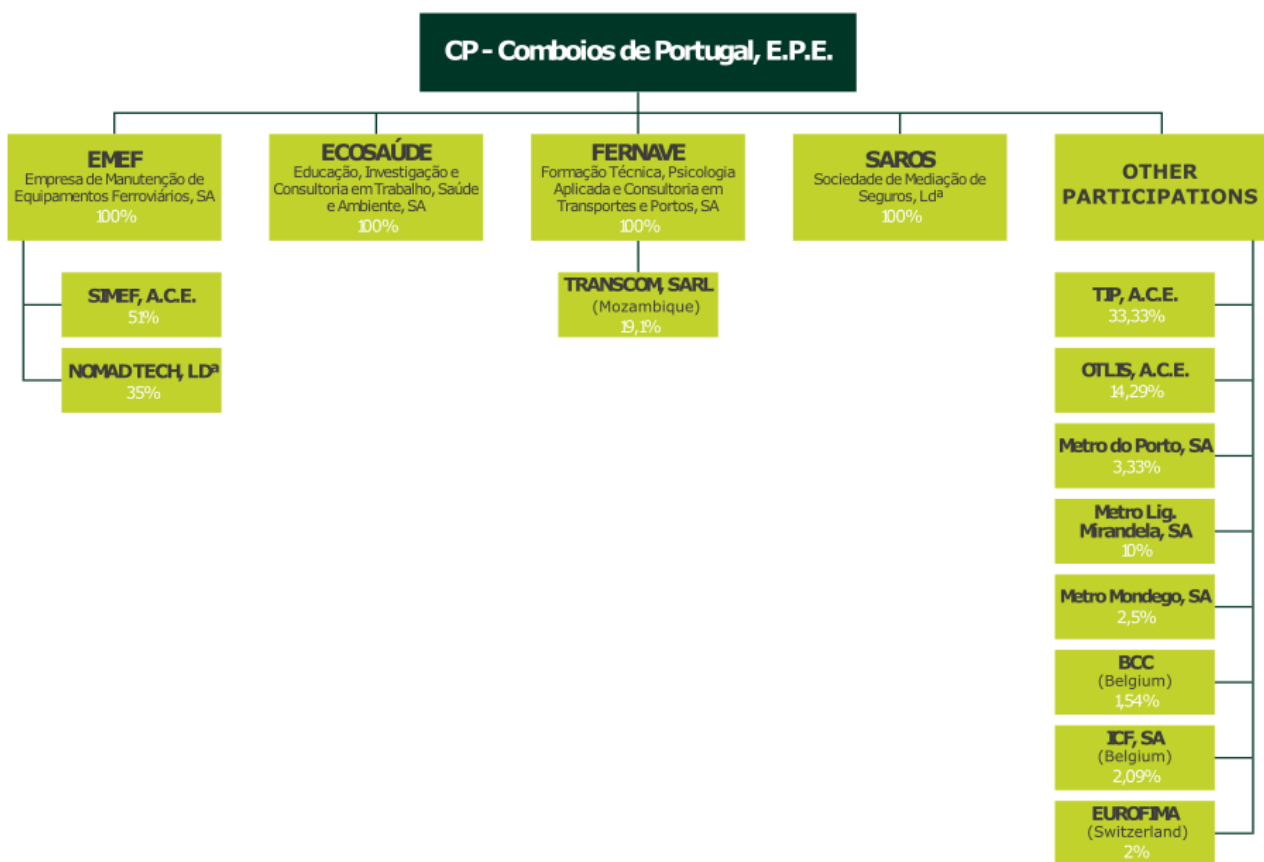
The most significant investments continue to be 'Large Repairs (of type R)', regarding programmed maintenance interventions in several series of rolling stock with the aim of restoring their operating and safety levels, and the 'half-life intervention of tilting trains (CPA)'.

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 2019.

The following diagram presents the holdings from CP and its affiliate companies in 2019:



The Decree-Law no. 174-B/2019, of December 26th, approved the merger of CP - Comboios de Portugal E.P.E. and EMEF - Empresa de Manutenção de Equipamentos Ferroviários, S.A., which takes effect on January 1st, 2020. This is a merger by incorporation of EMEF into CP, with the parent company once again concentrating the maintenance and repair of rolling stock in an operation that will allow significant internal synergies to be achieved.

The background features large, stylized, rounded letters 'a' and 'b' in a light green color, set against a darker green background. The letters are positioned on the left and right sides of the page, respectively.

HOW DO WE CREATE VALUE



Contracting the Activity

Public Service Agreement Signing

CP and the State signed a Public Service Agreement for a 10-year period, with the possibility of extension for a further five years, establishing the public service obligations to which CP is bound, the corresponding financial compensation and measurable operational indicators of the provided service. Such agreement will provide the Company with greater financial capacity for the service provision, as well as for the maintenance and renewal of rolling stock.



Purchase of Rolling Stock

Tender for the Purchase of 22 Railcars

A tender for the purchase of 22 Railcars for the Regional Service was launched, contemplating the purchase of 12 Bi-Mode Railcars (which run on both electrified and non-electrified lines) and 10 Electric Railcars. The agreement will be signed in 2020.



CP - EMEF Merger

Approval of CP and EMEF Merger

The Decree-Law establishing the merger of CP and EMEF – which takes effect on January 1st, 2020 – was approved. This is a merger by incorporation of EMEF into CP, with the parent company once again concentrating the maintenance and repair of rolling stock.



Mobility

Electrification of the Douro and Minho Lines

The electrification of the Douro Line between Caíde and Marco de Canavezes was completed, and the electric trains started to provide commercial services from Oporto to Marco de Canavezes. During the infrastructure works, which took place between November 2018 and April 2019, train services were suspended on this stretch and a bus replacement service was provided.

The electrification works of the Minho Line between Nine and Viana do Castelo were also completed, improving the travel times and providing the Intercidades Service to Viana do Castelo.

Summer Timetable

The offer on the Sintra and Oeste Lines during summer holidays was adjusted, following the trends in demand.

Touristic Programmes and Special Services

Several circuits have taken place, including the Almond Blossom Circuit, Lamprey Circuit, Cherry Trees in Blossom Circuit, Bairrada Circuit and the Douro Grape Harvest Festival. Additionally, special trains have also run to meet the increased demand in connection with major music events, sports events and seasonal celebrations such as Carnival, *Santos Populares*, Sudoeste Festival, NOS Alive Festival, UEFA Nations League and the Web Summit. The usual Douro and Vouga historical trains have been carried out.



Tariff

Tariff Update

On January 1st, 2019, the average tariff update of AP and IC Long Distance services and occasional urban services tickets of 1.14% was carried out. The prices of the monthly and occasional Regional service passes have remained unchanged.

Tariff Reduction Support Program (PART)

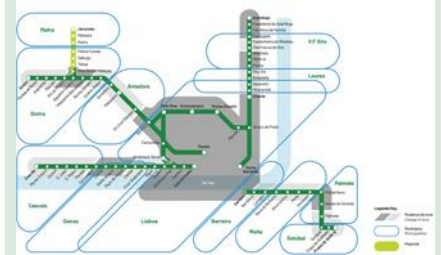
The new transport tariffs in the Lisbon (AML) and Oporto (AMP) Metropolitan Areas were implemented in April, with single prices of 30 or 40 euros, depending on the type of travel, which allow travelling on all public transports within the corresponding metropolitan areas. Children can travel free of charge and students, pensioners and people in need are still entitled to discounts. Family passes were made available in August.

Also within the scope of this program, agreements were established with the Inter-municipal Community of Médio Tejo, Lezíria do Tejo, Algarve, Região de Coimbra, Oeste, Beira Baixa, Leiria, Tâmega e Sousa, Beiras and Serra da Estrela, through the application of discounts on the tariff charged to passengers by the Passes.

Expansion of the Andante Zoning to the whole Oporto Metropolitan Area

The Andante Intermodal System was extended to the entire territory of the 17 municipalities of the Oporto Metropolitan Area (AMP). Thus, these passes became valid on the Oporto Urban Trains, between Oporto S. Bento and Vila das Aves, Paredes and Paramos. Such extension integrated 40 stations with urban service into the Andante network.

Yield Management



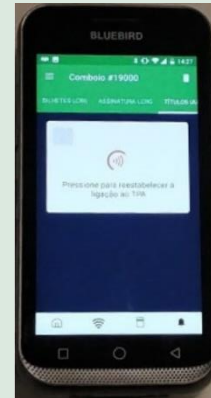
New special tariff campaigns were launched, providing discounts of around 80% on the Alfa Pendular Service (tourist class) and Intercidades (2nd class), with a limited number of seats during periods of lower demand.



Innovation and Technology

New Portable Sale and Control Equipment

650 portable sale and control equipment was replaced. The new equipment consists of an Android smartphone and a Point of Sale (POS), with printer features (receipts and tickets), contactless transport card reader and ATM card payments.



New POS and Operating System in Ticket Offices

Automatic Points of Sale (POS) associated with the ticket office sales system were replaced and the Windows 10 operating system was expanded to all assisted sales points (ticket office equipment). The new equipment has additional features, representing an increase in transaction security.



New VIVA GO: Mobility in Post-paid

The VIVA GO solution was launched on the Lisbon VIVA card, valid on the Lisbon Urban Services network. It is a new payment method – according to a post-paid model – which directly debits from the holder's bank account the value of each journey, only when made.



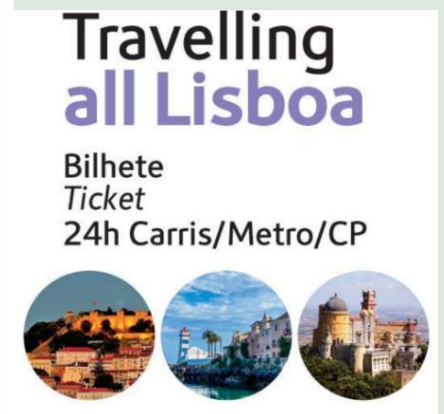
Anti-vandalism measures in the validating machines of the Oporto Urban Services

Anti-vandalism metal protections were installed in the ticket validating machines of the stations identified as being of greater risk in the Oporto Urban network – in a total of 40 pieces of equipment – allowing them to increase their operability.



Product Sale of the Leisure segment from the Online Ticket Office

The Tourist Ticket, Intra_Rail (Xcape and Xplore), Portugal Rail Pass, Train & Bus and the 24h Carris/Metro/CP Ticket are now available for sale through this channel.



Our Campaigns

CP Branding Campaign

Following the claim "It is the place to...", its aims were to make CP's commercial offer known – according to the needs of each segment – and lead to service experience. Composed by two periods, May/June and September, it used the following channels: TV, Radio, exterior - Advertising Monopoles and Billboards - digital channels and CP's own means.



Interrail Campaign

The Campaign – rooted in the challenge "Create your own story" – was based on the release of short social media videos produced by a group of micro influencers, the TribeGuys, who carried out an Interrail and shared their experiences with their followers. The campaign used Instagram, Facebook, Snapchat, YouTube, as well as CP's digital channels.



International Service Campaign

The campaign – under the moto "It is the place for new journeys" – aimed at creating interest and desire for international train journeys, through Sud Expresso, Lusitânia Comboio Hotel and Celta services. Focused on the communication of the destinations – Burgos, Madrid and Vigo – as well as on the Tourist berth price, the campaign aimed at positioning CP's international service in families. It used social networks, digital media, contents published in JN and Sapo and was a target of communication in content marketing through influencers, apart from the CP digital media, trains and stations.



Partnership with the Loyalty Programme of McDonald's

In a partnership with CP and Intra_Rail, McDonald's promoted the M'Lovers loyalty programme, offering passes and two nights in a Youth Hostel for exchange of loyalty programme points.



Facility Improvement

Improvement of the Operational Dormitory in Viana do Castelo

As part of the policy of improvement of operating facilities, it consisted in increasing the area of some rooms, using appropriate materials to improve thermal and acoustic insulation, improving electric lighting and frontages, renovating furniture and decorating rooms.



Construction Works in the Santa Apolónia Rolling Stock Fleet

Contract works consisting of an extensive improvement of the line and track devices of the workshop accesses, the waterproofing of the access to the washing gate and the reinforcement of the supply area of the fleet, in order to increase the safety of the railway operation.



Construction Works in the Warehouses and Waste Yard of Entroncamento

It consisted in replacing the roofs of the Supply Warehouses in Entroncamento – improving the storage conditions of parts and components of rolling stock – and about half of the roofs of the waste sorting platform.





COMPLIANCE WITH LEGAL OBLIGATIONS



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Summary Table

| Compliance with the 2019 Legal Guidelines | Compliance | Measurement/ Identification | Explanation / Referent to the item of the Report |
|---|------------|--|--|
| | Y/N/NA | | |
| Management Goals | | | |
| EBITDA Improvement | Y | +38,5 M€ than in 2018 and -38,6 M€ than expected | Recurrent EBITDA / See "Management Goals" and "Optimisation Measures of the Operating Expenses Structure" |
| Reduction of the influence of Expenses in the Turnover | Y | -0,5 p.p. than in 2018 and -4,9 p.p. than expected | See "Management Goals" and "Optimisation Measures of the Operating Expenses Structure" |
| Goals comprised in the 2019 Activities and Budget Plan | | | |
| Income from Traffic | Y | +14,8 M€ than in 2018 and +7 M€ than expected | See "Management Goals" |
| Transported Passengers | Y | +18,6 M liabilities than in 2018 and +16,4 M liabilities than expected | See "Management Goals" |
| Final Effective Staff | N | -46 than in 2018 and -133 than expected | See "Optimisation Measures of the Operating Expenses Structure" and "Permanent Staff" |
| Investment | N | 37,4 % of the Annual Budget implementation | See "Management Goals" and "Investment" |
| Degree of Budget implementation existing in the Budget Management Information System / State Budget System | | | |
| | Y | Revenue 93,1 % Expenses 76% | See "Management Goals" |
| Financial Risk Management | | | |
| | Y | 2,4% | Average funding cost / See "Financial Risk Management" |
| Limit for Debt Growth | | | |
| Adjusted Indebtedness | Y | -7,5% | There was no loans in 2019. / See "Limit for Debt Growth" |
| Development of the Average Times for Payment to suppliers | | | |
| | Y | +5 days | Change between the 4th quarter of 2019 and the 4th quarter of 2018 / 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 2016, 2017 and 2018 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 i | Y | 18 188,43 € | Under Law no. 71/2018, from December 31st, which approved the State Budget for 2019 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 2019 | NA | Not applicable | See "Remunerations" |
| External Auditor - salary reductions and pay cut reversals in force during 2019 | NA | Not applicable | See "Remunerations" |

| Compliance with the 2018 Legal Guidelines | Compliance | Measurement/ Identification | Explanation / Referent 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 Ministers Resolution no. 18/2014 | | | |
| 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 | 11 agreements of an overall amount of 36.195.573 € | See "Public Contracting" |
| Audits performed by the Court of Auditors | | | |
| | Y | 0 | There were no audits performed by the Court of Auditors during 2019 |
| Vehicle Fleet | | | |
| Number of vehicles | Y | 48 | It did not change vis-à-vis 2018. See "Optimisation Measures of the Operating Expenses Structure" |
| Operating Expenses of Public Companies | | | |
| MRGO | Y | Various | See "Optimisation Measures of the Operating Expenses Structure" |
| Procurement of Studies | | | |
| Proc. of studies opinions, projects and consulting services (art. 49 of the Decree-Law of 2019 Budget Implementation) | Y | 6 | See "Procurement of Studies" |
| State Treasury Unit Principle (art. 28 of Decree-law 133/2013) | | | |
| Cash and equivalents centralised in the Public Debt Management Institute (IGCP) | Y | 28 254 140,63 € | Demand deposit amount in the Public Debt Management Institute (IGCP) at the end of the year / Total demand deposit amount. See "State Treasury Unit Principle" |
| Cash and equivalents in Commercial Banking | Y | 1 941 305,41 € | Demand deposit amount in Commercial Banking at the end of the year, corresponding to the revenue collected from the stations within the last days of December, 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 | Y | 0,00 € | There is no interest earned. |

1. Management Goals and Activities and Budget Plan

Non-Financial Reporting

As to the 2019 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 Plan

In 2019, CP transported around 145 million passengers, 16.4 million higher than budgeted (+12.8%) and traffic income exceeded 273 million euros, 7 million higher than expected (+2.6%). Such deviations are essentially explained by the implementation of the tariff reduction support program (reduction of monthly passes prices), as of April.

The offer – measured in Trains*Kilometre – was 2.5% lower than expected, notably due to the delay in completing the electrification works of the Caíde-Marco de Canavezes stretch of the Douro line, with the suspension of train services and the unavailability of rolling stock.

In 2019, the recurrent EBITDA was positive at 48 million euros, 38.6 million euros (45%) lower than budgeted. However, it should be noted that the forecast scenario presupposed the conclusion – in 2018 – of the Public Service Agreement between CP and the State and the subsequent granting of the financial compensation due for the public service obligations as of January 1st, 2019, amounting approximately to 91.5 million euros, which was not achieved. The value received, by the end of the year, was 40 million euros.

Within this context, excluding financial compensations, recurrent EBITDA would have been around 12.9 million euros higher than expected. In turn, the ratio of Operating Expenses vs. Turnover, without financial compensations, increased 4.9 percentage points concerning the expected.

Such positive deviations were mainly justified by the growth in traffic income, but also by the containment of operating expenses.

| Reduction Measures of Operating Expenses (Cost Reduction Policy) (Amounts in Euros) | 2019 Implement. | 2019 Budget | 2019 Implement./2019 Budget | |
|---|--------------------|------------------|--------------------------------|----------|
| | | | Δ Absol. | Change % |
| (1) Sold commodities and consumed materials costs | 6 287 643,25 € | 7 498 804,48 € | -1 211 161,23 € | -16% |
| (2) External services and supplies | 175 203 485,85 € | 180 123 275,06 € | -4 919 789,21 € | -3% |
| (3) Personnel expenses corrected from charges i), ii) and iii) ^{a)} | 100 292 902,08 € | 101 064 145,65 € | -771 243,57 € | -1% |
| (3.i) Compensations for termination of employment | 1 161 188,28 € | 2 425 000,00 € | -1 263 811,72 € | -52% |
| (3.ii) Valuation of remuneration under the terms of the State Budget La | - | - | - | - |
| (3.iii) Impact of the implementation of article 21 of the Law no. 42/2016, of December 29th ^{b)} | 7 560 452,10 € | 7 040 977,23 € | - | - |
| (4) Operating Expenses = (1)+(2)+(3) | 281 784 031,18 € | 288 686 225,19 € | - 6 902 194,01 € | -2% |
| (5) Turnover ^{b)} | 280 719 728,86 € | 274 339 378,42 € | 6 380 350,44 € | 2% |
| (6) Influence of Expenses/Turnover = (4)/(5) | 100,4% | 105,2% | -4,9p.p. | - |

a) 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 December 28, and of the remuneration valuations in accordance with the provisions of the State Budget Law 2019.

b) The values of the influence were reviewed vis-à-vis the 2018 and 2017 reports.

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

External services and supplies were 4.9 million euros below budget due to the delay in the implementation of some actions, the impacts of the extension of the circulation suspension in the Caïde-Marco stretch, electrification works and tariff updates lower than expected. It is also worth mentioning the increase in expenses for rolling stock maintenance and repair.

Personnel Expenses, excluding the impact of compensations for termination of employment, valuation of remuneration and the application of collective labour regulation instruments, were around 0.8 million lower than planned, mainly due to the delay in authorising planned staff recruitment.

The 2019 Financial Result was -55.2 million euros, about 3.1 million euros worse than budgeted, given that the forecast scenario assumes a financial repair in May 2019, which did not occur.

It should also be noted the positive deviation in terms of the results of the affiliate companies, around 4.3 million euros better than planned, highlighting EMEF and the negative impact of exchange differences (-4.2 million euros than expected).

In the light of the above, CP closed the financial year of 2019 with a Net Result of -51.6 million euros, 38.3 million euros worse than predicted. Excluding the impact of financial compensations, the Net Result would have been around 13% higher than predicted (+13.2 million euros).

The investment amount of 2019 reached 18.5 million euros, corresponding to an implementation rate of 37.4% regarding the initial budget. This low execution is justified by the transition of the agreement signing for the purchase of 22 railcars for 2020, by the constraints to EMEF's production capacity increase and by the need to reschedule several projects.

Budget Implementation

In 2019, CP began the adaptation of its management systems in order to meet the requirements of NCP 26 - Accounting and Budget Reporting. As it was not possible to complete this adaptation by the end of the financial year, the presentation of the budget information is still carried out in a similar way as in 2018.

In 2019, CP accounted for a revenue budget implementation of 93.1%.

| Budgetary Implementation of Revenue All sources | | | | 2019 | |
|--|--|-------------------------|-------------------------|-------------------------|------------------------------------|
| Economic | Name | Approved Budget (1) | Corrected Budget (2) | Collections (3) | Implementation Rate (4)=(3)/(2) |
| R.04 | Fines Penalties | 73 800,00 € | 73 800,00 € | 332 145,18 € | 450,1% |
| R.05 / R.11 | AT FIN SOC E QUA SOC | 2 192 362,00 € | 2 192 362,00 € | 2 573 115,46 € | 117,4% |
| R.07 | Sale of Current Goods and Services | 317 005 842,00 € | 317 005 842,00 € | 297 324 625,44 € | 93,8% |
| R.08 | Other Current Revenues | 33 175 989,00 € | 33 175 989,00 € | 19 325 157,74 € | 58,3% |
| R.09 | Sale of Investment Goods | 0,00 € | 0,00 € | 1 344 278,00 € | - |
| R.06 / R.10 | Transfers | 46 683 785,00 € | 49 529 062,00 € | 47 411 062,00 € | 95,7% |
| R.12.06 | Financial Liabilities - Loans | 32 429 778,00 € | 32 429 778,00 € | 0,00 € | 0,0% |
| R.12.07 | Financial Liabilities - Capital Increase | 551 507 538,00 € | 551 507 538,00 € | 547 105 889,01 € | 99,2% |
| R.13 / R.15 | Claims/Refunds not deducted in payments | 0,00 € | 0,00 € | 1 478 000,32 € | - |
| R.16 | Management Balance | 0,00 € | 12 785 050,95 € | 12 785 050,95 € | 100,0% |
| TOTAL | | 983 069 094,00 € | 998 699 421,95 € | 929 679 324,10 € | 93,1% |

The main deviations occurred in the following headings:

- **R.07 and R.08**, regarding operating revenues, with an overall deviation of 33.5 million euros, since it was not possible to achieve the increase imposed during the preparation of the 2019 State Budget;

- **R.12.06**, regarding new financing from the DGTF [Directorate-General of Treasury and Finance], with a deviation of 32.4 million euros, as the company did not need to resort to indebtedness. The budget of this heading included the possible financing 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 2019 but whose payment shall only be carried out in 2020), even if they did not correspond to actual indebtedness needs;
- **R.12.07**, regarding allocated capital injections (-4.4 million euros). CP continued to count on the support of the State to finance the amortisation of historical debt, a part of the financial costs and the settlement of the agreement with the Organisations Representing Employees on variable bonuses.

Expenditure recorded an execution of 76% of the available budget.

| Budgetary Implementation of Expenses All sources | | 2019 | | | | | |
|---|---|-------------------------|-------------------------|---------------------|---------------------------------|-------------------------|------------------------------------|
| Economic | Name | Approved Budget (1) | Corrected Budget (2) | Withholdings (3) | Available Budget (4)=(2)-(3) | Payments (5) | Implementation Rate (6)=(5)/(4) |
| D.01 | Personnel expenses | 117 878 218,50 € | 119 413 825,00 € | 0,00 € | 119 413 825,00 € | 0,00 € | 0,0% |
| D.02 | Purchase of goods and services | 235 025 766,31 € | 232 501 383,00 € | 24 382,00 € | 232 477 001,00 € | 197 552 058,40 € | 85,0% |
| D.10/D.03 | Amortisations of loans/ Interest and other charges | 569 092 011,48 € | 581 092 011,00 € | 0,00 € | 581 092 011,00 € | 559 306 601,44 € | 96,3% |
| D.07 | Purchase of capital assets | 48 128 285,00 € | 51 635 296,00 € | 0,00 € | 51 635 296,00 € | 0,00 € | 0,0% |
| D.04/D.06/D.09 | Remaining amount | 12 944 815,46 € | 13 247 474,00 € | 0,00 € | 13 247 474,00 € | 1 476 677,55 € | 11,1% |
| TOTAL | | 983 069 096,75 € | 997 889 989,00 € | 24 382,00 € | 997 865 607,00 € | 758 335 337,39 € | 76,0% |

During the financial year, the following budget changes were approved by orders of the State Secretary for the Budget (SEO 253/2019, SEO 365A/2019 and SEO 422A/2019):

- Temporary authorisation for use of CP's balance, strictly for liquidity purposes, up to 12 million euros, to exclusively ensure the amortisation of financial liabilities (26-2-2019).
- Authorisation for the total deactivation of Personnel Expenses amounting to 2,237,725 euros (18-12-2019);
- Authorisation for the total deactivation of source 318 (regarding compensatory allowances) of 13 million euros, of 18.6 million euros of source 513 (own revenues) and deactivation of 14.8 million euros in source 713 (indebtedness).

The main deviations occurred under headings D.02 - Purchase of Goods and Services and D.07 - Purchase of Capital Assets, due, respectively, to the delay in the implementation of some actions and to the strong treasury and budget constraints verified throughout the year, arising from the delay in making available the value of compensatory allowances and the

limitations in terms of the production capacity of the main provider of maintenance and repair services, EMEF. It should also be noted that, although the contracting procedure was concluded in 2019, the agreement signing for the purchase of 22 railcars was carried over to 2020.

As foreseen in the legislation in force for 2019, the amount of the heading D.02.02 – Purchase of Services, was not higher than the payments registered in the previous year.

2. Financial Risk Management

The financial costs, as well as the average rate of financing, decreased vis-à-vis 2018.

| Years | 2019 | 2018 | 2017 | 2016 | 2015 |
|---------------------------------------|------------|------------|------------|------------|-------------|
| Payable Interest and Similar Expenses | 55 776 722 | 68 303 618 | 76 570 729 | 88 330 672 | 107 445 331 |
| Average Rate of Funding (%) | 2,4% | 2,6% | 2,7% | 2,7% | 2,8% |

In the chapter “Financing” of the chapter “Financial and Economic Analysis” it is possible to obtain additional information regarding the financial management during 2019.

3. Limit of the Indebtedness Growth

CP did not contract any loan in 2019 and the remunerated debt decreased about 20% from last year. Considering the adjusted indebtedness amount, i.e., taking into account the capital increases carried out by the Portuguese State, there was a decrease of 7.5%.

It should be noted that CP also received 518,616,538 euros as part of a capital redistribution operation for the payment of the bond loan of 500 million euros (amortisation and financial costs).

| Remunerated Liability | 2019 | 2018 | Variação 19/18 | |
|--|---------------|---------------|----------------|--------------|
| | Valores (€) | | Valor | % |
| Remunerated financing (Current and Non-current) | 2 066 651 731 | 2 586 791 550 | -520 139 819 | -20% |
| - granted by the Directorate-General of Treasury and Finance | 1 528 056 000 | 1 528 056 000 | 0 | 0% |
| Subscribed capital | 3 959 489 351 | 3 931 000 000 | 28 489 351 | 1% |
| Capital increases in cash (*) | 28 489 351 | 80 908 060 | -52 418 709 | -65% |
| Capital increases by credit conversion | 0 | 0 | 0 | s/s |
| New investment | 0,00 | | | |
| Variation in adjusted indebtedness | | | | -7,5% |

Note: New investment - According to item no. 2 of article 146 of the Decree-law of the Budgeted 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.

(*) CP received €518,616,538 as part of a capital redistribution operation for the payment of the bond loan of 500 ME (amortisation and financial costs).

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

4. Average Time for Payment

As at 31st of December 2019, 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) | Amount (€) | Matured debts in accordance with Art. 1 of Decree-law 65-A/2011 (€) | | | |
|-------------------------------------|-------------------|---|-------------|--------------|------------------------|
| | | 0-90 days | 90-120 days | 120-240 days | 240-360 days >360 days |
| Purchase of Goods and Services | 785 019,28 | 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) | 785 019,28 | 0,00 | 0,00 | 0,00 | 0,00 |

Note: as provided for by the law, situations where it is impossible to comply due to an act attributed to the creditor and situations regarding ongoing legal actions were excluded.

The table below shows the comparison of the quarterly Average Time for Payment, measured in number of days:

| Year | Quarter | Payment Deadline (days) |
|----------------------------|----------------|-------------------------|
| 2018 | 1 ^o | 23 |
| | 2 ^o | 23 |
| | 3 ^o | 23 |
| | 4 ^o | 21 |
| 2019 | 1 ^o | 18 |
| | 2 ^o | 19 |
| | 3 ^o | 21 |
| | 4 ^o | 26 |
| Δ(%) 4th quarter 2019/2018 | | 24% |

The Average Time for Payment continued to present reduced values and inferior to 30 days, albeit slightly superior to the values registered in 2018. The company has fulfilled its obligations towards its suppliers and creditors in a timely manner.

5. Recommendations from the Shareholder Issued when the 2018 Accounts were approved

The Accounts of 2016, 2017 and 2018 are pending approval from the responsible Ministry.

During 2019, the Accounts of 2015 were approved, taking into account the emphasis specified in the Legal Certification of Accounts and the opinion of the company's Supervisory Board.

6. Remunerations

Wage Reduction Measures

During 2019, under Law no. 71/2018 of December 31st which approved the State Budget for 2019, 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).

Board of Directors' Remunerations

Board of Directors from the 1st of January to the 18th of July 2019

| Term of Office | Position | Name | Appointment | | OPRLO [Option for remuneration in the place of origin] | | | Number of Offices |
|--------------------------|---------------|----------------------------|--|----------------|--|--------------------|---------------------|-------------------|
| | | | Method | Date | Yes/No | Originating Entity | Paying Entity (F/T) | |
| 30-06-2017 to 18-07-2019 | President | Carlos Gomes Nogueira | Council of Ministers Resolution no. 111/2017 | 01-08-2017 (*) | N | - | CP | 1 |
| 30-06-2017 to 18-07-2019 | Voting Member | Ana Maria dos Santos Malhó | Council of Ministers Resolution no. 111/2017 | 01-08-2017 (*) | N | - | CP | 1 |
| 30-06-2017 to 18-07-2019 | Voting Member | Sérgio Abrantes Machado | Council of Ministers Resolution no. 111/2017 | 01-08-2017 (*) | N | - | CP | 1 |

(*) with effect on June 30th, 2017

Board of Directors from the 19th of July to the 31st of December 2019

| Term of Office Start-End | Position | Name | Appointment | | OPRLO [Option for remuneration in the place of origin] | | | Number of Offices |
|-----------------------------|----------------|---|--|----------------|--|--------------------|---------------------|-------------------|
| | | | Method | Date | Yes/No | Originating Entity | Paying Entity (F/T) | |
| 19-07-2019 to 31-12-2021 | President | Nuno Pinho da Cruz Leite de Freitas | Council of Ministers Resolution no. 118/2019 | 24-07-2019 (*) | N | - | CP | 1 |
| 19-07-2019 to 31-12-2021 | Vice-President | Pedro Miguel Sousa Pereira Guedes Moreira | Council of Ministers Resolution no. 118/2019 | 24-07-2019 (*) | N | - | CP | 1 |
| 19-07-2019 to 31-12-2021 | Voting Member | Ana Maria dos Santos Malhó | Council of Ministers Resolution no. 118/2019 | 24-07-2019 (*) | N | - | CP | 2 |
| 19-07-2019 to 31-12-2021 | Voting Member | Maria Isabel de Magalhães Ribeiro | Council of Ministers Resolution no. 118/2019 | 24-07-2019 (*) | N | - | CP | 1 |
| 19-07-2019 to 31-12-2021 | Voting Member | Pedro Manuel Franco Ribeiro | Council of Ministers Resolution no. 118/2019 | 24-07-2019 (*) | N | - | CP | 1 |

Caption:

F/T - From/To

(*) with effect on July 19th, 2019

Board of Directors from the 1st of January to the 18th of July 2019

| Member of the Administration Board | Accumulation of Tasks - 2019 | | |
|------------------------------------|------------------------------|--|----------------------------|
| | Entity | Task | Scheme (Public/Private) |
| Carlos Gomes Nogueira | EMEF | President B.o.D. (from 20-08-2018 to 18-07-2019) | Public |
| | FMNF | Acting President B.o.D. (from 28-02-2018 to 18-07-2019, upon resignation) | Public |
| Ana Maria dos Santos Malhó | EMEF | Voting Member B.o.D. (from 21-07-2017 to 18-07-2019) | Public |
| | SIMEF | President B.o.D. (from 01-08-2017 to 18-07-2019) | Public |
| Sérgio Abrantes Machado | EMEF | President B.o.D. (from 21-07-2017 to 18-07-2018) | Public |
| | EMEF | Voting Member B.o.D. (from 20-08-2018 to 18-07-2019) | Public |
| | Nomad Tech | Manager (from 01-08-2017 to 30-07-2019) | Private |

Board of Directors from the 19th of July to the 31st of December 2019

| Member of the Administration Board | Accumulation of Tasks - 2019 | | |
|--|------------------------------|---|----------------------------|
| | Entity | Task | Scheme (Public/Private) |
| Nuno Pinho da Cruz Leite de Freitas | EMEF | President B.o.D. (from 22-07-2019) | Public |
| Pedro Miguel Sousa Pereira Guedes Moreira | EMEF | Voting Member B.o.D. (from 22-07-2019) | Public |
| | NOMAD TECH | Manager (from 30-07-2019) | Public |
| Maria Isabel de Magalhães Ribeiro | EMEF | Voing Member B.o.D. (from 22-07-2019) | Public |
| | SIMEF | President B.o.D. (from 30-07-2019) | Public |

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.

B.o.D. - Board of Directors

Board of Directors from the 1st of January to the 18th of July 2019

| Member of the Board of Directors | Public Manager Statute | | Gross Monthly Pay (€) | |
|----------------------------------|------------------------|------------------------|-----------------------|-------------------------|
| | Fixed (Y/N) | Classification (A,B,C) | 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 € |

Board of Directors from the 19th of July to the 31st of December 2019

| Public Manager Statute | | | Gross Monthly Pay (€) | |
|---|-------------|------------------------|-----------------------|-------------------------|
| Member of the Board of Directors | Fixed (Y/N) | Classification (A,B,C) | Salary | Representation Expenses |
| Nuno Pinho da Cruz Leite de Freitas | Y | A | 5 722,75 € | 2 289,10 € |
| Pedro Miguel Sousa Pereira Guedes Moreira | Y | A | 5 150,48 € | 2 060,19 € |
| Ana Maria dos Santos Malhó | Y | A | 4 578,20 € | 1 831,28 € |
| Maria Isabel de Magalhães Ribeiro | Y | A | 4 578,20 € | 1 831,28 € |
| Pedro Manuel Franco Ribeiro | Y | A | 4 578,20 € | 1 831,28 € |

Board of Directors from the 1st of January to the 18th of July 2019

| Member of the Board of Directors | 2019 Annual Remuneration (€) | | | |
|----------------------------------|------------------------------|---------------|-------------------|--------------------------|
| | Fixed (1) | Variable (2) | Pay cuts (4) (*) | Final Amount (5)=(3)-(4) |
| Carlos Gomes Nogueira (a) | 61 939,23 € | 0,00 € | 3 096,96 € | 58 842,27 € |
| Ana Maria dos Santos Malhó | 46 880,77 € | 0,00 € | 2 344,04 € | 44 536,73 € |
| Sérgio Abrantes Machado (b) | 46 880,77 € | 0,00 € | 2 344,04 € | 44 536,73 € |
| TOTAL | 155 700,77 € | 0,00 € | 7 785,04 € | 147 915,73 € |

(*) Cut provided for in Article 12 of Law no. 12-A/2010, from June 30th

Fixed=Salary+Representation Expenses

(a) It does not include a compensation of €31,622.94

(b) It does not include a compensation of €685.12

Board of Directors from the 19th of July to the 31st of December 2019

| Member of the Board of Directors | 2019 Annual Remuneration (€) | | | |
|---|------------------------------|---------------|--------------------|--------------------------|
| | Fixed (1) | Variable (2) | Pay cuts (4) (*) | Final Amount (5)=(3)-(4) |
| Nuno Pinho da Cruz Leite de Freitas | 46 125,37 € | 0,00 € | 2 306,27 € | 43 819,10 € |
| Pedro Miguel Sousa Pereira Guedes Moreira | 46 663,34 € | 0,00 € | 2 333,17 € | 44 330,17 € |
| Ana Maria dos Santos Malhó | 39 189,39 € | 0,00 € | 1 959,47 € | 37 229,92 € |
| Maria Isabel de Magalhães Ribeiro | 36 900,29 € | 0,00 € | 1 845,01 € | 35 055,28 € |
| Pedro Manuel Franco Ribeiro | 39 189,39 € | 0,00 € | 1 959,47 € | 37 229,92 € |
| TOTAL | 208 067,78 € | 0,00 € | 10 403,39 € | 197 664,39 € |

(*) Cut provided for in Article 12 of Law no. 12-A/2010, from June 30th
Fixed=Salary+Representation Expenses

Board of Directors from the 1st of January to the 18th of July 2019

| Member of the Board of Directors | Social Benefits (€) | | | | | | | |
|----------------------------------|-----------------------|-------------------|--------------------------|--------------------|----------------|------------------|------------------------------|----------------|
| | Meal Allowance Amount | | 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 € | 809,48 € | Social Security | 21 485,47 € | 0,00 € | 191,26 € | Personal Accidents Insurance | 2,79 € |
| Ana Maria dos Santos Malhó | 7,60 € | 1 003,20 € | Social Security | 10 577,48 € | 0,00 € | 191,26 € | Personal Accidents Insurance | 2,79 € |
| Sérgio Abrantes Machado | 7,60 € | 1 018,40 € | Social Security | 11 079,33 € | 0,00 € | 191,26 € | Personal Accidents Insurance | 2,79 € |
| TOTAL | | 2 831,08 € | | 43 142,28 € | | 573,78 € | | 8,37 € |

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).

Board of Directors from the 19th of July to the 31st of December 2019

| Member of the Board of Directors | Social Benefits (€) | | | | | | | |
|---|-----------------------|-------------------|--------------------------|--------------------|----------------|------------------|------------------------------|----------------|
| | Meal Allowance Amount | | Social Protection Scheme | | Life Insurance | Health Insurance | Other | |
| | Amount / Day | Annual Charges | Specify | Annual Charges | Annual Charges | Annual Charges | Specify | Annual Charges |
| Nuno Pinho da Cruz Leite de Freitas | 7,60 € | 828,40 € | Social Security | 10 480,29 € | 0,00 € | 159,55 € | Personal Accidents Insurance | 2,33 € |
| Pedro Miguel Sousa Pereira Guedes Moreira | 7,60 € | 661,20 € | Social Security | 9 560,05 € | 0,00 € | 159,55 € | Personal Accidents Insurance | 2,33 € |
| Ana Maria dos Santos Malhó | 7,60 € | 851,20 € | Social Security | 8 842,12 € | 0,00 € | 159,55 € | Personal Accidents Insurance | 2,33 € |
| Maria Isabel de Magalhães Ribeiro | 7,60 € | 851,20 € | Social Security | 8 325,64 € | 0,00 € | 159,55 € | Personal Accidents Insurance | 2,33 € |
| Pedro Manuel Franco Ribeiro | 7,60 € | 782,80 € | Social Security | 8 865,60 € | 0,00 € | 159,55 € | Personal Accidents Insurance | 2,33 € |
| TOTAL | | 3 974,80 € | | 46 073,70 € | | 797,75 € | | 11,65 € |

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).

Board of Directors from the 1st of January to the 18th of July 2019

| Member of the Board of Directors | Vehicle related costs - 2019 | | | | | | | | |
|----------------------------------|------------------------------|-------------------------------|--|-----------------|------------|-------------|------------------|-------------------|--|
| | Assigned Vehicles (Y/N) | Conclusion of Agreement (Y/N) | Reference Value of the Vehicle (I) (€) | Mode | Start Year | Expiry Year | Monthly Rent (€) | Rent Expenses (€) | Number of Remaining Contractual Benefits |
| Carlos Gomes Nogueira | Y | N | 36 585,45 | Long-term Lease | 2018 | 2022 | 714,18 | 4 999,26 | 40 |
| Ana Maria dos Santos Malhó | Y | N | 31 597,63 | Long-term Lease | 2018 | 2022 | 605,83 | 4 240,81 | 41 |
| Sérgio Abrantes Machado | Y | Y | 30 515,66 | Long-term Lease | 2018 | 2022 | 581,13 | 4 067,91 | 40 |

Board of Directors from the 19th of July to the 31st of December 2019

| Member of the Board of Directors | Vehicle related costs - 2019 | | | | | | | | |
|---|------------------------------|-------------------------------|------------------------------------|-----------------|------------|-------------|------------------|---------------|--|
| | Assigned Vehicles (Y/N) | Conclusion of Agreement (Y/N) | Reference Value of the Vehicle (I) | Mode | Start Year | Expiry Year | Monthly Rent (€) | Rent Expenses | Number of Remaining Contractual Benefits |
| Nuno Pinho da Cruz Leite de Freitas | Y | N | 36 585,45 | Long-term Lease | 2018 | 2022 | 714,18 | 3 570,90 | 35 |
| Pedro Miguel Sousa Pereira Guedes Moreira | Y | N | 30 515,66 | Long-term Lease | 2018 | 2022 | 581,13 | 2 905,65 | 35 |
| Ana Maria dos Santos Malhó | Y | N | 31 597,63 | Long-term Lease | 2018 | 2022 | 605,83 | 3 029,15 | 36 |
| Maria Isabel de Magalhães Ribeiro (*) | Y | N | 10 924,02 | Long-term Lease | 2017 | 2021 | 277,91 | 1 389,55 | 16 |

(*) EMEF's Vehicle

Board of Directors from the 1st of January to the 18th of July 2019

| 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 | 512,91 € | 130,92 € | 125,09 € | Meals | 1 758,44 € | 2 527,36 € |
| Ana Maria dos Santos Malhó | 0,00 € | 0,00 € | 0,00 € | Meals | 238,14 € | 238,14 € |
| Sérgio Abrantes Machado | 0,00 € | 0,00 € | 0,00 € | Meals | 120,51 € | 120,51 € |
| TOTAL | | | | | | 2 886,01 € |

Board of Directors from the 19th of July to the 31st of December 2019

| Member of the Board of Directors | Annual expenses associated with Missions (€) | | | | | Total amount spent with Travels |
|--|--|------------------------|----------------------|---------|------------|---------------------------------|
| | Missions (€) | Accommodation Cost (€) | Daily Allowances (€) | Other | | |
| | | | | Specify | Amount (€) | |
| Nuno Pinho da Cruz Leite de Freitas | 0,00 € | 1 412,50 € | 0,00 € | Meals | 384,39 € | 1 796,89 € |
| Pedro Miguel Sousa Pereira Guedes Moreira | 0,00 € | 931,25 € | 0,00 € | Meals | 187,25 € | 1 118,50 € |
| Ana Maria dos Santos Malhó | 0,00 € | 0,00 € | 0,00 € | Meals | 26,88 € | 26,88 € |
| Maria Isabel de Magalhães Ribeiro | 0,00 € | 1 210,00 € | 0,00 € | Meals | 37,83 € | 1 247,83 € |
| Pedro Manuel Franco Ribeiro | 273,15 € | 2 266,00 € | 0,00 € | Meals | 175,78 € | 2 714,93 € |
| TOTAL | | | | | | 6 905,01 € |

Inspection

Supervisory Board

Supervisory Board from the 1st of January to the 27th of August 2019

| Term of Office Start-End | Position | Name | Appointment | | Fixed remuneration statute (Monthly) | Number of Offices |
|-----------------------------|-------------------------|---|---|------------|---|-------------------|
| | | | 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.

Supervisory Board from the 28th of August 2019

| Term of Office Start-End | Position | Name | Appointment | | Fixed remuneration statute (Monthly) | Number of Offices |
|-----------------------------|-------------------------|-------------------------------|---|------------|---|-------------------|
| | | | Method | Date | | |
| 2019-2021 | President | António José Farinha Simão | Joint decree without no. of the Ministry of Finance and Economy | 28-08-2019 | 1 602,37 € | 2 |
| 2019-2021 | Permanent Voting Member | Teresa Isabel Carvalho Costa | Joint decree without no. of the Ministry of Finance and Economy | 28-08-2019 | 1 201,78 € | 1 |
| 2019-2021 | Permanent Voting Member | Cristina Maria Pereira Freire | Joint decree without no. of the Ministry of Finance and Economy | 28-08-2019 | 1 201,78 € | 1 |
| 2019-2021 | Alternate Voting Member | Mário José Alveirinho Carrega | Joint decree without no. of the Ministry of Finance and Economy | 28-08-2019 | 1 201,78 € | 1 |

| Member of the Supervisory Board | 2019 Annual Remuneration (€) |
|---|------------------------------|
| | Gross |
| António José Farinha Simão | 22 433,18 € |
| Teresa Isabel Carvalho Costa | 6 629,82 € |
| Cristina Maria Pereira Freire | 6 629,82 € |
| Maria de Lurdes Pereira Moreira Correia | 11 497,04 € |
| Nelson Manuel Costa Santos | 11 497,04 € |
| Mário José Alveirinho Carrega | - |
| Total | 58 686,90 € |

Certified Public Accountant

| Term of Office | 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 | Position | Name | Registration No. in the Portuguese Certified Public Accountant Association | Registration No. in the Portuguese Securities Market Commission | Method | Date | | |
| 01-08-2014 to 31-12-2015 (*) | Audit Firm | Oliveira Reis e Associados-Sociedade de Revisores Oficiais de Contas, Lda | 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 | 6 | 6 |
| 01-08-2014 to 31-12-2015 (*) | Certified Public Accountant | 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 | 6 | 6 |

* Remaining in office up to this date and until they are replaced

| Name | 2019 Annual Remuneration (€) | Annual Amount of Additional Services 2019 (€) |
|--|------------------------------|---|
| Oliveira, Reis e Associados-Sociedade de Revisores Oficiais de Contas, Lda ² , represented by Dr. Joaquim Oliveira de Jesus | 21.500,04€ | N.A. |
| Total | 21.500,04€ | N.A. |

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 the Portuguese Securities Market Commission | 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 | 1015 | 20 160 630 | 22-06-2017 | 3 years | 5 | 5 |
| Shareholder responsible for quality control: Helena Isabel Gonçalves Lopes Rigueira | 1026 | 20 160 640 | 22-06-2017 | 3 years | 5 | 5 |

| Name of the External Auditor | Annual Amount of the Service Agreement - 2019 (€) | | | Annual Amount of Additional Services - 2019 (€) | | | |
|---|---|----------------|------------------------------|---|------------|----------------|------------------------------|
| | 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 CP's individual and consolidated accounts and CP companies, is 66,300€ total for the three-year period. The amount for CP's individual and consolidated accounts exclusively is 35,100€ total for the three financial years.

7. Application of Article 32 and 33 of the Public Manager Statute

In accordance with the provisions of items 1 and 2 of 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.

The maximum amount of expenditure associated with communications, which include mobile phone, telephone and internet, by Order no. 761/SETF/2012, of May 25th (2nd series of the Portuguese Official Gazette), of the Secretary of State of Treasury and Finance, is limited to €80.00 per month.

Board of Directors from the 1st of January to the 18th of July 2019

| Member of the Board of Directors | Communication Expenses (€) | |
|----------------------------------|----------------------------|---------------|
| | Monthly Limit | Annual Amount |
| Carlos Gomes Nogueira | 80 | 29,82 |
| Ana Maria dos Santos Malhó | 80 | 109,37 |
| Sérgio Abrantes Machado | 80 | 23,84 |
| TOTAL | | 163,03 |

Board of Directors from the 19th of July to the 31st of December 2019

| Member of the Board of Directors | Communication Expenses (€) | |
|--|----------------------------|---------------|
| | Monthly Limit | Annual Amount |
| Nuno Pinho da Cruz Leite de Freitas | 80 | 34,03 |
| Pedro Miguel Sousa Pereira Guedes Moreira | 80 | 181,30 |
| Maria Isabel de Magalhães Ribeiro | 80 | 7,93 |
| Pedro Manuel Franco Ribeiro | 80 | 161,42 |
| Ana Maria dos Santos Malhó | 80 | 123,48 |
| TOTAL | | 508,16 |

Concerning the use of vehicles, and in compliance with the provisions foreseen in item 3 of 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.

Board of Directors from the 1st of January to the 18th of July 2019

| Member of the Board of Directors | Annual expenses regarding vehicles (€) | | | |
|----------------------------------|--|----------|--------|-----------------|
| | Monthly Limit for Fuel and Tolls | Fuel | Tolls | Total |
| Carlos Gomes Nogueira | | 1 618,79 | 400,50 | 2 019,29 |
| Ana Maria dos Santos Malhó | 1/4 representation expenses | 958,07 | 220,75 | 1 178,82 |
| Sérgio Abrantes Machado | | 956,34 | 149,40 | 1 105,74 |
| Total | | | | 4 303,85 |

Board of Directors from the 19th of July to the 31st of December 2019

| Member of the Board of Directors | Annual expenses regarding vehicles (€) | | | |
|---|--|----------|--------|-----------------|
| | Monthly Limit for Fuel and Tolls | Fuel | Tolls | Total |
| Nuno Pinho da Cruz Leite de Freitas | | 1 025,04 | 842,60 | 1 867,64 |
| Pedro Miguel Sousa Pereira Guedes Moreira | 1/4 representation expenses | 406,76 | 328,69 | 735,45 |
| Ana Maria dos Santos Malhó | | 741,67 | 194,40 | 936,07 |
| Maria Isabel de Magalhães Ribeiro | | 669,81 | 447,56 | 1 117,37 |
| Total | | | | 4 656,53 |

8. 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.

9. Report on Remunerations paid to Women and Men

This information is available on the following website:

https://www.cp.pt/StaticFiles/Institucional/1_a_empresa/2_principios_bom_governo/remuneracoes-pagas-mulheres-homens.pdf

10. Annual Report on Corruption Prevention

This information is available on the following website:

https://www.cp.pt/StaticFiles/Institucional/1_a_empresa/2_principios_bom_governo/identificacao-infracao-penal.pdf

11. Public Contracting

The proceedings adopted by the company about contracting are governed by the Public Contracts Code (CCP), approved by 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 Purchase of Services and Construction Works since May 2014 – last updated in 2019 – 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 2019, 11 purchase 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 36,195,573€.

12. National Public Purchasing System (SNCP)

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 Public Purchasing Agency], CP has been analysing case by case if the use of such agreements is beneficial in view of the contract values 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, purchase of printing consumables, staff shop, paper and Microsoft Licenses.

13. Optimisation Measures of the Operating Expenses Structure

| Reduction Measures of Operating Expenses (Cost Reductions Policy) | 2019 Implement. | 2019 Budget | 2018 Implement. | 2017 Implement. | 2019/2018 | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-----------------------|------------|
| | | | | | Δ Absol. | Change % |
| (0) EBITDA ^{a)} | 48 031 850,76 € | 86 611 367,47 € | 9 488 456,00 € | 11 164 196,00 € | 38 543 394,76 € | 406% |
| (1) Sold commodities and consumed materials costs | 6 287 643,25 € | 7 498 804,48 € | 5 881 459,00 € | 6 242 781,00 € | 406 184,25 € | 7% |
| (2) External services and supplies | 175 203 485,85 € | 180 123 275,06 € | 163 428 859,00 € | 159 350 289,00 € | 11 774 626,85 € | 7% |
| (3) Personnel expenses corrected from charges i), ii) and iii) | 100 292 902,08 € | 101 064 145,65 € | 99 744 076,47 € | 96 695 476,54 € | 548 825,61 € | 1% |
| (3.i) Compensations for termination of employment | 1 161 188,28 € | 2 425 000,00 € | 1 006 239,00 € | 1 359 860,75 € | 154 949,28 € | 15% |
| (3.ii) Remuneration valuation under the terms of the State Budget Law 2019 | - | - | - | - | - | - |
| (3.iii) Impact of the implementation of article 21 of the Law 42/2016, from December 29 ^{b)} | 7 560 452,10 € | 7 040 977,23 € | 4 863 219,53 € | 1 818 454,96 € | 2 697 232,57 € | 55% |
| (4) Operating Expenses = (1)+(2)+(3) | 281 784 031,18 € | 288 686 225,19 € | 269 054 394,47 € | 262 288 546,54 € | ##### | 5% |
| (5) Turnover ^{c)} | 280 719 728,86 € | 274 339 378,42 € | 266 636 102,38 € | 258 650 217,00 € | 14 083 626,48 € | 5% |
| (6) Influence of Expenses/Turnover = (4)/(5) | 100,4% | 105,2% | 100,9% | 101,4% | -0,5p.p. | - |
| (i) Travels Expenses (FSE) | 3 367 643,26 € | 3 939 267,17 € | 3 679 157,80 € | 3 720 088,27 € | -311 514,54 € | -8% |
| (ii) Daily Allowances and Accommodation (Personnel Expenses) | 4 194 445,44 € | 3 883 883,77 € | 4 213 018,27 € | 4 227 016,93 € | -18 572,83 € | 0% |
| (iii) Expenses regarding vehicles ^{d)} | 269 446,78 € | 328 376,79 € | 271 081,05 € | 269 052,14 € | -1 634,27 € | -1% |
| Total = (i) + (ii) + (iii) | 7 831 535,48 € | 8 151 527,74 € | 8 163 257,12 € | 8 216 157,34 € | - 331 721,64 € | -4% |
| (7) Expenses regarding studies, assessments, projects and consultancy | 483 170,57 € | 1 047 368,10 € | 422 527,85 € | 445 906,54 € | 60 642,72 € | 14% |
| Total Human Resources Staff (Governing Bodies+Leading Positions+Employees) ^{e)} | 2 634 | 2 767 | 2 680 | 2 692 | -46 | -2% |
| No. Governing Bodies ^{e)} | 7 | 6 | 6 | 6 | 1 | 17% |
| No. of Leading Positions ^{e)} | 22 | 18 | 20 | 18 | 2 | 10% |
| No. Employees (w/o Governing Bodies and w/o Leading Positions) ^{e)} | 2 605 | 2 743 | 2 654 | 2 668 | -49 | -2% |
| No. Employees/No. Leading Positions ^{e)} | 118 | 152 | 133 | 148 | -15 | -11% |
| No. Vehicles | 48 | 48 | 48 | 44 | 0 | 0% |

a) EBITDA includes operating subsidies and compensatory allowances.

b) The values of the influence were reviewed vis-à-vis the 2018 and 2017 reports

c) The turnover does not include operating subsidies and compensatory allowances.

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

e) Average effective staff.

In 2019, CP registered a positive recurrent EBITDA of 48 million euros, 38.5 million euros better than the previous year, but 38.6 million euros (45%) lower than budgeted. However, it should be noted that the forecast scenario presupposed the conclusion – in 2018 – of the Public Service Agreement between CP and the State and the subsequent granting of the financial compensation due for the public service obligations as of January 1st, 2019, amounting approximately to 91.5 million euros, which was not achieved. The value received, by the end of the year, was 40 million euros.

The influence of the main expense headings (Sold commodities and consumed materials costs + External Services and Supplies + Personnel without compensations for termination of employment, valuation of remuneration and the application of collective labour regulation instruments) in turnover (without operating subsidies and financial compensation for public service obligations) was 100.4% in 2019, presenting a favourable deviation of 0.5 p.p. regarding the previous year and 4.9 p.p. regarding the planned.

Turnover (excluding operating subsidies and financial compensation for public service obligations) was 280.7 million euros, 2.3% higher than expected (+6.4 million euros) and 5.3% higher than the previous year (+14.1 million euros), mainly due to the increase in traffic revenues.

The main expense headings increased vis-à-vis the previous year by 12.7 million euros (+4.7%) but were below the planned for 2019 by 6.9 million euros (-2.4%).

Such deviations are mainly justified by the External Services and Supplies evolution, which were 4.9 million euros lower than expected and 11.8 million euros higher than the 2018 value. The deviation regarding the predicted is mostly explained by the delay in the implementation of some actions, by the impacts of the extension of the circulation suspension in the Caïde-Marco stretch, by the electrification works and by the tariff updates lower than expected. Compared with the previous year, it is worth highlighting the increase in expenses with routine maintenance and repair of rolling stock and with the charges for the use of infrastructures.

As to the average effective staff, a decrease of 46 effective employees regarding 2018 was registered, particularly due to the delay in authorising the requested recruitments, with the conclusion of part of such processes being carried over to 2020.

Travel, allowance, accommodation and car fleet charges decreased compared to 2018 and were lower than expected due to general containment measures.

It is Company's policy to minimise the use of external service providers. In this regard, CP only resorts to external hiring in exceptional situations – duly justified – and provided that the impossibility of meeting needs through its own resources has been sufficiently proved.

Due to the adopted containment measures and the legal requirements to hire such type of services, the volume of specialised work hired in 2019 was lower than expected. However, there was an increase vis-à-vis the previous year, particularly justified by the delay in carrying out the expected recruitments, which would eventually require the use of temporary work to meet some operational needs.

14. Procurement of Studies

CP complied with the procedure referred to in Article 49 of Decree-Law No. 84/2019 of June 28th, through the submission to Parpública for prior opinion, whenever the procurement of studies, assessments, projects and non-intellectual consultancy was involved and whenever the services covered the specific scope of the provisions of Article 49(2) of the abovementioned Decree-Law. In 2019, CP requested opinion regarding six processes which legally fit such need.

15. 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. Similarly, it has developed all efforts to ensure full compliance with such 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 is applied in IGCP - CEDIC's;
- The available sums that have not yet been invested, due to their amount, are maintained in IGCP's account.

However, as a result of the specificities of CP's activity, it has been necessary to maintain the movement of some bank accounts in the National Banking 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, the necessary amounts to load meal cards and safekeeping securities of affiliate companies. Through Order no. SGC - 14198 of September 7th, 2018, 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 June 2019, in accordance with IGCP's guidelines, CP made an addendum to the request of exemption from complying with the State Treasury Unit Principle, for the purpose of receiving sales values made through Web channels (virtual Point of Sale) in a commercial banking account. This request arose from IGCP's inability to provide this service and was approved by such Entity in December 2019, through its letter no. SGC - 2019/19745.

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 2019:

| Commercial Banking | 1st quarter | 2nd quarter | 3rd quarter | 4th quarter |
|---------------------------|--------------------|--------------------|--------------------|--------------------|
| BPI | 2 118 664,31 € | 2 122 841,12 € | 2 944 310,46 € | 1 940 098,84 € |
| CGD | 1 277,41 € | 1 265,95 € | 1 254,26 € | 1 206,57 € |
| Total | 2 119 941,72 € | 2 124 107,07 € | 2 945 564,72 € | 1 941 305,41 € |
| Interest gained | 0 | 0 | 0 | 0 |

16. Audits Performed by the Court of Auditors

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

17. Information in the SOC [State-owned Company 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 | 06-03-2019 | |
| 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 | 26-09-2019 | |
| Summary Sheet | Y | 24-09-2019 | |
| Historical and current Financial Information | Y | 18-01-2017 | With reference to the 2014 Accounts. |
| Good Governance Principle | Y | 27-09-2019 | |
| Internal and External Regulations that the company is subject to | Y | 27-09-2019 | |
| Relevant Transactions w/ related entities | Y | 27-09-2019 | |
| Other Transactions | Y | 27-09-2019 | |
| Sustainability analysis in the areas: | Y | 27-09-2019 | |
| Economical | Y | 27-09-2019 | |
| Social | Y | 27-09-2019 | |
| Environmental | Y | 27-09-2019 | |
| Assessment of the compliance with the Good Governance Principle | Y | 27-09-2019 | |
| Ethical Code | Y | 27-09-2019 | |



FINANCIAL AND ECONOMIC ANALYSIS



Operating Account

| INCOME AND EXPENSES (amounts in thousand euros) | PERIODS | | Variation 2019/2018 | |
|---|-------------------|-------------------|---------------------|------------|
| | REAL 2019 | REAL 2018 | Amount | % |
| Provided sales and services | 280 720 | 266 636 | 14 084 | 5% |
| Operating Subsidies | 40 004 | - | 40 004 | s/s |
| Other income | 20 539 | 21 923 | (1 384) | -6% |
| | 341 263 | 288 559 | 52 704 | 18% |
| Sold commodities and consumed materials costs | (6 288) | (5 881) | (407) | -7% |
| External services and supplies | (175 203) | (163 429) | (11 774) | -7% |
| Personnel Expenses (w/o compensations and agreement on variables) | (107 853) | (104 607) | (3 246) | -3% |
| Other expenses | (3 887) | (5 155) | 1 268 | 25% |
| | (293 231) | (279 072) | (14 159) | -5% |
| Operating result of the transportation activity (EBITDA) | 48 032 | 9 487 | 38 545 | 406% |
| Depreciation and amortisation expenses/reversals | (52 958) | (53 738) | 780 | 1% |
| Impairment of depreciable and amortisable investments (losses/reversals) | 814 | 722 | 92 | 13% |
| Compensations for the termination of employment | (1 161) | (1 006) | (155) | -15% |
| Gains/losses attributed to subsidiaries, associated companies and joint ventures | 9 153 | 7 509 | 1 644 | 22% |
| Inventory impairment (losses/reversals) | (123) | (239) | 116 | 49% |
| Impairment of receivables (losses/reversals) | (629) | 414 | (1 043) | -252% |
| Provisions (increases/decreases) | 1 721 | (1 067) | 2 788 | 261% |
| Impairment of non-depreciable and non-amortisable investments (losses/reversals) | (465) | 1 573 | (2 038) | -130% |
| Exchange rates (increases/decreases) | (1 411) | (1 364) | (47) | -3% |
| Other income (compensatory interest/interest on arrears - legal actions) | 1 185 | - | 1 185 | s/s |
| Other income (sale of assets: immovable properties, non-operational basic eq., scrap...) | 489 | 2 968 | (2 479) | -84% |
| Other expenses (sale of various assets: immovable properties, other decommissioning of rolling stock) | (236) | (2 157) | 1 921 | 89% |
| Operating result | 4 411 | (36 898) | 41 309 | 112% |
| Interest and similar income gained | 526 | 436 | 90 | 21% |
| Payable interest and similar expenses | (55 774) | (68 304) | 12 530 | 18% |
| Financial result | (55 248) | (67 868) | 12 620 | 19% |
| Result before taxes | (50 837) | (104 766) | 53 929 | 51% |
| Income tax for the period | (741) | (861) | 120 | |
| Net result of the period | (51 578) | (105 627) | 54 049 | 51% |

Net Result

The *Net Result* of 2019 showed an improvement of 51% compared with the previous year (54 million euros), going from -105.6 million euros, in 2018, to -51.6 million euros in 2019.

This change is primarily due to the receipt of *compensatory allowances* amounting to 40 million euros, to the growth in *Provided Sales and Services* (+14.1 million euros) and to the improvement of the *Financial Result* (+12.6 million euros), even if partially offset by the increase in expenses with *External Services and Supplies* (+11.8 million euros).

Operating Result of the Passenger Transportation Activity (EBITDA)

In 2019, the recurrent *EBITDA* of the transport activity amounted to 48 million euros, representing an increase of 38.5 million euros compared with the previous year. This growth was essentially due to the following variations:

- Collection of *Operating Subsidies* amounting to 40 million euros;
- *Provided Sales and Services* increase by 14.1 million euros, arising from the growth in revenue regarding passenger transportation, as previously analysed;
- Decrease in *Other Income* by 1.3 million euros, essentially due to the celebration of an agreement with IP in 2018 for the allocation of energy expenditure in shared spaces, involving the correction of income and expenses of previous financial years of similar value;
- Increase in *External Services and Supplies* by 11.8 million euros, essentially due to the increase in expenses regarding the maintenance and repair of rolling stock (+11.8 million euros) and to the charges for the use of infrastructures (+1.6 million euros);
- Increase in *Personnel Expenses* (without compensation for termination of employment) in 3.2 million euros as a result of:
 - (i) implementation of company's agreements, signed in December 2019, with Organisations Representing Employees;
 - (ii) progressions arising from evaluation processes in accordance with the Careers Regulations (period from 01-07-2018 to 30-06-2019 for Technicians and University Graduates and General CR and 2019 for SMAQ).
 - (iii) increase in insurance charges, particularly against work accidents and health;
 - (iv) increase in training expenses;
 - (v) decrease in the effective staff.
- Decrease in *Other Income* by 1.4 million euros, mainly due to the aforementioned celebration of an agreement with IP in 2018 for the allocation of energy expenditure in shared spaces.

Operating Result

The *Operating Result* in 2019 was positive by 4.4 million euros, representing an improvement of 41.3 million euros, comparing with the previous year (-36.9 million euros). Apart from the aforementioned reasons for the recurrent *EBITDA*, the following were the main facts which contributed to this evolution:

- Decrease in *Provisions* by 2.8 million euros, mainly due to FERNAVE's capital recomposition operation – which took place at the end of the year – with the reversal of the provision constituted to cover accumulated losses, and also to the decrease in value of new provisions constituted for railway accidents when compared with the previous year;
- Increase of *Gains Allocated to Subsidiaries, Associated Companies and Joint Ventures* by 1.6 million euros, mainly due to the improvement of EMEF results compared to the previous year;
- Decrease in *Other Expenses* (sale of several assets: immovable properties, other rolling stock not affected to the operation) by 1.9 million euros, resulting from the decrease in the value of decommissioning of rolling stock not related to transport activity;
- Increase in *Other Income*, related to the receipt of interest from a judicial process, by 1.2 million euros, due to a decision taken in favour of the company;
- Decrease in *Expenses of Depreciation and Amortisation* by 0.8 million euros, since some assets reached the end of the useful life and such effect was not totally offset by the undertaken investment;
- Decrease in *Other Income* regarding the sale of assets not related to the activity, by 2.5 million euros. In 2018, the immovable property of Rua Castilho was sold, with an income of about 2.5 million euros. Scrap was also sold, with an income of approximately 0.5 million euros.

In 2019, the recorded income results from the sale of the building in Vila Nova de Gaia (0.3 million euros) and of the rolling stock not affected to the operation (0.1 million euros);

- Unfavourable change of *Impairments of Non-Depreciable and Non-Amortisable Investments* by 2 million euros, mainly due to the impairment reversal taking place in 2018, as a result of the decommissioning of rolling stock not related to transport activity. In 2019, there was an impairment reversal of 0.2 million euros, due to the sale of rolling stock not affected to the operation to TAKARGO. On the other hand, considering the fair value of the immovable properties held for sale, there was a need to reinforce the impairments by 0.7 million euros;
- Unfavourable change of *Impairment of Receivables* by 1 million euros, mainly due to a significant impairment reversal of IP's debt in 2018.

Financial Result

The *Financial Result* in 2019 was negative at 55.2 million euros, with an improvement of about 12.6 million euros (+19%) vis-à-vis 2018. The decrease in the company's remunerated debt mainly contributed to such evolution.

Balance Sheet

| HEADINGS (amounts in thousand euros) | PERIODS | | Variation 2019/2018 | |
|---|--------------|--------------|---------------------|------|
| | 31/12/19 | 31/12/18 | Amount | % |
| ASSET | | | | |
| Non-current Asset | 513 304 | 539 353 | (26 049) | -5% |
| Current Asset | 60 744 | 40 991 | 19 753 | 48% |
| Asset Total | 574 048 | 580 344 | (6 296) | -1% |
| EQUITY AND LIABILITY | | | 0 | |
| Equity which includes: | (1 672 674) | (2 165 490) | 492 816 | 23% |
| Net Result of the period | (51 578) | (105 627) | 54 049 | 51% |
| Equity Total | (1 672 674) | (2 165 490) | 492 816 | 23% |
| LIABILITY | | | 0 | |
| Non-current Liability | 799 707 | 1 321 015 | (521 308) | -39% |
| Current Liability | 1 447 015 | 1 424 819 | 22 196 | 2% |
| Liability Total | 2 246 722 | 2 745 834 | (499 112) | -18% |
| Equity + Liability Total | 574 048 | 580 344 | (6 296) | -1% |

Asset

In 2019, CP's Asset decreased by 6.3 million euros, and the following impacts are the most significant:

- *Fixed Tangible Assets* decreased by 33.7 million euros, due to the depreciation of these assets not having been offset by the investment;
- *Financial holdings – Equity Method* increased by 7.6 million euros, namely arising from the application of the equity method to the affiliates' accounts (+11.7 million euros). It is also worth mentioning the loans amortisation by EMEF, Ecosaúde and Fernave, amounting to 4.1 million euros;
- The balance of the *State and other Public Entities* increased by 1.3 million euros mainly as a result of the increase in the VAT value to be recovered and the refunds requested;
- The *Non-Current Assets Held for Sale* decreased by 1.1 million euros, resulting from the sale of the assets classified in this category (building in Vila Nova de Gaia and locomotives 1550 not related to commercial activity) and the reinforcement of the constituted impairments;
- The balance of *Customers and Other Accounts Receivable* – of the current asset – increased by 1.4 million euros, mainly due to the increase in contributions not yet received regarding social passes (sub-23, 4-18 and social +). It should be noted that, throughout 2019, several diligences have been undertaken with different entities to ensure the receipt of debts;
- The balance of *Cash and Cash Equivalents* increased by 17.9 million euros.

Capital

The capital increases carried out by the Portuguese State throughout 2019 amounted to 28.5 million euros. Increases of statutory capital were approved by Joint Orders from the Secretaries of State of Treasury and of Infrastructures:

- During April, amounting to 10 million euros;
- During September, amounting to 18.5 million euros.

In October, it is also worth mentioning a capital injection operation in cash carried out by the Portuguese State, amounting to 518.6 million euros, to cover negative results carried forward. This amount was used to repay the bond loan due in the same month and the corresponding financial costs.

Liability

CP's *Liability* decreased by 499.1 million euros in 2019, and the following impacts are the most significant:

- The decrease in the *Loans Obtained*, amounting to approximately 520.1 million euros, arising from the amortisation of European Investment Bank (EIB) loans and of the bond loan of 500 million euros;
- Increase in the balance of *Suppliers and Other Debts Payable* by 23.6 million euros, mainly due to the increase of the received invoicing – which is in the process of validation – and to the accrual of expenses related with interest payable, with charges for the use of infrastructures, with repair and maintenance of rolling stock and other external services and supplies, yet to be invoiced;
- Decrease in *Provisions* by 2.5 million euros, not only due to Fernave's capital recomposition operation – which took place at the end of the year – with the reversal of the provision constituted to cover accumulated losses, but also due to new provisions constituted for railway accidents.

Financing

Funding Policy

In 2019, CP received compensatory allowances of 40 million euros to finance its activity. Using such allowances, its operating revenue and the management balance carried forward from the previous year, it was possible to cover almost all the liabilities arising from the operation, investment and part of the debt service.

It was supported by the Portuguese State through increases in the statutory capital, amounting to 28.5 million euros, to meet part of the needs arising from the debt service³ and personnel expenses related to the historical agreement on variable bonuses.

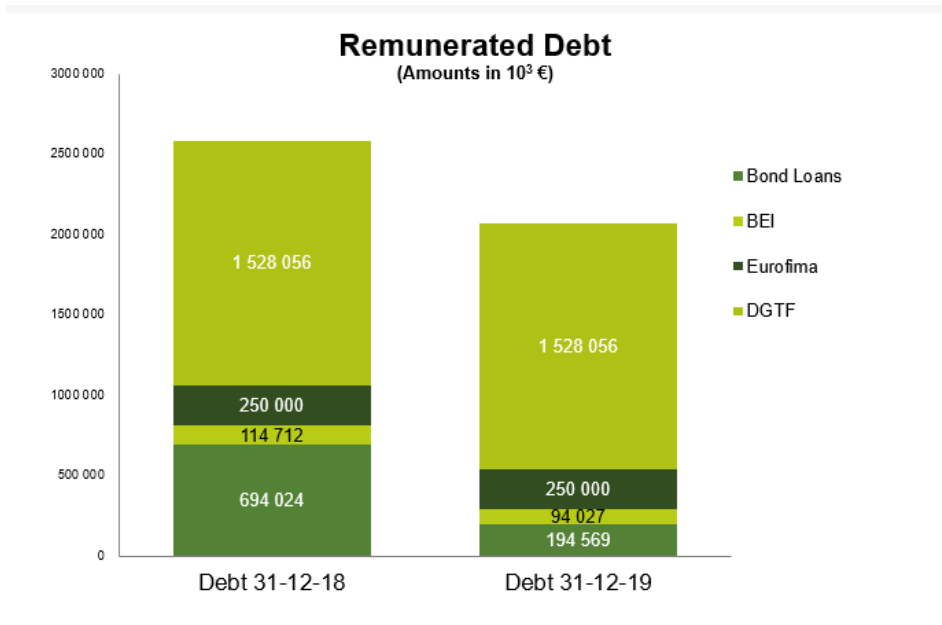
It is also worth mentioning a capital injection operation in cash, amounting to 518.6 million euros, to cover negative results carried forward. This amount was exclusively used to repay the bond loan of 500 million euros due in October and the corresponding financial costs.

At the end of November, CP and the Portuguese State signed a Public Service Agreement. Such Agreement is in the process of being approved by the Court of Auditors.

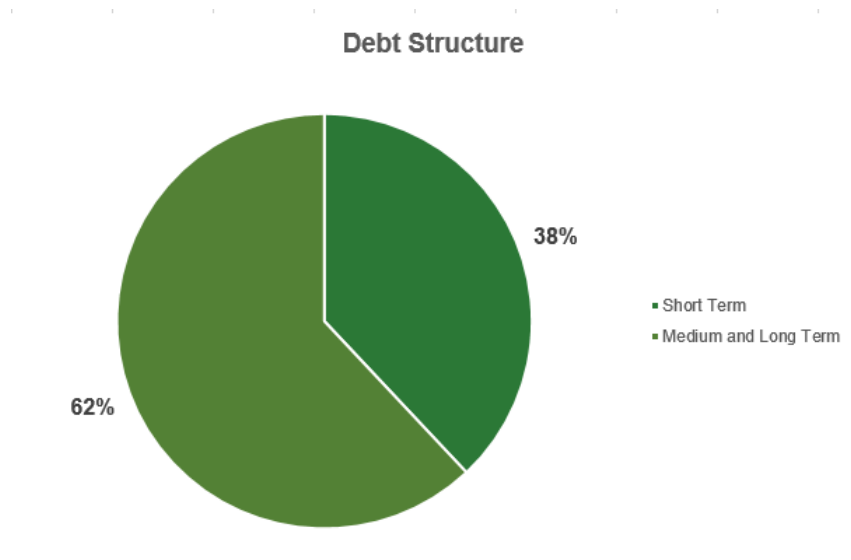
³ Part of the amortisation of EIB's loan.

Remunerated Debt

The remunerated debt of CP as of the 31st of December, 2019 amounted to approximately 2.067 billion euros, 520.1 million euros less than at the end of the previous year, with the following particulars by financing sources:



The following graphic illustrates the debt structure by term:



The relevance of the short-term debt burden in the structure mainly results from the due date extensions of the State loan, by authorisation of the Ministry.

Co-Funding

In 2019, CP had non-recoverable financing of around 6.6 million euros:

| Co-funding 2019 (amounts in €) | Amounts |
|---|-----------------------|
| PO14 - Planning and Infrastructures IMPIC CP | 1 989 132,00 € |
| Environmental Fund | 4 565 785,00 € |
| TOTAL | 6 554 917,00 € |

In the reporting year, CP also benefited from an advance payment for the Bilhética MOBIL.T project, co-financed by *Mecanismo Interligar Europa* (Connecting Europe Facility), amounting to 856,145.28 euros. Although it was not classified as an investment grant, it will be reclassified as such in 2020, when there is confirmation of the project start-up and its implementation, as defined in the conditions of the project.

Financing Costs

Financing costs maintained the downward trend in 2019, essentially due to the reduction of the company's remunerated debt and the preservation of market rates at historically low levels. The financial costs were approximately 55.8 million euros. The average cost of the company's financing with reference to December was 2.4% lower than the anticipated 3.4% for the year.

Risk Management Instruments

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

The background features two large, stylized letters, 'D' and 'A', rendered in a light green color against a darker green background. The letters are positioned in the upper half of the page, with the 'D' on the left and the 'A' on the right. The 'A' has a unique shape with a circular cutout in its upper right quadrant and a curved base.

PERSPECTIVES FOR 2020

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As the public transportation service is a priority in the Government's programme and considering the strategic centrality of the railway mode in the national transportation system – through the Resolution of the Council of Ministers (RCM) no. 110/2019, of June 27th – the Government established a set of strategic guidelines for the revitalisation of the railway passenger transportation service.

Such Resolution also established the continuation of the necessary diligences for the merger by incorporation of EMEF, SA, into CP, EPE. This would be authorised at the end of 2019 and would take effect on January 1st, 2020.

In compliance with the provisions of the RCM, the CP's Board of Directors prepared its Strategic Plan for the purposes of recovering the service levels in the short term and, simultaneously, the development and sustainability of the sector in the medium and long term.

Within the scope of such Plan, it has defined three service goals that it intends to consistently and permanently achieve:

- Regularity - restore the regularity of the commercial service to 100%;
- Punctuality - increase the Punctuality Rate to the European average levels;
- Cleanliness - restore the cleanliness and comfort levels suited to a quality service.

The established strategic option breaks down in 12 goals:

- Conclusion of the Public Service Obligation Agreement;
- Conclusion of new Company's Agreements with Organisations Representing Employees;
- Stabilisation of the management and maintenance services of rolling stock, matching the real needs of technical responsibility and industrial capacity to the workload arising from the commercial service and public service provided by CP;
- Recovery of the railway passenger transportation service levels - regional service;
- Recovery of the railway passenger transportation service levels - urban service;
- Recovery of the railway passenger transportation service levels - medium / long-distance service;
- Purchase of rolling stock for the regional service, Cascais Line and long-distance;
- Recovery of a fleet of diesel railcars to be able to respond – with the new regional units in the process of being acquired – to the increase in demand in urban areas and to mitigate the risks of delays in the electrification and delivery programmes of the new regional units;
- Implementation of a remote monitoring system of CP's fleet;
- Creation of the Railway Competence Centre in Guifões - Matosinhos;
- Promotion of the creation of a *made in* Portugal train;

- Recovery of historical rolling stock with commercial interest.

These goals consist in projects and actions, of which the following stand out:

- Completion of CP/EMEF merger;
- Open up the northern main building of the Guifões complex;
- Implement the restructuring of the rolling stock management function in accordance with the Commission Regulation 445/2011 of May 10th, 2011 (ECM – Entity in Charge of Maintenance);
- Optimisation of the schedules of the operating staff in accordance with the sector's best practices;
- Promotion of the use of urban and regional trains with lower occupancy rates, through a pricing policy that encourages the use of off-peak trains.
- Reformulation of the commercial service of Minho and Douro lines after electrification;
- Restoring the level of service of Alfa Pendular, by reformulating the offer and optimising movement and parking times;
- Completion of R1 of Alfa Pendular rolling stock;
- Recovery and modernisation of the carriage fleet that allows a speed of 200km/h;
- Recovery of fixed rolling stock;
- Optimisation of rolling stock movement;
- Construction of push-pull trains through the modernisation of forty Sorefame carriages and vans with pilot cabin;
- Implementation of the R1 project of UDD 450;
- Study on the techno-economic feasibility of modernising four UTD600 with the same technology as the new UDD 450;
- Study on the techno-economic feasibility of the remote monitoring of rolling stock fleets;
- Installation of a remote monitoring system in the rolling stock fleets;
- Conclusion of the rolling stock purchase agreement for the regional service;
- Study on the acquisition of narrow-gauge and second-hand rolling stock for the Vouga Line;
- Tender launch for the acquisition of rolling stock for the Cascais Line;
- Tender launch for the acquisition of rolling stock for the long-distance;
- Study and negotiate the participation in the assembly of new trains in CP's facilities;
- Opening of the Railway Competence Centre in Guifões;
- Study of the opening of UPTec Ferrovia in the old training centre of Guifões;
- Design of the Portuguese Train based on an adaptable standard platform;
- Identification of a financing opportunity for the recovery of historical rolling stock;
- Transfer to Guifões of historical rolling stock with commercial potential and its recovery;
- Recovery campaign of rolling stock exterior cleaning;
- Cleaning and replacement campaign of seat covers;
- Prevention campaign against graffiti and vandalism;
- Conclusion of the implementation of the CRM - Customer Relationship Management project;

- Changes to the ticket office concept (CP Shop);
- Improvement of the sale systems: EPVC, Ticket Vending Machines, Viva Kiosks, Agents network, site, App;
- Study the possibility to practice different prices by sale channel;
- Partnerships with other transport operators to find integrated mobility solutions - Mobility as a Service (MaaS);
- Provide the company with appropriate operational systems.

As widely known, WHO declared the outbreak of the new coronavirus – COVID-19 – as a pandemic on March 11th. News indicate that several economy sectors may be directly or indirectly affected by the disease, particularly, among other possible effects, the disruption or limitation of supply of goods and services or the failure to comply with contractual obligations by the various counterparties. Thus, the perception and assessment of business risk may change. Additionally, there are news indicating that a general economic downturn is imminent. The effects arising from this event regarding CP's activity are presently uncertain.

10

**RELEVANT FACTS AFTER THE END OF THE
FINANCIAL YEAR**



After the end of the financial year, the following events occurred:

- The merger through incorporation of EMEF - Empresa de Manutenção de Equipamento Ferroviário, S. A. into CP as at January 1st, 2020, published by Decree-Law no. 174/2019-B, on December 26th. Therefore, CP takes over all legal and contractual rights and obligations of EMEF, S.A., which comprise the corresponding legal sphere on the date of effect of the merger. The merger does not affect or changes in any way the circumstances in which the agreements were concluded, nor changes the corresponding guarantees.
- As widely known, WHO declared the outbreak of the new coronavirus – COVID-19 – as a pandemic on March 11th. News indicate that several economy sectors may be directly or indirectly affected by the disease, particularly, among other possible effects, the disruption or limitation of supply of goods and services or the failure to comply with contractual obligations by the various counterparties. Thus, the perception and assessment of business risk may change. Additionally, there are news indicating that a general economic downturn is imminent. The effects arising from this event regarding CP's activity are presently uncertain.

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 51,578,374 euros – are transferred to the account of Retained Earnings.

28th of April 2020

The Board of Directors

President: Nuno Pinho da Cruz Leite de Freitas

Vice-president: Pedro Miguel Sousa Pereira Guedes Moreira

Voting Member: Ana Maria dos Santos Malhó

Voting Member: Maria Isabel de Magalhães Ribeiro

Voting Member: Pedro Manuel Franco Ribeiro

FINANCIAL STATEMENTS



214M

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Individual Balance Sheet

Period ended on the 31st of December 2019

Amounts in Euros

| HEADINGS | NOTES | PERIODS | |
|--------------------------------------|-------|------------------------|------------------------|
| | | 31/12/2019 | 31/12/2018 |
| ASSET | | | |
| Non-current asset | | | |
| Fixed tangible assets | 7 | 437 657 524 | 471 324 019 |
| Financial holdings - equity method | 8 | 47 840 731 | 40 238 303 |
| Other Financial Investments | 9 | 27 805 285 | 27 790 723 |
| | | 513 303 540 | 539 353 045 |
| Current asset | | | |
| Inventories | 11 | 3 955 631 | 3 774 228 |
| Customers | 12 | 6 730 885 | 5 113 192 |
| State and other public entities | 13 | 9 167 445 | 7 874 368 |
| Other credits receivable | 14 | 4 864 552 | 5 053 785 |
| Deferrals | 15 | 896 288 | 807 260 |
| Non-current assets held for sale | 16 | 4 445 005 | 5 583 434 |
| Cash and cash equivalents | 5 | 30 684 252 | 12 785 051 |
| | | 60 744 058 | 40 991 318 |
| Total of assets | | 574 047 598 | 580 344 363 |
| EQUITY AND LIABILITY | | | |
| Equity | | | |
| Subscribed capital | 17 | 3 959 489 351 | 3 931 000 000 |
| Legal reserves | 18 | 24 703 | 24 703 |
| Other reserves | 19 | 1 306 650 | 1 306 650 |
| Retained earnings | 20 | (5 777 151 280) | (6 190 140 885) |
| Adjustments/other changes in equity | 21 | 195 235 424 | 197 946 202 |
| Net result of the period | | (51 578 374) | (105 626 933) |
| Minority interests | | | |
| Total of equity | | (1 672 673 526) | (2 165 490 263) |
| Liability | | | |
| Non-current liability | | | |
| Provisions | 22 | 14 290 852 | 16 756 844 |
| Loans obtained | 23 | 785 416 398 | 1 304 258 630 |
| | | 799 707 250 | 1 321 015 474 |
| Current Liability | | | |
| Suppliers | 25 | 8 264 962 | 7 351 211 |
| State and other public entities | 13 | 766 770 | 881 781 |
| Loans obtained | 23 | 1 281 235 333 | 1 282 532 920 |
| Other debts payable | 24 | 156 746 809 | 134 053 240 |
| | | 1 447 013 874 | 1 424 819 152 |
| Total of liability | | 2 246 721 124 | 2 745 834 626 |
| Total of equity and liability | | 574 047 598 | 580 344 363 |

Certified Accountant - Dr. Ana Coelho

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Director - Dr. Maria Isabel de Magalhães Ribeiro

Director - Eng.º Pedro Manuel Franco Ribeiro

Individual income statement by natures

Period ended on the 31st of December 2019

Amounts in Euros

| INCOME AND EXPENSES | NOTES | PERIODS | |
|--|-------|----------------|----------------|
| | | 2019 | 2018 |
| Provided sales and services | 26 | 280 719 729 | 266 636 102 |
| Operating subsidies | 27 | 40 003 543 | - |
| Gains/losses attributed to subsidiaries, associated companies and joint ventures | 8,28 | 9 152 932 | 7 508 507 |
| Sold commodities and consumed materials costs | 29 | (6 287 643) | (5 881 459) |
| External services and supplies | 30 | (175 203 486) | (163 428 859) |
| Personnel expenses | 31 | (109 014 542) | (105 613 535) |
| Inventory impairment (losses/reversals) | 11 | (123 082) | (239 463) |
| Impairment of receivables (losses/reversals) | 12,14 | (629 453) | 413 857 |
| Provisions (increases/decreases) | 22 | 1 720 715 | (1 066 785) |
| Impairment of non-depreciable and non-amortisable investments (losses/reversals) | 32 | (465 389) | 1 572 711 |
| Other income | 33 | 24 059 953 | 26 874 850 |
| Other expenses | 34 | (7 376 784) | (10 658 600) |
| Result before depreciations, financing expenses and taxes | | 56 556 493 | 16 117 326 |
| Expenses / reversal of depreciation and amortisation | 7,35 | (52 958 003) | (53 737 680) |
| Impairment of depreciable and amortisable investments (losses/reversals) | 7,36 | 814 416 | 721 647 |
| Operating result (before financing expenses and taxes) | | 4 412 906 | (36 898 707) |
| Interest and similar income gained | 37 | 526 306 | 436 399 |
| Payable interest and similar expenses | 38 | (55 776 722) | (68 303 618) |
| Result before taxes | | (50 837 510) | (104 765 926) |
| Income tax of the period | 10 | (740 864) | (861 007) |
| Net result of the period | | (51 578 374) | (105 626 933) |

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Director - Dr. Maria Isabel de Magalhães Ribeiro

Director - Eng.º Pedro Manuel Franco Ribeiro

Individual income statement by functions

Period ended on the 31st of December 2019

(amounts in euros)

| Individual income statement by functions | PERIODS | |
|--|----------------|----------------|
| | 2019 | 2018 |
| Provided sales and services | 280 719 729 | 266 636 102 |
| Cost of provided sales and services | (280 695 701) | (266 354 349) |
| Gross result | 24 028 | 281 753 |
| Other income | 80 268 610 | 37 618 122 |
| Distribution expenses | (35 460 411) | (35 730 189) |
| Administrative expenses | (27 317 264) | (26 588 336) |
| Research and development expenses | - | - |
| Other expenses | (13 102 057) | (12 480 057) |
| Operating result (before financing expenses and taxes) | 4 412 906 | (36 898 707) |
| Financing expenses (net) | (55 250 416) | (67 867 219) |
| Results before taxes | (50 837 510) | (104 765 926) |
| Income tax of the period | (740 864) | (861 007) |
| Net result of the period | (51 578 374) | (105 626 933) |
| Result of discontinued activities | - | - |

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Director - Dr. Maria Isabel de Magalhães Ribeiro

Director - Eng.º Pedro Manuel Franco Ribeiro

(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 | | | |
| Position at the beginning of the 2019 period | 1 | 3 831 000 000 | 24 703 | 1 306 650 | (6 190 140 885) | 197 946 202 | (105 626 933) | (2 165 490 263) |
| 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 to 20 | - | - | - | (105 626 933) | (2 710 778) | 105 626 933 | (2 710 778) |
| Net result of the period | 2 | - | - | - | (105 626 933) | (2 710 778) | 105 626 933 | (2 710 778) |
| Comprehensive result | 3 | - | - | - | - | - | (51 578 374) | (51 578 374) |
| Operations with capital owners in the period | 4 = 2 + 3 | - | - | - | (105 626 933) | (2 710 778) | 54 048 559 | (54 289 152) |
| Capital subscriptions | | 28 489 351 | - | - | - | - | - | 28 489 351 |
| Share premium subscriptions | | - | - | - | - | - | - | - |
| Distributions | | - | - | - | - | - | - | - |
| Down payments to cover losses | | - | - | - | 518 616 538 | - | - | 518 616 538 |
| Other operations | | - | - | - | - | - | - | - |
| Position at the end of the 2019 period | 5 3 = 1+2+3+5 | 3 859 489 351 | 24 703 | 1 306 650 | (5 777 151 280) | 195 235 424 | (51 578 374) | (1 672 673 526) |

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Vice-President - Eng.º Pedro Miguel Sousa Pereira Cuedes Moreira

Director - Dr. Ana Maria dos Santos Malhão

Director - Dr. Maria Isabel de Megalhães Ribeiro

Director - Eng.º Pedro Manuel Franco Ribeiro

Individual Statement of Changes in Equity during the 2018

| 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 | | | |
| Position at the beginning of the 2018 period | 1 | 3 850 091 940 | 24 703 | 1 306 650 | (6 078 189 239) | 205 486 134 | (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 to 20 | - | - | - | (111 951 646) | (7 549 932) | 111 951 646 | (7 549 932) | (7 549 932) |
| Net result of the period | 2 | - | - | - | (111 951 646) | (7 549 932) | 111 951 646 | (7 549 932) | (7 549 932) |
| Comprehensive result | 3 | - | - | - | - | - | (105 626 933) | (105 626 933) | (105 626 933) |
| Operations with capital owners in the period | 4 = 2 + 3 | - | - | - | (111 951 646) | (7 549 932) | 6 324 713 | (113 176 865) | (113 176 865) |
| Capital subscriptions | | 80 908 060 | - | - | - | - | - | 80 908 060 | 80 908 060 |
| Share premium subscriptions | | - | - | - | - | - | - | - | - |
| Distributions | | - | - | - | - | - | - | - | - |
| Down payments to cover losses | | - | - | - | - | - | - | - | - |
| Other operations | | - | - | - | - | - | - | - | - |
| Position at the end of the 2018 period | 5 3 = 1+2+3+5 | 80 908 060 3 831 000 000 | 24 703 | 1 306 650 | (6 190 140 885) | 197 946 202 | (105 626 933) | 80 908 060 (2 165 490 263) | 80 908 060 (2 165 490 263) |

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Director - Dr. Maria Isabel de Magalhães Ribeiro

Director - Eng.º Pedro Manuel Franco Ribeiro

| | (amounts in euros) | |
|---|--------------------|-------------------|
| CASH FLOW STATEMENT | 31/12/2019 | 31/12/2018 |
| Cash flows from operating activities - Direct method | | |
| Collections from customers | 339 267 509 | 297 250 240 |
| Payments to suppliers | (189 675 251) | (216 748 976) |
| Payments to employees | (112 801 022) | (110 587 456) |
| Cash generated by operations | 36 791 236 | (30 086 192) |
| Income tax payments/collections | (530 213) | (403 195) |
| Other collections/payments | 5 463 325 | 29 915 644 |
| Cash flows from operating activities (1) | 41 724 348 | (573 743) |
| Cash flows from investment activities | | |
| Payments regarding: | | |
| Fixed tangible assets | (22 096 706) | (18 152 389) |
| Intangible assets | - | - |
| Financial investments | - | - |
| Other assets | (13 000 000) | (154 000 000) |
| Collections from: | | |
| Fixed tangible assets | 1 344 278 | 5 125 100 |
| Intangible assets | - | - |
| Financial investments | 1 521 000 | 1 381 588 |
| Other assets | 13 000 000 | 154 000 000 |
| Investment grants | 6 554 917 | 1 800 000 |
| Interest and similar income gained | 401 095 | 325 405 |
| Dividends | 651 020 | 395 369 |
| Cash flows from investment activities (2) | (11 624 396) | (9 124 927) |
| Cash flows from funding activities | | |
| Collections from: | | |
| Loans obtained | - | - |
| Capital subscriptions and other equity instruments | 28 489 351 | 80 908 060 |
| Coverage of losses | 518 616 538 | - |
| Donations | - | - |
| Other funding operations | - | - |
| Payments regarding: | | |
| Loans obtained | (520 685 000) | (28 067 209) |
| Interest and similar income gained | (38 621 601) | (38 642 676) |
| Dividends | - | - |
| Capital reductions and other equity instruments | - | - |
| Other funding operations | - | - |
| Cash flows from funding activities (3) | (12 200 712) | 14 198 175 |
| Change in cash and cash equivalents (4) = (1) + (2) + (3) | 17 899 240 | 4 499 505 |
| Influence of exchange differences | (39) | (14) |
| Cash and cash equivalents at the start of the period | 12 785 051 | 8 285 560 |
| Cash and cash equivalents at the end of the period | 30 684 252 | 12 785 051 |

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Director - Eng.º Pedro Manuel Franco Ribeiro



**ATTACHMENTS TO THE FINANCIAL
STATEMENTS**



CP

2262

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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-Law no. 137-A/2009 from June 12th, as amended by Decree-Law no. 59/2012 from March 14th and by Decree-Law no. 124-A/2018 from December 31st and by Decree-Law no. 174-B/2019 from December 26th ⁴, although its wording did not take effect until January 1st, 2020.

The aforementioned statutes were approved following the revision of the legal system of the State-owned enterprises established by Decree-Law 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, line stretches 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.

⁴ To which the Amendment 10/2020, from February 21st, shall be added.

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 are presented in note 39.

Access to the Infrastructure

The status of the infrastructure manager, Infraestruturas de Portugal, S.A. (IP in short), is provided for 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. 124-A/2018, 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 infrastructure manager 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 Network Directorate 2019, 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, under the terms provided in the applicable law, manoeuvres, 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, the provision of spaces for equipment installation in common areas of the stations and the provision of commercial information. 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 authorized 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) amends the legal regime applicable to CP, and (iii) revises 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 allow 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 14th, 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 regarding the railway transportation of passengers in national territory, and the corresponding financial compensations, is the adequate and necessary instrument for clarifying the relationships between the State and CP, 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, of March 14th, and by Decree-Law no. 124-A/2018, of December 31st, established the framework that allows the contracting of public railway transportation services provided by CP, recognising that CP, E. P. E, is an internal operator of the State, and its activity of providing the public service of railway transport of passengers shall be framed in a public service agreement, which must include specific provisions on the services for which the existence of public service obligations is justified. This agreement is concluded in accordance with Regulation (EC) no. 1370/2007 of the European Parliament and of the Council, of October 23rd, 2007, and Law no. 52/2015, of June 9th, both in their current wording, and the contractual provisions related to the provision of public services included in the agreement shall be compatible with the strategic goals of the public transport policy.

On March 24th, 2011, CP concluded with the State the agreement named “Temporary Scheme of Public Service Financing”, 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 this regard, CP and the State agreed to terminate the concluded agreement. Consequently, compensatory allowances became due to CP – until a new public service agreement was formalised – which were intended to cover costs that CP actually incurred due to the provided public service.

Therefore, the compensatory allowances granted to CP regarding 2019 are recorded in the Council of Ministers Resolution no. 156/2019, published in the Portuguese Official Gazette no. 177/2019, 1st Series, from September 16th, 2019.

Finally, pursuant to the abovementioned Regulation (EC) no. 1370/2007, in its current wording, on November 28th, 2019, CP concluded with the State the public service agreement regarding national railway transportation of passengers, for a period of 10 years (with the possibility of extension for a further five years, if the conditions for such purpose have been met), which establishes the covered services, the public service obligations to which CP is obliged, the corresponding compensation, and the measurable operational indicators to assess non-compliance, pending the approval of the Court of Auditors.

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 2019 were prepared in accordance with the Accounting Normalization 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 April 28th, 2020, 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, 2019, and for the comparative financial information presented in these financial statements for the period concluded on December 31st, 2018.

Derogations of the SNC [Accounting Normalization 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 described below.

Bases of Measurement

The 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 disposal 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 and electric locomotives:</i> | |
| - Main Component | 17 to 35 |
| - Secondary Component | 5 to 15 |
| <i>diesel and electric railcars:</i> | |
| - Main Component | 14 to 30 |
| - Secondary Component | 2 to 15 |
| <i>Passenger carriages:</i> | |
| - 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, updated 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 financing structure that has been followed until the current moment.

Pending the approval of the court of auditors on the public service agreement, CP understands that it is not possible to establish the use value in accordance with what has been established by the Accounting Normalization 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) – less the selling costs – 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 financing 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;
- Its 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 deducted 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 financing 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; and,
- 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 financing 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 highly 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 disposal 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 other debts payable headings, 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 accrual 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 2019, 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 financial statements set forth herein reflect the subsequent events occurred until the 28th of April 2020. The Management Board has approved such financial statements on the aforementioned date, as referred to in note 2.

Events occurred after the balance sheet date on conditions existing at the balance sheet date are considered in the preparation of the financial statements. Material events after the balance sheet date which do not lead to adjustments are disclosed in note 41.

Value Judgements

The preparation of the financial statements in accordance with the NCRF 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 improvement of a positive EBITDA of the transportation activity in 2019, which indicates the existence of future sustainability factors;
- The signing of the public service agreement of rail transportation of passengers concluded with the Portuguese State on the 28th of November 2019;
- The State has granted all its support to the company, namely in what concerns the necessary support to the company's financing, 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 2019 CP transported 144.9 million passengers (+18.6 million transported passengers compared with 2018), 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.

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.

Inventories

The Company compares every six months the realisable value of inventories with the value recognised in the company's accounts and, when necessary, recognises the impairment for obsolete, slow-moving and defective stocks. The impairment value is presented as a deduction from the asset.

- Rolling stock

For inventory of parts used in rolling stock repairs, and given the resistance of most of such parts, the impairment of the rolling stock warehouse parts is calculated according to the estimated useful life of the material series to which they were associated, which allows the identification of the actual obsolete materials and of those without use.

- Remaining materials

For the remaining miscellaneous materials, the criterion of not-movement for over 5 years applies for the identification of obsolete materials and without use.

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 disposal 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 financing, are disclosed.

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

As at the 31st of December 2019, all cash and cash equivalents balances are available for use.

The cash flow statement regarding the financial year 2019 shows positive operating cash flows, with an increase of approximately 42.3 million euros, when compared to the same period of the previous year. This situation results primarily from compensatory allowances – amounting to 40 million euros – and also from the increase in transport services carried out, by approximately 2 million euros.

As to investment flows, it is worth highlighting the establishment and redemption of CEDIC investments for temporary cash surpluses, the increase in payments of tangible fixed assets – by approximately 3.9 million euros compared to the same period of the previous year – and the decrease in receptions resulting from the disposal of assets not related to the activity, by 3.8 million euros. The increase in the investment allowances received – by 4.8 million euros – is also worth highlighting.

The flows of financing activities reveal the debt service payment due in the period and the capital injections received from the State.

Cash and Cash Equivalents Heading

The cash and cash equivalents heading comprises the following balances:

| Description | (amounts in euros) | |
|------------------|--------------------|-------------------|
| | 31/12/2019 | 31/12/2018 |
| Cash | 488 806 | 443 038 |
| Cash equivalents | 30 195 446 | 12 342 013 |
| Sub total | 30 684 252 | 12 785 051 |
| Bank overdrafts | - | - |
| Total | 30 684 252 | 12 785 051 |

Disaggregation of the values under the heading of cash and cash equivalents

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

| Description | (amounts in euros) | |
|---------------------------------|--------------------|-------------------|
| | 31/12/2019 | 31/12/2018 |
| Cash | | |
| Central cash | 850 | 639 |
| Petty cash | 2 600 | 2 600 |
| Treasury Fixed Cash Fund | 10 845 | 10 660 |
| Train station cash | 469 511 | 424 139 |
| Automatic vending machine cash | 5 000 | 5 000 |
| | 488 806 | 443 038 |
| Demand deposits | | |
| Banco Português de Investimento | 1 940 099 | 2 062 605 |
| Caixa Geral de Depósitos | 1 206 | 1 412 |
| Inst. Gestão Crédito Público | 28 254 141 | 10 277 996 |
| | 30 195 446 | 12 342 013 |
| Sub total | 30 684 252 | 12 785 051 |
| Bank overdrafts | - | - |
| Total | 30 684 252 | 12 785 051 |

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.

Fixed Tangible Assets (note 7)

At the end of 2019, CP presented a fixed tangible asset organised by fixed asset categories, as presented in the following table:

| Description | (amount in euros) | |
|---|-------------------|---------------|
| | 31/12/2019 | 31/12/2018 |
| Gross amount: | | |
| Lands and natural resources | 18 941 131 | 18 941 131 |
| Buildings and other constructions | 87 853 633 | 86 407 837 |
| Basic equipment | 1 412 621 170 | 1 398 261 758 |
| Transportation equipment | 1 261 140 | 1 287 880 |
| Administration equipment | 24 345 286 | 22 885 087 |
| Other fixed tangible assets | 60 427 014 | 63 705 157 |
| Ongoing investments | 3 384 645 | 5 085 710 |
| Advance payments for investment purposes | 1 641 592 | 1 384 371 |
| Subtotal | 1 610 475 611 | 1 597 958 931 |
| Accumulated depreciation and impairment: | | |
| Depreciation of the period | 52 958 003 | 53 737 680 |
| Accumulated depreciation of previous periods | 1 121 640 912 | 1 067 903 232 |
| Adjustments carried out against accumulated depreciations | (5 960 412) | |
| Impairment losses of the period | (814 416) | (721 647) |
| Impairment losses of previous periods | 4 994 000 | 5 715 647 |
| Subtotal | 1 172 818 087 | 1 126 634 912 |
| Net book value | 437 657 524 | 471 324 019 |

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 reversal of impairment losses recorded in the period results from the adjustment of the book value to the recoverable amount. The movements in the fixed tangible assets heading throughout 2019 are summarised in the following table:

| Description | Opening Balance | Additions | Disposals | Assets classified as held for sale | Decommissioning | Transfers | Other adjustments | Closing Balance |
|--|--------------------|---------------------|-----------|------------------------------------|-----------------|--------------|-------------------|--------------------|
| (amounts in euros) | | | | | | | | |
| Gross value: | | | | | | | | |
| Lands and natural resources | 18 941 131 | - | - | - | - | - | - | 18 941 131 |
| Buildings and other constructions | 86 407 836 | - | - | - | (164 297) | 1 610 094 | - | 87 853 633 |
| Basic equipment | 1 398 261 759 | 508 332 | - | 473 742 | (1 030 310) | 15 254 238 | (846 591) | 1 412 621 170 |
| Transportation equipment | 1 287 880 | - | - | - | (26 740) | - | - | 1 261 140 |
| Administration equipment | 22 885 088 | 514 892 | (3 471) | - | (308 362) | 1 257 139 | - | 24 345 286 |
| Other fixed tangible assets | 63 705 156 | 123 559 | - | - | (153 031) | 674 405 | (3 923 075) | 60 427 014 |
| Ongoing investments | 5 085 710 | 14 845 208 | - | - | - | (16 546 273) | - | 3 384 645 |
| Advance payments for investment purposes | 1 384 371 | 2 506 824 | - | - | - | (2 249 603) | - | 1 641 592 |
| | 1 597 958 931 | 18 498 815 | (3 471) | 473 742 | (1 682 740) | - | (4 769 666) | 1 610 475 611 |
| Accumulated depreciation and impairment: | | | | | | | | |
| Buildings and other constructions | 42 305 202 | 2 164 007 | - | - | (164 297) | - | - | 44 304 912 |
| Basic equipment | 1 007 897 834 | 47 598 289 | - | 473 742 | (1 030 310) | - | (846 591) | 1054 092 964 |
| Transportation equipment | 1 275 379 | 7 457 | - | - | (26 740) | - | - | 1 256 097 |
| Administration equipment | 20 832 815 | 1 080 994 | (3 471) | - | (308 362) | - | - | 21 601 975 |
| Other fixed tangible assets | 49 329 682 | 2 107 256 | - | - | (131 307) | - | (3 923 075) | 47 382 556 |
| Fixed Tang. Assets -Accum. Impair. Losses- Basic Equipment | 4 994 000 | (814 416) | - | - | - | - | - | 4 179 584 |
| | 1 126 634 912 | 52 143 587 | (3 471) | 473 742 | (1 661 016) | - | (4 769 666) | 1 172 818 087 |
| Total | 471 324 019 | (33 644 772) | - | - | (21 724) | - | - | 437 657 524 |

The most significant investments performed in the financial year of 2019 relate essentially to occasional R1 and R2 repairs.

As to decommissioning, the most significant heading is associated with basic equipment (commercial equipment), which is already fully depreciated and not allocated to the commercial activity. The change in the heading of buildings and other constructions is also worth highlighting, resulting from the write-off of investments made in diesel stations that have been deactivated.

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.

The other regularisations correspond to the adjustment of the net book value of assets (rolling stock and rolling stock fleet parts) to a new useful life.

As at December 31st, 2019, the following fixed tangible assets were granted as loan guarantee obtained by CP from Eurofima:

| (amounts in euros) | |
|--------------------|--------------------|
| Description | Book value |
| Railcars | 176 316 229 |
| Total | 176 316 229 |

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 | 31/12/2019 | | | 31/12/2018 | | |
|--------------|------------|-------------------|------------|-------------------|-------------------|------------|-------------------|
| | | Gross amount | Impairment | Net amount | Gross amount | Impairment | Net Amount |
| EMEF, SA | Investment | 34 327 975 | - | 34 327 975 | 23 664 057 | - | 23 664 057 |
| EMEF, SA | Loans | 10 250 000 | - | 10 250 000 | 11 750 000 | - | 11 750 000 |
| SAROS, SA | Investment | 481 475 | - | 481 475 | 478 519 | - | 478 519 |
| FERNAVE, SA | Investment | 280 492 | - | 280 492 | 2 | - | 2 |
| FERNAVE, SA | Loans | - | - | - | 2 600 000 | - | 2 600 000 |
| ECOSAÚDE, SA | Loans | 264 480 | - | 264 480 | 285 480 | - | 285 480 |
| OTLIS, ACE | Investment | 529 613 | - | 529 613 | 344 767 | - | 344 767 |
| TIP, ACE | Investment | 1 706 696 | - | 1 706 696 | 1 115 478 | - | 1 115 478 |
| Total | | 47 840 731 | - | 47 840 731 | 40 238 303 | - | 40 238 303 |

The following movements in these financial holdings were made in 2019, as per the following table:

(amounts in euros)

| | Opening Balance | Additions | Disposals | Equity Method | Other changes | Closing Balance |
|--------------|-------------------|-----------|-----------|------------------|--------------------|-------------------|
| Gross amount | | | | | | |
| EMEF, SA | 35 414 057 | - | - | 10 663 918 | (1 500 000) | 44 577 975 |
| SAROS, SA | 478 519 | - | - | 405 057 | (402 101) | 481 475 |
| FERNAVE, SA | 2 600 002 | - | - | (2 757 718) | 438 208 | 280 492 |
| ECOSAÚDE, SA | 285 480 | - | - | - | (21 000) | 264 480 |
| OTLIS, ACE | 344 767 | - | - | 250 457 | (65 611) | 529 613 |
| TIP, ACE | 1 115 478 | - | - | 591 218 | - | 1 706 696 |
| Subtotal | 40 238 303 | - | - | 9 152 932 | (1 550 504) | 47 840 731 |
| Impairment | - | - | - | - | - | - |
| Subtotal | - | - | - | - | - | - |
| Total | 40 238 303 | - | - | 9 152 932 | (1 550 504) | 47 840 731 |

During 2019, the capital recomposition operation carried out at Fernave, through the conversion of loans and other credits of CP – amounting to approximately 3.1 million euros – should be noted, as well as the increase in the EMEF and TIP's financial holdings, through the application of the Equity Method, which in 2019 continued to register a positive variation in their results.

Amortisations of loans carried out by the companies EMEF and Ecosaúde, amounting to 1.5 million euros and 21 thousand euros respectively, as well as the distribution of profits from Saros, amounting to 0.4 million euros, are also 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 | 31/12/2019 | 64 646 594 | 30 318 619 | 34 327 975 | 82 595 048 | 10 663 918 |
| SAROS, SA | 100 | 31/12/2019 | 583 808 | 102 333 | 481 475 | 571 435 | 405 057 |
| FERNAVE, SA | 100 | 31/12/2019 | 919 457 | 638 965 | 280 492 | 1 393 935 | 365 200 |
| ECOSAÚDE, SA | 100 | 31/12/2019 | 665 465 | 851 900 | (186 435) | 2 259 478 | (18 258) |
| TIP, ACE | 33 | 31/12/2019 | 16 491 581 | 11 319 776 | 5 171 805 | 7 772 986 | 2 447 374 |
| OTLIS, ACE | 14 | 31/12/2019 | 7 708 565 | 4 001 264 | 3 707 301 | 7 667 689 | 1 822 076 |

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 | 31/12/2019 | | | 31/12/2018 | | |
|------------------------|------------------|--------------|------------|------------|--------------|------------|------------|
| | | Gross Amount | Impairment | Net Amount | Gross Amount | Impairment | Impairment |
| 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 |
| Work compensation fund | Acquisition cost | 39 551 | - | 39 551 | 24 989 | - | 24 989 |
| | | 28 529 674 | (724 389) | 27 805 285 | 28 515 112 | (724 389) | 27 790 723 |

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 thousand 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 41.6 thousand 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 2019 is analysed in the following table:

| | Opening Balance | Additions | Disposals | Fair Value | Other changes | Closing Balance |
|------------------------|-------------------|---------------|-----------|------------|---------------|-------------------|
| (amounts in euros) | | | | | | |
| 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 |
| Work compensation fund | 24 989 | 14 562 | - | - | - | 39 551 |
| | 28 515 112 | 14 562 | - | - | - | 28 529 674 |
| 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 | 27 790 723 | 14 562 | - | - | - | 27 805 285 |

The only change in this heading, during the financial year of 2019, is related to the discounts required by law for the work compensation fund, through new work agreements entered into by the company.

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.

Although the public service agreement was concluded in 2019, which significantly changes the form of financing of the public transportation service, such agreement is still under consideration by the Court of Auditors and its date of approval is still unknown. This situation may have a significant impact on the offsetting resulting from this agreement and that should

be considered for the purposes of determining the deferred tax assets/liabilities. For this reason, CP did not record deferred tax assets/liabilities related to temporary differences between the accounting recognition of expenses or income and their tax approval.

At the end of 2019, the total deductible tax losses of the CP Group amounted approximately to 242.6 million euros, which may be used between 2019 and 2028.

The accounting result has been adjusted in order to reflect the estimated corporate income tax to be paid with the autonomous taxation.

Inventories (note 11)

As at December 31st, 2019, CP presented the following amounts of inventory, detailed by classification:

| Description | (amounts in euros) | |
|--|--------------------|------------------|
| | 31/12/2019 | 31/12/2018 |
| Gross Amount: | | |
| Goods | - | - |
| Raw, auxiliary and consumable materials | 9 740 659 | 9 436 174 |
| Advance payments for purchasing purposes | - | - |
| | 9 740 659 | 9 436 174 |
| Accumulated impairments | | |
| Impairments of the period | (123 082) | (239 463) |
| Impairments of previous periods | (5 661 946) | (5 422 483) |
| | (5 785 028) | (5 661 946) |
| Net Book Value | 3 955 631 | 3 774 228 |

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 impairment

of storage parts of rolling stock was calculated in accordance with the estimated useful life of the series of material with which the parts were associated, which enabled the identification of the actual obsolete materials and of those without use. The criterion of non-movement for over 5 years was maintained for the remaining materials.

Bearing in mind the application of this criterion, an impairment loss of 123 thousand euros was recognised in 2019, 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 | (5 661 946) | (123 082) | - | - | (5 785 028) |
| Total | (5 661 946) | (123 082) | - | - | (5 785 028) |

Customers (note 12)

As at the 31st of December 2019, the heading of customers had the following amounts:

(amounts in euros)

| Description | 31/12/2019 | 31/12/2018 |
|---|------------------|------------------|
| Gross Amount: | | |
| Goods | - | - |
| General | 5 917 845 | 3 945 650 |
| Associated companies | 421 339 | 452 491 |
| Joint ventures | 390 787 | 452 392 |
| Other related parties | 914 | 262 659 |
| Customers - accumulated impairment losses | 2 403 472 | 1 751 983 |
| Subtotal | 9 134 357 | 6 865 175 |
| Accumulated impairment | | |
| Impairment losses of the period | (651 489) | 427 822 |
| Impairment losses of previous periods | (1 751 983) | (2 179 805) |
| Subtotal | (2 403 472) | (1 751 983) |
| Net book value | 6 730 885 | 5 113 192 |

The increase registered in general customers comes mainly from IMT - Instituto da Mobilidade e Transporte, I.P. [Portuguese Institute for Mobility and Transport], due to the failure to receive the assigned contributions regarding social passes (sub-23, 4-18 and social +).

The movements of impairment losses are analysed as follows:

(amounts in euros)

| Description | Opening Balance | Losses | Uses | Reversals | Closing Balance |
|-------------------|------------------|----------------|----------|-----------|------------------|
| Impairment losses | | | | | |
| General customers | 1 751 983 | 651 489 | - | - | 2 403 472 |
| Total | 1 751 983 | 651 489 | - | - | 2 403 472 |

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 | 5 961 840 | 197 974 | 183 513 | 316 378 |
| Associated companies | 392 139 | 29 200 | - | - |
| Joint ventures | (115 997) | 437 173 | 69 655 | (43) |
| Other related parties | 124 242 | (872 648) | 6 708 | 751 |
| Total | 6 362 224 | (208 301) | 259 876 | 317 086 |

State and Other Public Entities (note 13)

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

| Description | (amounts in euros) | |
|--|--------------------|------------------|
| | 31/12/2019 | 31/12/2018 |
| Asset | | |
| Income tax | 754 358 | 909 350 |
| Special payment on account | 551 717 | 817 660 |
| Withholding tax | 116 033 | 91 690 |
| Withholding tax-Dependent | 86 608 | - |
| VAT | | |
| VAT receivable from Nov. and Dec. | 7 183 951 | 6 184 921 |
| VAT requested refunds | 1 186 242 | 779 643 |
| Other taxes | | |
| Social Security contributions CNP [National Pensions Centre] | 42 841 | |
| DGI-FCT | 53 | |
| Total | 9 167 445 | 7 874 368 |
| Liability | | |
| Income tax | 740 864 | 861 007 |
| Income tax withholdings | 5 708 | 3 390 |
| Social Security contributions | 20 198 | 16 261 |
| Other taxes | - | 1 123 |
| Total | 766 770 | 881 781 |

The asset change is essentially due to the increase in the VAT receivable, as a result of the acceptance, at the end of the invoicing year - 2019 - of IP- Infraestruturas de Portugal, regarding the services for the use of the infrastructure, and of EMEF, regarding the finished works.

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 decrease 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) | |
|---|--------------------|------------------|
| | 31/12/2019 | 31/12/2018 |
| Gross Amount: | | |
| Advance payments to suppliers | 133 790 | 133 790 |
| Current account Suppliers - debit balance | 153 | 1 115 |
| Other debtors - Employees | 73 023 | 84 492 |
| Sundry debtors - current accounts | 2 493 290 | 2 443 882 |
| Sundry debtors - Doubtful collection | 3 120 583 | 3 142 619 |
| Sundry creditors – debit balance | 139 815 | 139 550 |
| Sundry creditors-dep. given collateral | 227 758 | 368 210 |
| Sundry creditors –VAT- operations to be settled | 31 399 | 13 999 |
| Debtors/creditors- sundry – invoicing to be issued | 272 | 534 |
| Sundry debtors/creditors – health insurance | 190 210 | 195 852 |
| Sundry creditors –ODC- galp frota card/via verde [electronic toll] | 20 126 | 20 899 |
| Other accounts receivable/payable – deposits to be settled | (763) | (763) |
| ODC – business units/other | 117 281 | 181 717 |
| Debtors by accrual of income | 1 438 197 | 1 470 507 |
| Subtotal | 7 985 134 | 8 196 403 |
| Accumulated impairment | | |
| Impairment of the period - other debts to third parties | 22 036 | (10 872) |
| Impairment previous periods-Other debts to third parties- short term and medium and long term | (3 142 618) | (3 131 746) |
| Subtotal | (3 120 582) | (3 142 618) |
| Net book value | 4 864 552 | 5 053 785 |

The increase vis-à-vis 2018 is mainly found in the heading of sundry debtors c/c, where the increase of Infraestrutura de Portugal's debts and the decrease of Medway's debt are highlighted.

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 | 3 142 618 | 127 687 | - | (149 723) | 3 120 582 |
| Total | 3 142 618 | 127 687 | - | (149 723) | 3 120 582 |

Deferrals (note 15)

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

| Description | (amounts in euros) | |
|---|--------------------|----------------|
| | 31/12/2019 | 31/12/2018 |
| Asset | | |
| Expenses to be recognised | | |
| Deferrals - recognised expenses - other-miscellaneous | 896 288 | 807 260 |
| Total | 896 288 | 807 260 |

This heading covers the various insurance premiums borne by the company at the end of the year, 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 net realisable 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 2019:

(amounts in euros)

| Description | Book value (1) | Allowances to be recognised (2) | Scrap value (3) | Impairment (4) | (1)+(2)+(3)+(4) |
|----------------|----------------|---------------------------------|-----------------|----------------|-----------------|
| Several series | 11 860 235 | (3 035 233) | (1 150 372) | (7 674 630) | (0) |

The following table summarises, by category and net book value, the non-current assets held for sale:

(amounts in euros)

| Description | 31/12/2019 | 31/12/2018 |
|-----------------------------------|------------------|------------------|
| Assets | | |
| Lands and natural resources | 84 031 | 168 826 |
| Buildings and other constructions | 175 369 | 409 130 |
| Basic equipment | 4 185 605 | 5 005 478 |
| Total | 4 445 005 | 5 583 434 |

The variation recorded in 2019 results from the disposal of the immovable property located in Vila Nova de Gaia (which affects the headings land and buildings and other constructions) and of basic equipment (rolling stock not related to commercial activity).

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, 2017 and 2018, 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), by 516.4 million euros (in 2017) and by 80.9 million euros (in 2018), having been subscribed during the corresponding years.

During 2019, and in accordance with the law in force, it was equally determined that the subscribed capital of CP, EPE, would be increased by 28.5 million euros following the joint orders from the Sector and Financial Ministries, to be subscribed by the State as follows:

- In April, the Portuguese State carried out a capital increase in cash, amounted to 10 million euros;
- In September, the Portuguese State carried out a capital increase in cash, amounted to 18.5 million euros.

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 2019, the company has a subscribed capital of 3,959,489,351 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.

Retained Earnings (note 20)

The following operations are registered in this heading:

- The company has transferred the net results of the previous financial years to retained earnings;
- 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 October 2019, the Portuguese State – through joint orders of the Sector and Financial Ministries – carried out a capital injection operation in cash, amounting to 518.6 million euros, to cover negative retained earnings. This amount was fully used to repay the bond loan due in the same month and the corresponding financial charges.

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 depreciations corresponding to the financial year of 1995 and, afterwards, the application - to the amounts of the fixed asset and corresponding accumulated depreciations - 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) | |
|--------------------------|--------------------|--------------------|
| | 31/12/2019 | 31/12/2018 |
| Allowances | 103 745 416 | 106 456 194 |
| Financial repair | 91 357 368 | 91 357 368 |
| Transitional adjustments | 132 640 | 132 640 |
| Total | 195 235 424 | 197 946 202 |

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, result from the recognition 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) | |
|---|----------------------|----------------------|
| | 31/12/2019 | 31/12/2018 |
| Reserve Grants - Rolling Stock | (384 295) | (384 295) |
| FEDER-Sub Proj 12UQE | (2 343 858) | (3 217 792) |
| PIDDAC-Sub Proj 12+4UQE | (3 127 490) | (3 474 986) |
| FEDER-Sub Proj 12+4UQE | (8 547 861) | (9 497 606) |
| PIDDAC-Sub Proj 34UQE/UTE | (1 905 151) | (2 222 677) |
| PIDDAC-Sub Proj 19UDD | (280 889) | (331 757) |
| PIDDAC-Sub Proj 21ALLAN | (579 992) | (620 963) |
| PIDDAC-Sub Proj 42UQE | (263 096) | (303 000) |
| PIDDAC-Sub Proj 34UME | (14 579 110) | (15 666 540) |
| PIDDAC-Sub Proj 57UTE Silicon | (12 358 928) | (13 198 673) |
| PIDDAC-Sub Proj 57CORRAIL | (341 065) | (404 925) |
| PIDDAC-Sub Proj 12Locomotives | (390 009) | (390 009) |
| PIDDAC-Sub Proj Contactless Ticket (BLOQ) | - | - |
| PIDDAC-Improv. Interface Branch Line Lousã | (106 904) | (134 792) |
| PIDDAC-SubProj Change Max Veloc 45 Modern Carriag. | (4 152) | (23 039) |
| PIDDAC-Repl. Wheelset Transmission Boxes UDD's450 | (309 099) | (347 009) |
| PIDDAC-Modernisation of 4 railcars 3500 | (785 313) | (890 313) |
| PIDDAC-Large Repair R2 - 2334 | (239 815) | (267 222) |
| PIDDAC-Large Repair R2 - 2340 | (235 247) | (262 654) |
| PIDDAC-Large Repair R2 - 2326 | (181 756) | (201 951) |
| PIDDAC-Large Repair R3 - 9635 (BLOQ) | - | (10 887) |
| PIDDAC-Large Repair R2 - 2197010 | (30 045) | (49 021) |
| PIDDAC-Large Repair R2 - 2403 | (148 676) | (165 044) |
| PIDDAC-Large Repair R2 - 2404 | (343 613) | (380 429) |
| PIDDAC-Large Repair R2 - 360(BLOQ) | - | (3 747) |
| PIDDAC-Large Repair R2 - 2405 | (243 474) | (268 026) |
| PIDDAC-Large Repair R2 - 2197025 | (85 115) | (101 328) |
| PIDDAC-Large Repair R2 - 463(BLOQ) | - | (8 379) |
| PIDDAC-Large Repair -Gr R-R2 461(BLO) | - | (20 949) |
| PIDDAC-Large Repair R2 469(BLOQ) | - | (15 712) |
| PIDDAC-Large Repair R2 2197012 | (67 855) | (78 569) |
| PIDDAC-Large Repair R2 2197034 | (87 836) | (101 705) |
| PIDDAC-Large Repair R2 2197011 | (53 395) | (61 717) |
| PIDDAC-Large Repair R2 2197020 | (87 836) | (101 705) |
| PIDDAC-Large Repair R2 8597004 | (35 285) | (40 857) |
| PIDDAC-Large Repair R2 8597007 | (52 928) | (61 285) |
| PIDDAC-Large Repair R2 1415 | (127 428) | (139 190) |
| PIDDAC-Large Repair R2 2197028 | (88 992) | (102 861) |
| PIDDAC-Large Repair R2 1997008 | (44 053) | (50 919) |
| PIDDAC-Large Repair R2 2197019 | (105 173) | (119 042) |
| PIDDAC-Large Repair R2 0451 | (18 854) | (56 561) |
| PIDDAC-Large Repair R2 2197027 | (105 173) | (119 042) |
| PIDDAC-Large Repair R2 1997002 | (101 959) | (117 446) |
| PIDDAC-Large Repair R2 3154 | (282 240) | (306 432) |
| PIDDAC-Large Repair R2 9634 | (54 981) | (76 974) |
| PIDDAC-Large Repair R2 2197007 | (105 173) | (119 042) |
| PIDDAC-Large Repair R2 3266 | (224 388) | (243 217) |
| PIDDAC-Large Repair R2 0458 | (85 048) | (153 086) |
| PIDDAC-Large Repair R2 0457 | (27 361) | (52 617) |
| PIDDAC-Large Repair R2 1997004 | (69 243) | (78 579) |
| PIDDAC-Large Repair R2 1997009 | (44 087) | (50 312) |
| PIDDAC-Large Repair R2 2197015 | (70 474) | (79 016) |
| PIDDAC-Large Repair R2 2197016 | (48 104) | (53 763) |
| PIDDAC-Large Repair R2 2197001 | (71 761) | (80 121) |
| PIDDAC-Large Repair R2 1413 | (96 061) | (103 903) |
| PIDDAC-Large Repair R2 3260 | (48 573) | (52 538) |
| PIDDAC-R1 CPA´s (Tilting Trains) 4000 | (1 474 835) | (1 546 888) |
| PIDDAC-Large Repair R2 0462 | (97 868) | (135 753) |
| PIDDAC-Large Repair R2 0362 | (158 109) | (237 164) |
| PIDDAC-Large Repair R2 3256 | (217 489) | (233 500) |
| PIDDAC-Large Repair R2 464 | (94 711) | (132 596) |
| FEDER-Sub Proj 19UDD | (580 622) | (685 774) |
| FEDER-Sub Proj 21ALLAN | (1 133 029) | (1 213 066) |
| FEDER-Sub Proj 34UME | (25 976 509) | (27 910 856) |
| FEDER-Sub Proj 57UTE Silicon | (15 775 381) | (16 888 050) |
| FEDER-Sub Proj 57CORRAIL | (683 888) | (811 937) |
| FEDER-Sub Proj 12Locomotives | (903 371) | (903 370) |
| FEDER-Improv. Interfaces Branch Line Lousã | (232 393) | (293 016) |
| FEDER-Contactless Ticket-CPLX(BLOQ) | - | - |
| Environmental fund _ Acqui. 12 bi-mode railcars and 10 Elec | (4 565 785) | - |
| invest transf - CPA (Tilting Train) 4005 and CPA (Tilting Train) 4007 | (1 832 212) | - |
| Total | (103 745 416) | (106 456 194) |

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 | 1 113 869 | 118 403 | - | - | 1 232 272 |
| Work accidents and occupational illnesses | 9 457 803 | 1 068 274 | (745 277) | - | 9 780 800 |
| Railway accidents | 2 837 409 | 198 686 | - | - | 3 036 095 |
| Financial Investments | 3 292 513 | 127 658 | - | (3 233 736) | 186 435 |
| Other | 55 250 | - | - | - | 55 250 |
| Total | 16 756 844 | 1 513 021 | (745 277) | (3 233 736) | 14 290 852 |

The heading of provisions shows a decrease of approximately 2.5 million euros, in which the total provision for financial investments in the affiliate company Fernave was reversed, as a result of the capital recomposition operation carried out in 2019.

Liabilities for work accidents and occupational illnesses diseases were calculated based on the actuarial assessment of the liabilities of the company as at the 31st of December 2019, 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 expenses or income in the period 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: 1,00%.

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, 2019.

Loans Obtained (note 23)

At the end of the period of 2019, the heading of loans obtained had the following particulars:

| Description | (amounts in euros) | |
|--------------------------------------|----------------------|----------------------|
| | 31/12/2019 | 31/12/2018 |
| Non-current | | |
| Loans granted | | |
| Bank loans | 56 333 334 | 94 026 667 |
| Bond loans | 200 000 000 | 200 000 000 |
| Applic. of Effective Rate Bond Loans | (5 430 936) | (5 796 037) |
| Other funders | 534 514 000 | 1 016 028 000 |
| Total | 785 416 398 | 1 304 258 630 |
| Current | | |
| Loans granted | | |
| Bank loans | 37 693 333 | 20 685 000 |
| Bond loans | - | 500 000 000 |
| Applic. of Effective Rate Bond Loans | - | (180 080) |
| Other funders | 1 243 542 000 | 762 028 000 |
| Total | 1 281 235 333 | 1 282 532 920 |
| Total loans | 2 066 651 731 | 2 586 791 550 |

The decrease in the loans obtained, amounting to approximately 520.1 million euros, arises from the partial amortisation of EIB loans and of the bond loan of 500 million euros.

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

| | (amounts in euros) | |
|--------------------------------------|----------------------|----------------------|
| Description | 31/12/2019 | 31/12/2018 |
| Loans granted | | |
| Bank loans | | |
| Up to 1 year | 37 693 333 | 20 685 000 |
| From 1 to 5 years | 56 333 334 | 86 426 667 |
| Over 5 years | - | 7 600 000 |
| Bond loans | | |
| Up to 1 year | - | 500 000 000 |
| Applic. of Effective Rate Bond Loans | - | (180 080) |
| From 1 to 5 years | - | - |
| Applic. of Effective Rate Bond Loans | - | - |
| Over 5 years | 200 000 000 | 200 000 000 |
| Applic. of Effective Rate Bond Loans | (5 430 936) | (5 796 037) |
| Other funders | | |
| Up to 1 year | 1 243 542 000 | 762 028 000 |
| From 1 to 5 years | 534 514 000 | 1 015 028 000 |
| Over 5 years | - | 1 000 000 |
| Total | 2 066 651 731 | 2 586 791 550 |

As at December 31st, 2019, future payments of the outstanding capital regarding non-current loans obtained are analysed as follows:

| | (amounts in euros) | | | | | | |
|--------------------------------------|----------------------|--------------------|--------------------|-------------------|------------------|--------------------|----------------------|
| Description | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 and following | Total |
| Loans granted | | | | | | | |
| Bank loans | 37 693 333 | 23 800 000 | 23 666 667 | 1 266 667 | 7 600 000 | - | 94 026 667 |
| Bond loans | - | - | - | - | - | 200 000 000 | 200 000 000 |
| Applic. of Effective Rate Bond Loans | - | - | - | - | - | (5 430 936) | (5 430 936) |
| Other funders | 1 243 542 000 | 381 514 000 | 101 000 000 | 51 000 000 | 1 000 000 | - | 1 778 056 000 |
| Total | 1 281 235 333 | 405 314 000 | 124 666 667 | 52 266 667 | 8 600 000 | 194 569 064 | 2 066 651 731 |

Other debts payable (note 24)

The heading of other accounts payable is analysed as follows:

| Description | (amounts in euros) | |
|--|--------------------|--------------------|
| | 31/12/2019 | 31/12/2018 |
| Current | | |
| Investment fund providers | 1 497 332 | 1 123 690 |
| Creditors by outstanding subscriptions | 38 254 752 | 36 843 300 |
| Other debtors and creditors | 12 306 277 | 7 586 234 |
| Creditors by expenditure growth | 104 611 669 | 88 391 460 |
| Employees | 26 542 | 58 245 |
| Advance payments from customers | 50 237 | 50 311 |
| Total | 156 746 809 | 134 053 240 |

The increase came essentially from the heading of creditors by expenditure accruals and is the result of the increase in accrued interest payable, charges for the use of infrastructures and preservation and maintenance of rolling stock. In the heading of other debtors and creditors, the increase in invoicing received at the end of the year that could not be settled is also worth mentioning.

Suppliers (note 25)

The heading of suppliers shows the following particulars:

| Description | (amounts in euros) | |
|--|--------------------|------------------|
| | 31/12/2019 | 31/12/2018 |
| Suppliers current account | | |
| General | 4 963 698 | 4 939 777 |
| Subsidiary companies | 2 341 973 | 638 633 |
| Associated companies | 796 647 | 707 332 |
| Joint ventures | 40 267 | 780 214 |
| Other related parties | 197 289 | 155 889 |
| Invoices received and pending approval | (74 912) | 129 366 |
| | 8 264 962 | 7 351 211 |

When compared with the previous period, the increase in the debt to subsidiary companies in 2019 – particularly the debt to EMEF – as a result of the invoicing accounted for at the end of December resulting from the conclusion of works, should be noted.

Provided Sales and Services (note 26)

Provided sales and services have the following particulars:

| Description | Amounts in Euros | |
|-------------------------------------|--------------------|--------------------|
| | 2019 | 2018 |
| Provided services | | |
| Passengers | 282 865 109 | 267 761 261 |
| Networks | 780 026 | 761 776 |
| Maint./lease/clean. rolling stock | 1 331 566 | 1 375 076 |
| Rescue train | 896 917 | 896 917 |
| Compensation for damage | 248 656 | 119 819 |
| Cleaning/ Safety | 120 356 | 137 013 |
| Computer/accounting/ other services | 284 440 | 679 806 |
| Other Metro Mondego | 718 863 | 569 372 |
| Other services | 2 488 193 | 3 068 053 |
| Discounts and rebates in sales | (9 014 397) | (8 732 991) |
| Total | 280 719 729 | 266 636 102 |

The heading of provided sales and services increased by approximately 14 million euros, as a result of the growth in revenues regarding passenger services, namely in ticket sales, presenting an accumulated growth of 15 million euros, vis-à-vis the same period in the previous year.

The decrease in the heading of other services is due in part to the conclusion of the agreement with Medway for the provision of computer services in 2018.

Operating Subsidies (note 27)

The operating subsidies recognised as income in the financial years of 2019 and 2018 are identified in the following table:

| Description | (amounts in euros) | |
|--------------------------|--------------------|----------|
| | 2019 | 2018 |
| Miscellaneous allowances | | |
| Compensatory allowances | 40 000 000 | - |
| IEFP Training | 3 543 | - |
| Total | 40 003 543 | - |

In accordance with the stipulated in the Portuguese Official Gazette no. 177/2019, 1st series, from September 16th, the company received 40 million euros of compensatory allowances in 2019.

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:

| Description | (amounts in euros) | |
|----------------------------------|--------------------|------------------|
| | 2019 | 2018 |
| Gains | | |
| Application of the equity method | 9 152 932 | 7 508 507 |
| Total | 9 152 932 | 7 508 507 |

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 2019, 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:

| Description | (amounts in euros) | |
|---|--------------------|------------------|
| | 2019 | 2018 |
| Goods | 796 | - |
| Raw, auxiliary and consumable materials | 6 286 847 | 5 881 459 |
| Total | 6 287 643 | 5 881 459 |

The expense with fuel consumption, as raw-material for the provision of railway passenger transportation service, represents around 80% of the total amount of the heading raw-materials, subsidiaries and consumption, with an increase of about 107 thousand euros.

Similarly, the consumption of other items, particularly miscellaneous materials, increased in 2019 – when compared with 2018 - by approximately 163 thousand euros.

External Services and Supplies (note 30)

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

| Description | (amounts in euros) | |
|--------------------------------------|----------------------|----------------------|
| | 2019 | 2018 |
| Sub-agreements: | | |
| Cleaning facilities | (282 240) | (233 202) |
| Cleaning rolling stock | (2 790 109) | (2 816 215) |
| Surveillance | (2 268 828) | (1 808 880) |
| Additional and auxiliary services | (4 071 368) | (4 657 686) |
| Restoration services | (2 395 538) | (2 707 330) |
| CP/Renfe Agreement | (4 434 731) | (4 357 937) |
| Other sub-agreements | (6 485 328) | (6 624 602) |
| Specialised services: | | |
| Maintenance and repair | (45 755 037) | (33 971 976) |
| Specialised works | (483 171) | (422 528) |
| Surveillance and safety | (874 746) | (1 041 642) |
| Use of rolling stock | (306 449) | (290 734) |
| Other specialised works | (2 480 962) | (2 503 566) |
| Materials | (138 422) | (165 413) |
| Energy and fluids: | | |
| Electricity | (24 190 488) | (24 864 548) |
| Fuels | (130 205) | (151 874) |
| Water | (138 150) | (121 872) |
| Other | - | - |
| Travels, accommodation and transport | (3 370 974) | (3 699 672) |
| Cont. CP/ACE (EMEF/Siemens) | (4 965 326) | (4 708 376) |
| Miscellaneous services: | | |
| Rents and leases: | | |
| Infrastructure usage fee | (56 848 060) | (55 229 187) |
| Other rents and leases | (11 823 690) | (12 010 784) |
| Communication | (480 906) | (510 481) |
| Insurance | (259 930) | (281 741) |
| Other services | (228 828) | (248 613) |
| Total | (175 203 486) | (163 428 859) |

In 2019 and despite the effort to contain expenses of some of the agreements, the heading of external services and supplies increased by 11.8 million euros.

This increase was mainly due to,

- The increase in concluded rolling stock maintenance and repair services, with a variation of 11.8 million euros, and the increase in expenses with the use of rail infrastructure by 1.6 million euros;
- The remaining charges are subject to low value variations. However, it is worth mentioning that the decrease in traction electricity, additional and auxiliary services, restoration services and travels and accommodation represent a positive variation of 1.9 million euros.

Personnel Expenses (note 31)

The heading of personnel expenses has the following particulars:

| Description | (amounts in euros) | |
|---|----------------------|----------------------|
| | 2019 | 2018 |
| Remuneration of governing bodies | (484 677) | (348 311) |
| Remunerations of personnel | (83 263 763) | (81 873 090) |
| Compensations | (1 161 188) | (1 006 239) |
| Charges on remuneration | (18 793 287) | (18 185 970) |
| Insurance for work accidents and occupational illnesses | (3 024 427) | (2 479 617) |
| Social action expenses | (258 234) | (174 578) |
| Other personnel expenses | (2 028 966) | (1 545 730) |
| Total | (109 014 542) | (105 613 535) |

Despite a slight decrease in the company's effective staff (of 12 employees), there was an increase in expenses in this heading compared to 2018, resulting from the implementation of the company's agreements signed in December 2019 with the organisations representing employees, as well as from progressions arising from the evaluation processes carried out. The increase in insurance charges, particularly against work accidents and health, and in training expenses is also worth mentioning.

The particulars of employees from the permanent staff as at December 31st, 2019 and 2018, by position in Administration/superior management and professional category is presented as follows:

| Description | 31/12/2019 | 31/12/2018 |
|--------------------------------|--------------|--------------|
| Governing bodies * | 8 | 6 |
| Directors/senior management | 260 | 267 |
| Upper management | 248 | 254 |
| Middle management | 12 | 13 |
| Middle managers | 207 | 216 |
| Highly qualified professionals | 2 079 | 2 099 |
| Semi-skilled professionals | 92 | 70 |
| Total | 2 646 | 2 658 |

* Includes three members belonging to the Supervisory Board

Impairment of Non-Depreciable/Non-Amortisable Investments (note 32)

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

| Description | (amounts in euros) | |
|----------------------------------|--------------------|------------------|
| | 2019 | 2018 |
| Losses | | |
| In financial investments - other | (38) | (38) |
| Non-current assets held for sale | (679 963) | (49 170) |
| In financial investments | | |
| Reversals | | |
| Non-current assets held for sale | 214 574 | 1 621 881 |
| Total | (465 389) | 1 572 711 |

In 2019, there was an increase in impairment of non-depreciable/non-amortisable investments of approximately 2 million euros, due to the need to reinforce impairments constituted for non-current assets held for sale and, in 2018, due to the impairment reversal resulting from the decommissioning of rolling stock not related to commercial activity. In 2019, the reversal of impairments accounted for results from the sale of rolling stock not related to transport activity.

| Description | (amounts in euros) | | | | |
|-----------------------------------|--------------------|----------------|-------------------|-----------|------------------|
| | Opening Balance | Additions | Reversals | Transfers | Closing Balance |
| Buildings and other constructions | 3 897 | - | - | - | 3 897 |
| Basic equipment | 7 209 241 | 679 963 | (214 574) | - | 7 674 630 |
| Total | 7 213 138 | 679 963 | (214 574) | - | 7 678 527 |

Other Income (note 33)

The heading of other income has the following particulars:

| Description | (amounts in euros) | |
|----------------------------|--------------------|-------------------|
| | 2019 | 2018 |
| Supplementary income | 9 051 144 | 9 308 427 |
| Inventory gains | 5 015 | 6 093 |
| Remaining financial assets | 1 846 666 | 1 984 069 |
| Non-financial investments | 489 043 | 2 460 956 |
| Other | 12 668 085 | 13 115 305 |
| Total | 24 059 953 | 26 874 850 |

There was a decrease in the heading of other income in 2019, mainly due to the following elements:

- In 2018, the disposal of the immovable property of Rua Castilho for a value higher than the one resulting from the disposal of the Vila Nova de Gaia building; and,
- The decrease in the remaining financial assets heading, arising from the exchange rate of the subscribed and not paid-up capital of Eurofima.

The disposal of two locomotives of series 1550 was a positive contribution.

Other Expenses (note 34)

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

| Description | (amounts in euros) | |
|---------------------------|--------------------|---------------------|
| | 2019 | 2018 |
| Taxes | (195 734) | (128 377) |
| Bad debts | - | (334) |
| Inventory losses | (14 256) | (121 835) |
| Non-financial investments | (236 274) | (2 157 421) |
| Other | (6 930 520) | (8 250 633) |
| Total | (7 376 784) | (10 658 600) |

There was a reduction in the heading of other expenses in 2019, mainly due to the following elements:

- Decrease in non-financial investment losses, resulting from the decommissioning of basic equipment. In 2018, the rolling stock that was classified as non-current asset held for sale was decommissioned;
- In 2018, the conclusion of an agreements 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. Such situation was not verified in 2019 and contributed for the reduction of the heading of others of the abovementioned table.

Expenses/Reversal of Depreciation and Amortisation (note 35)

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

| Description | (amounts in euros) | |
|-----------------------|---------------------|---------------------|
| | 2019 | 2018 |
| Expenses | | |
| Fixed tangible assets | (52 967 706) | (53 749 021) |
| Reversals | | |
| Fixed tangible assets | 9 703 | 11 341 |
| Total | (52 958 003) | (53 737 680) |

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 0.8 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/amortisable investments has the following amounts:

| (amounts in euros) | | |
|-----------------------|----------------|----------------|
| Description | 2019 | 2018 |
| Reversals | | |
| Fixed tangible assets | 814 416 | 721 647 |
| Total | 814 416 | 721 647 |

The amount in 2019 mainly results from the record of the reversal of impairments of locomotives 1550.

Interest and Similar Income Gained (note 37)

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

| (amounts in euros) | | |
|--------------------|----------------|----------------|
| Description | 2019 | 2018 |
| Interest gained | 526 306 | 436 399 |
| Total | 526 306 | 436 399 |

This heading essentially accounts for income associated with interest on loans to affiliate companies.

This interest decreased due to loan amortisation of the companies EMEF and Ecosaúde, and to the maintenance of market rates at historically low levels, in accordance with the evolution of commercial banking rates, and also because companies have not taken out new loans.

Payable Interest and Similar Expenses (note 38)

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

| (amounts in euros) | | |
|---------------------------|---------------------|---------------------|
| Description | 2019 | 2018 |
| Interest charges | (52 809 090) | (65 068 891) |
| Other expenses and losses | (2 967 632) | (3 234 727) |
| Total | (55 776 722) | (68 303 618) |

During the financial year of 2019, the heading of payable interest and similar expenses decreased by approximately 12.5 million euros mainly due to decrease in the liabilities remunerated of the company and low market rates.

Related Parties Disclosure (note 39)

CP usually carries out operations with its associated companies, subsidiaries and joint ventures.

With reference to December 31st, 2019, the shareholder structure of the Company (Direct holdings), is presented in the following table:

| Holdings | (Holding %) | |
|----------------|-------------|------------|
| | 31/12/2019 | 31/12/2018 |
| 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 | 2019 | 2018 |
| Sales and service provisions | | |
| Subsidiaries | | |
| EMEF, SA | 4 437 522 | 4 165 311 |
| FERNAVE, SA | 326 815 | 289 652 |
| SAROS,Lda | 500 403 | 2 743 |
| ECOSAÚDE, SA | 24 769 | 25 386 |
| Associated companies | | |
| TIP, ACE | 7 595 530 | 4 930 032 |
| OTLIS, ACE | 4 239 785 | 6 531 981 |
| Indirect holding companies | | |
| EMEF / SIEMENS, ACE | 760 801 | 758 567 |
| total | 17 885 625 | 16 703 672 |
| Expenses | | |
| Subsidiaries | | |
| EMEF, SA (*) | (37 850 330) | (28 750 513) |
| FERNAVE, SA | (904 683) | (560 251) |
| ECOSAÚDE, SA | (841 916) | (780 259) |
| Associated companies | | |
| TIP, ACE | (316 223) | (472 686) |
| OTLIS, ACE | (142 242) | (61 382) |
| Indirect holding companies | | |
| EMEF / SIEMENS, ACE | (5 372 371) | (4 775 061) |
| Total | (45 427 765) | (35 400 152) |

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

| (valores em euros) | | |
|----------------------|-------------------|-------------------|
| Description | 2019 | 2018 |
| Investment | | |
| Subsidiaries | | |
| EMEF, SA | 12 407 360 | 10 112 536 |
| ECOSAÚDE, SA | (21 000) | - |
| Associated companies | | |
| TIP, ACE | 2 530 | 1 529 |
| OTLIS, ACE | - | 4 800 |
| Total | 12 388 890 | 10 118 865 |

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

| | (amounts in euros) | |
|---|--------------------|-------------------|
| Description | 31/12/2019 | 31/12/2018 |
| Assets | | |
| Investment | | |
| Subsidiaries | | |
| EMEF, SA | 10 250 000 | 11 750 000 |
| FERNAVE, SA | - | 2 600 000 |
| ECOSAÚDE, SA | 264 480 | 285 480 |
| Customers and other accounts receivable | | |
| Subsidiaries | | |
| EMEF, SA | 2 334 | 1 720 141 |
| FERNAVE, SA | 14 396 | 601 918 |
| SAROS,Lda | 299 | 309 |
| ECOSAÚDE, SA | 34 | - |
| Associated companies | | |
| TIP, ACE | 421 339 | 452 491 |
| OTLIS, ACE | - | 262 336 |
| Indirect holding companies | | |
| EMEF / SIEMENS, ACE | 107 821 | 78 367 |
| Liabilities | | |
| Suppliers and other accounts payable | | |
| Subsidiaries | | |
| EMEF, SA | (1 000 963) | (840 185) |
| FERNAVE, SA | (287 337) | (89 374) |
| ECOSAÚDE, SA | (35 279) | (85 864) |
| Associated companies | | |
| TIP, ACE | (796 647) | (878 314) |
| OTLIS, ACE | (939 154) | (135 823) |
| Indirect holding companies | | |
| EMEF / SIEMENS, ACE | (952 316) | (519 093) |
| Total Asset + Liability | 7 049 007 | 15 202 389 |

Guarantees and Sureties (note 40)

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

| | (amount in euros) |
|-------------------------|-------------------|
| Company | Amount |
| EMEF (letter of intent) | 530 324 |
| Fernave (guarantee) | 131 |

Guarantees provided in favour of CP:

| | (amount in euros) |
|---|-------------------|
| Company | Amount |
| Guarantees and sureties provided to CP by the State | 94 026 667 |
| Guarantees and bank sureties provided to CP by bank entities in favour of third parties | 15 042 |

Relevant Events after the Balance Sheet Date (note 41)

The following events are relevant to the company:

- The merger by incorporation of EMEF - Empresa de Manutenção de Equipamento Ferroviário, S. A. into CP as at January 1st, 2020, published by Decree-Law no. 174/2019-B, on December 26th. Therefore, CP takes over all legal and contractual rights and obligations of EMEF, S.A., which comprise the corresponding legal sphere on the date of effect of the merger. The merger does not affect or changes in any way the circumstances in which the agreements were concluded, nor changes the corresponding guarantees.
- As widely known, World Health Organization (WHO) declared the outbreak of the new coronavirus - COVID-19 - as a pandemic on March 11th. News indicate that several economy sectors may be directly or indirectly affected by the disease, particularly, among other possible effects, the disruption or limitation of supply of goods and services or the failure to comply with contractual obligations by the various counterparties. Thus, the perception and assessment of business risk may change. Additionally, there are news indicating that a general economic downturn is imminent. The effects arising from this event regarding CP's activity are presently uncertain.

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 51,578,374 euros, are transferred to the account of Retained Earnings.

ATTACHMENTS



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Intercidades **R**

Audit Report

Legal Certification of Accounts

Supervisory Board Report

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