REPORT & ACCOUNTS

2016

CP- Comboios de Portugal E.P.E.

www.cp.pt

COMBOIOS DE PORTUGAL

160 ANOS DO COMBOIO EM 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. 109º

Statutory Capital € 3,333,713,275.71 (as at December 31st, 2016)

Design and Coordination:

Department of Planning and Activity Control

Financial Management

Contacts: webmaster@cp.pt

Table of Contents

MESSAGE FROM THE PRESIDENT

The first train journey in our country took place on the 28th of October, 1856, between Lisbon and Carregado.

As the natural heir of this 160 year-old legacy, CP – Comboios de Portugal, celebrated this symbolic date with pride, contemplating the road travelled, and certain of a sustainable future.

Railway transportation is both a social and environmental imperative. To do it under comfortable, regular and safe conditions, whilst promoting territorial cohesion, is a challenge made of continuously exceeded goals.

The privatisation process of CP Carga, currently MEDWAY, was completed on the 20th of January, 2016, once the buyer and government approval conditions were met, with the final signing of the corresponding sales agreement.

CP closed 2016 strengthening passenger growth which has been developing since the end of 2013. Around 115 million passengers were transported during the year, which represented an increase of 2.5% compared with 2015 and of 7.8% compared with 2013.

Concerning services, we highlight the increase in urban services of Lisbon and Porto, as well as the growth of the Long-distance service, with an increase of 9.4% compared with the previous year and of 30.2% compared with 2013.

Although there were no increases in tariffs, profits from traffic exceeded 230 million Euros, demonstrating an increase of almost 10 million Euros regarding the previous year (+4.4%).

The Net Result amounted to -144.6 million Euros, which translates into an improvement of 133.9 million Euros, comparing with the previous year (-278.4 million Euros).

This evolution was influenced by the recognition, in 2015, of the sale agreement of CP Carga, with a net negative impact of around -85 million Euros, and of past liabilities arising from the integration of variable bonuses as remuneration used for the calculation of holiday compensation and holiday allowance, in the amount of 27 million Euros.

If we exclude these effects, the Net Result still presents an improvement of approximately 13%.

The Financial Result presented an improvement of 15.7 million Euros, arising, particularly, from the reduction of historical debt.

Although CP did not receive any operations subsidies for the second year in a row, the recurrent EBITDA remained positive at 344 thousand Euros, and the reduction in sales and services rendered to former CP Carga (MEDWAY) following its privatisation was partially offset by the growth in profits from traffic.

These results, being the product of the work undertaken by a large team of CP, have come to reward the Company's efforts to reinforce both supply and commercial dynamics through which it approaches today's market.

CP expects to continue this growth trend in 2017.

The growth in demand requires, however, that we take a serious look at the need for a supply response and, consequently, at the need to invest in a programme for the expansion of the rolling stock fleet.

On the other hand, several constraints regarding the activity still persist. In terms of national railway infrastructure, the electrification of major railway routes is still in progress. In terms of the company, both the budget restrictions and the absence of a Public Service Agreement for the establishment of obligations and corresponding financial compensations continue.

Nevertheless, the achieved results allow us to face the future of the company with increased optimism.

In order to do so, we are counting, as always, on the support of the responsible Ministry and the indispensable contribution of our collaborators and strategic partners, in particular, our affiliate companies.

SUMMARY OF THE YEAR

Operating Indicators	2016	2015	2016-2015	2016/2015
Demand				
Passengers (10^3)	114 841	112 024	2 818	2,5%
Passengers kilometre (10^3)	3 802 762	3 624 903	177 859	4,9%
Supply				
Trains (10^3)	445	444	1	0,2%
Train-Km (10^3)	29 128	28 834	294	1,0%
Provided Seat-Kilometre (10^6)	13 126	12 832	294	2,3%
Human Resources				
Final Effective Staff	2 708	2 684	24	0,9%
Average Effective Staff	2 674	2 703	-29	-1,1%
Fleet - Active Fleet				
Railcars	239	235	4	1,7%
Locomotives	31	31	0	0,0%
Carriages	103	101	2	2,0%

Financial Indicators (10^3 €)	2016	2015	2016-2015	2016/2015
Traffic Income	230 322	220 558	9 764	4,4%
Operations Subsidy	0	0	0	s/s
Operating Income *	266 017	272 669	-6 652	-2,4%
Operating Expenses *	265 674	269 408	-3 734	-1,4%
EBITDA *	344	3 261	-2 917	-89,5%
Operating Result	-54 331	-175 197	120 866	69,0%
Net Result	-144 565	-278 426	133 861	48,1%

* It does not include compensation due to Termination of Employment, Fair Value, Impairments, Provisions, Depreciations, and other operations unrelated with the activity of the Company.

NOTE: The EBITDA regarding 2015 difers from the one disclosed in 2015 due to the fact that its assessment criteria was changed in order to exclude income and expenses which are not directly related to the transport activity, namely the ones arising from scrap sale and decommissioning of assets.

Ratios	2016	2015	2016-2015	2016/2015
Work productivity (10^3) (Train-km/Average Effective Staff)	10,89	10,67	0,23	2,1%
Amount of Expenses in the Turnover without Operating Allowances **	107,7%	109,3%	-1,6 p.p.	-

** (Sold Commodities and Consumed Materials Costs+External Services and Supplies+PERSONNEL w/o termin. of employment and impact of the reversion concerning remuneration reductions)/ Turnover (w/o operating allowances)

THE MANAGEMENT TEAM

VOTING MEMBER – DR. MARIA JOÃO CALADO LOPES

PRESIDENT – ENG. MANUEL TOMÁS RODRIGUES QUEIRÓ

VOTING MEMBER – DR. NUNO SANCHES OSÓRIO

MACROECONOMIC FRAMEWORK

According to the estimates available during the preparation of this report, the Gross Domestic Product (GDP) increased by 1.4% in volume during 2016, less 0.2 p.p. compared with the previous year. There was a decrease in the contribution of domestic demand to the variation of the GDP, reflecting the reduction of Investment and, to a lesser degree, the deceleration of private consumption. The net foreign demand presented a significantly less negative contribution compared with 2015[1], profiting from the strong increase in tourism.

In a period of low inflation rate, the household consumption expenditure continued its recovery, essentially as a result of the drop in the unemployment rate, the effect associated with the reduction of household debt service with interest rates stabilised at low levels, and due to the reversal of some measures implemented in the scope of the Economic and Financial Assistance Programme. There was also an improvement of the household financing conditions and an increase of the household saving ratio to 4% of the disposable income. Industry and Consumer Confidence Indexes have gradually increased throughout the year.

Public Consumption continued to decrease reflecting the fiscal consolidation effort. In order to compensate the negative variations identified in tax revenue, captive funds prescribed in the State Budget for 2016 were not used, since such procedure would eventually create significant complications in public companies' expenditure.

The company's activity, represented by its main indicators, revealed a positive development despite the moderate economic growth, boosted by a strong commercial dynamic and peaceful environment at work.

[1] Banco de Portugal [Central bank of Portugal] – Statistical Bulletin -Jan 2017 and www.INE.pt

THE COMPANY

Human Resources

Permanent Staff

The company closed 2016 with 2,708 effective staff members, i.e. 24 employees more compared with the end of the previous year.

During 2016, 138 employees joined the company's staff.

- 124 by recruitment: 38 train drivers; 5 shunters, 46 commercial assistants, 2 graduate technicians, 2 rolling stock operators and 31 inspection and sales operators;
- 7 by return of employees assigned to companies from the CP Group;
- 4 by temporary assignment of companies from the Group;
- 2 by return of unpaid leaves;
- 1 by return of request from the Assembly of the Republic.

114 employees left the company, mainly due to termination of employment agreements by mutual consent.

Staff (*) as at December 31st	2016	2015	∆ 2016-2015
Bound staff	2 737	2 719	18
Effective staff	2 708	2 684	24
Staff on duty	2 703	2 678	25

(*) **Bound staff** - staff bound to the company, although they might not be providing service or not being paid (this includes unpaid leaves, granted/requested staff that is not paid by the company)

Effective Staff - staff paid by the company (including staff on duty, and also granted/requested staff paid by the company)

Staff on duty - staff providing service to the company.

Around 82% of the employees are from the operating field and belong to the commercial, traction, transport and rolling stock operation professional careers.

BOUND STAFF on December 31st			
Career	2016	2015	Δ 2016-2015
Administrative	98	110	-12
Technical Support and Management	87	93	-6
Commercial	1 253	1 214	39
Material	77	80	-3
Transport Operation	109	106	3
Others	17	19	-2
Technical	290	291	-1
Traction	800	800	0
TOTAL	2 731	2 713	18
Board of Directors + Supervisory Board	6	6	0
TOTAL	2 737	2 719	18

Absenteeism and Overtime Work

Both absenteeism and overtime work rates increased in 2016. The rise of absenteeism was a result of an increase of absences due to illness and occupational accidents. The variation of overtime work was essentially justified by the creation of special trains in order to strengthen supply, by inspection activities for the fight against fraud, and by assigning several employees to give training within recruitment processes.

Indicators	2016	2015	Δ 2016-2015
Absenteeism rate (without strikes)	6,97%	6,59%	0,38 p.p.
Overtime work rate	13,30%	11,01%	2,29 p.p.

Training

The Company maintained the investment in its employees during 2016, in particular through the development of a Training Cycle in the scope of traffic safety, regarding technical and regulatory improvements.

Besides technical and behavioural ongoing training, the initial training undertaken with 124 new employees within the strategy to rejuvenate permanent staff also stood out.

In 2016 there were 295 training sessions mostly given through Fernave, a company belonging to CP group, reaching an execution rate of 107.6% compared with the expected training. The global values of the training provided are presented below:

2016		
Training subjects	**No. of Trainees**	**No. of Hours**
Customer	10	67,5
Management	823	9 046
Quality and Environment	58	739
General safety	376	2 489
Safety-Technical Qualification (*)	1272	117 563,5
Services/Languages	26	112
Information Technologies	67	757,5
Total	**2 632**	**130 774,5**

(*) Includes initial training for new collaborators within the context of the ongoing admission process of the operating area.

The professional training given in accordance with the 2016 Training Plan has allowed to:

1. Strengthen/Update skills regarding:

- Traffic safety (emergency plans, technical improvement plans, regulation plans, transport plans);
- Better knowledge about the Company thanks to the transversal Project "Conhecer o negócio CP" [Knowing CP Business];
- General safety (Emergency Plan and Fire Fighting and Prevention);
- Quality and Environment;
- Information systems (mainly in the end-user perspective);
- Resource management (human, financial and energetic);
- Management Control, Taxes, Financial and Treasury Management.

2. Acquire new skills:

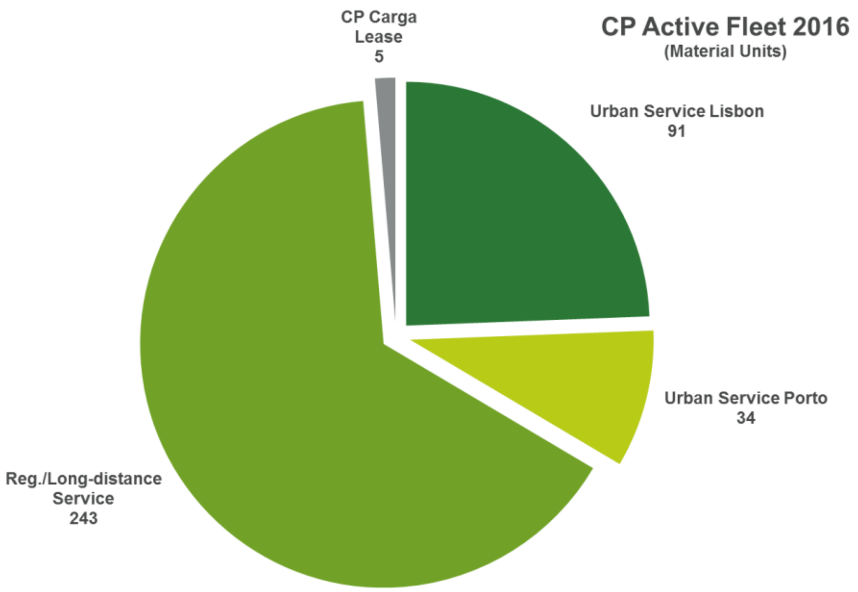
- Training of Inspection and Sales Operators, Commercial Assistants, Rolling Stock Operators, Shunters and Train Drivers;
- Driving, preparing train drivers with skills regarding specific types of tractive stock;
- Behavioural, such as the training in Ethics and Risks Code and in Self-motivation.

FLEET

On Duty and Disabled Material

As at December 31st, 2016, the total of CP's tractive and hauled stock was 798 units. Out of these units, 373 were active fleet, 333 were inoperable equipment and 92 were occasional equipment, such as the Historical Train, the rescue train, or were assigned to the National Railway Museum Foundation of Portugal.

The active fleet of rolling stock in commercial service had 189 electric railcars, 50 diesel railcars, 25 electric locomotives, 6 diesel locomotives and 103 carriages.



It should be noted that there were 20 diesel railcars in the active fleet, series 592 and 592.2, which were leased from RENFE.

Fleet Improvements

During 2016, several activities were developed in the scope of improving the quality of the service provided to customers, namely:

- Beginning the half-life intervention for Alfa Pendular trains. Intervention of the first unit in progress;
- Installation of the Wi-Fi system in 31 modern carriages from the Inter-city service;

With the purpose of maintaining the supply of a transportation service based in the highest safety standards, the following projects were pursued:

- Installation of Traction Converters and Gate Units in railcars 2400;
- Replacement of transmission shafts in Alfa Pendular trains;
- Large repairs of the type R2 in several series.

The maintenance of most of the rolling stock is developed in the factories of 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.

SUPPLY

In 2016, CP's supply, assessed in Trains*Kilometre, was 29,128 thousand Trains*Km, which is 1% higher than the previous year.

There were some adjustments to supply, such as the expansion of Alfa Pendular trains to Guimarães, the creation of non-stop trains between Coimbra and Porto Campanhã, and the extension of the service between Setúbal and Praias do Sado-A within the Sado Line.

It is also worth mentioning that 2016 was a leap year and that there were no strikes.

The seat-kilometres offered were 2.3% higher than the previous year, and there was a growth of occupancy rates due to an increase of demand.

Trains Kilometre (*10^3)	2016	2015	2016-2015	2016 /2015
Urban Service Lisbon	6 670	6 644	27	0,4%
Urban Service Porto	4 604	4 565	39	0,9%
Long-distance Service	8 593	8 534	59	0,7%
Regional Service	9 260	9 091	169	1,9%
TOTAL	**29 128**	**28 834**	**294**	**1,0%**

Provided Seats-Kilometre (*10^6)	2016	2015	2016-2015	2016 /2015
Urban Service Lisbon	5 918	5 829	89	1,5%
Urban Service Porto	2 272	2 251	21	0,9%
Long-distance Service	2 641	2 559	82	3,2%
Regional Service	2 296	2 193	102	4,7%
TOTAL	**13 126**	**12 832**	**294**	**2,3%**

Occupancy Rate	2016	2015	2016-2015
Urban Service Lisbon	20,1%	19,9%	0,2 p.p.
Urban Service Porto	27,2%	26,6%	0,6 p.p.
Long-distance Service	58,3%	55,2%	3,1 p.p.
Regional Service	19,9%	20,7%	-0,8 p.p.
TOTAL	**29,0%**	**28,2%**	**0,7 p.p.**

SERVICE QUALITY

CP's global index of regularity in 2016 was of 99%, 1 percentage point above the previous year.

In 2016 there was a reduction in the daily Index of Punctuality regarding the previous year. Delays were essentially due to speed limitations imposed by IP (speed limits for infrastructural works), accidents to persons, and signal and tractive stock malfunctioning.

Regularity	2016	2015	2016-2015
Urban Service Lisbon			
Sintra / Azambuja	99,7%	98,2%	1,5 p.p.
Cascais	99,5%	97,6%	1,9 p.p.
Sado	99,7%	98,5%	1,2 p.p.
Urban Service Porto			
Aveiro	99,7%	98,3%	1,4 p.p.
Braga	100,0%	99,0%	0,9 p.p.
Caíde	100,0%	98,8%	1,1 p.p.
Guimarães	99,9%	98,9%	1,0 p.p.
Long-distance Service			
Alfas	99,8%	99,3%	0,5 p.p.
Inter-city	99,8%	99,5%	0,3 p.p.
Regional Service			
Regional Service	99,4%	98,7%	0,7 p.p.
Total CP	**99%**	**98%**	**1,0 p.p.**

Daily Punctuality	2016	2015	2016-2015
Urban Service Lisbon (1)			
Sintra / Azambuja	89,2%	89,0%	0,2 p.p.
Cascais	89,4%	85,4%	4,0 p.p.
Sado	85,3%	88,4%	-3,1 p.p.
Urban Service Porto (1)			
Aveiro	85,9%	87,4%	-1,5 p.p.
Braga	91,8%	94,2%	-2,4 p.p.
Caíde	92,3%	94,0%	-1,7 p.p.
Guimarães	90,1%	92,8%	-2,7 p.p.
Long-distance Service (2)			
Alfas	73,4%	79,0%	-5,6 p.p.
Inter-city	76,2%	77,0%	-0,8 p.p.
Regional Service (2)			
Regional Service	84,7%	88,7%	-4,0 p.p.
Global CP (2)	**91,6%**	**92,9%**	**-1,3 p.p.**

Notes: (1) Delays exceeding 3 minutes

(2) Delays exceeding 5 minutes

DEMAND

In 2016, 115 million passengers were transported by CP, corresponding to a 2.5% increase regarding 2015 and representing, in absolute terms, an increase of approximately 2.8 million transported passengers.

Such growth of demand was transversal to all CP services, such as the Long-distance Service, with a growth of 9.4% which exceeded 6 million passengers, and the Urban Service in Lisbon, with a growth of 2%, which translates into an increase of 1.5 million passengers.

These results were influenced by, on one hand, various activities of fight against fraud and commercial nature and, on the other hand, the peaceful environment at work and the recovery of Portugal's economic indicators.

Passengers (*10^3)	2016	2015	2016-2015	2016 /2015
Urban Service Lisbon	77 375	75 865	1 511	2,0%
Urban Service Porto	20 794	20 060	734	3,7%
Long-distance Service	6 025	5 508	517	9,4%
Regional Service	10 647	10 591	57	0,5%
TOTAL	**114 841**	**112 024**	**2 818**	**2,5%**

Passengers-Kilometre (*10^3)	2016	2015	2016-2015	2016 /2015
Urban Service Lisbon	1 186 772	1 158 740	28 031	2,4%
Urban Service Porto	618 991	599 745	19 247	3,2%
Long-distance Service	1 539 568	1 412 093	127 475	9,0%
Regional Service	457 431	454 325	3 106	0,7%
TOTAL	**3 802 762**	**3 624 903**	**177 859**	**4,9%**

Profits

Although there were no increases in tariff, profits from traffic exceeded 230 million Euros, representing an increase of almost 10 million Euros regarding the previous year (+4.4%).

Profits followed the growth trend of demand, being influenced by the higher relative weight of occasional tickets and of the Long-distance Service.

Profits from Traffic (*10^3)	2016	2015	2016-2015	2016 /2015
Urban Service Lisbon	78 396	75 058	3 338	4,4%
Urban Service Porto	25 189	24 704	485	2,0%
Long-distance Service	98 616	92 725	5 891	6,4%
Regional Service	28 121	28 072	49	0,2%
TOTAL	**230 322**	**220 558**	**9 764**	**4,4%**

INVESTMENTS

In 2016, CP invested a total of 12.2 million Euros, from which 79% were assigned to rolling stock and 11% to computerisation.

Investments 2016	*Amounts* *(thousand Euros)*
Rolling Stock	9 640
Fixed Facilities	398
Commercial Equipment	380
Computerisation	1 387
Other Investments	372
TOTAL	**12 177**

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

Main Projects

Regarding rolling stock, the most relevant investment is still for "Large Repairs R2+R3", amounting to 7.5 million Euros. This project combines the interventions of programmed maintenance of rolling stock in order to restore its levels of operability and safety.

Within the project "Half-life Intervention of CPA [Tilting Trains]", the intervention of the first unit is still in progress. In financial terms, 787 thousand Euros were accounted for in 2016.

From the remaining investments regarding rolling stock, the acquisition of fleet parts (700 thousand Euros) is highlighted.

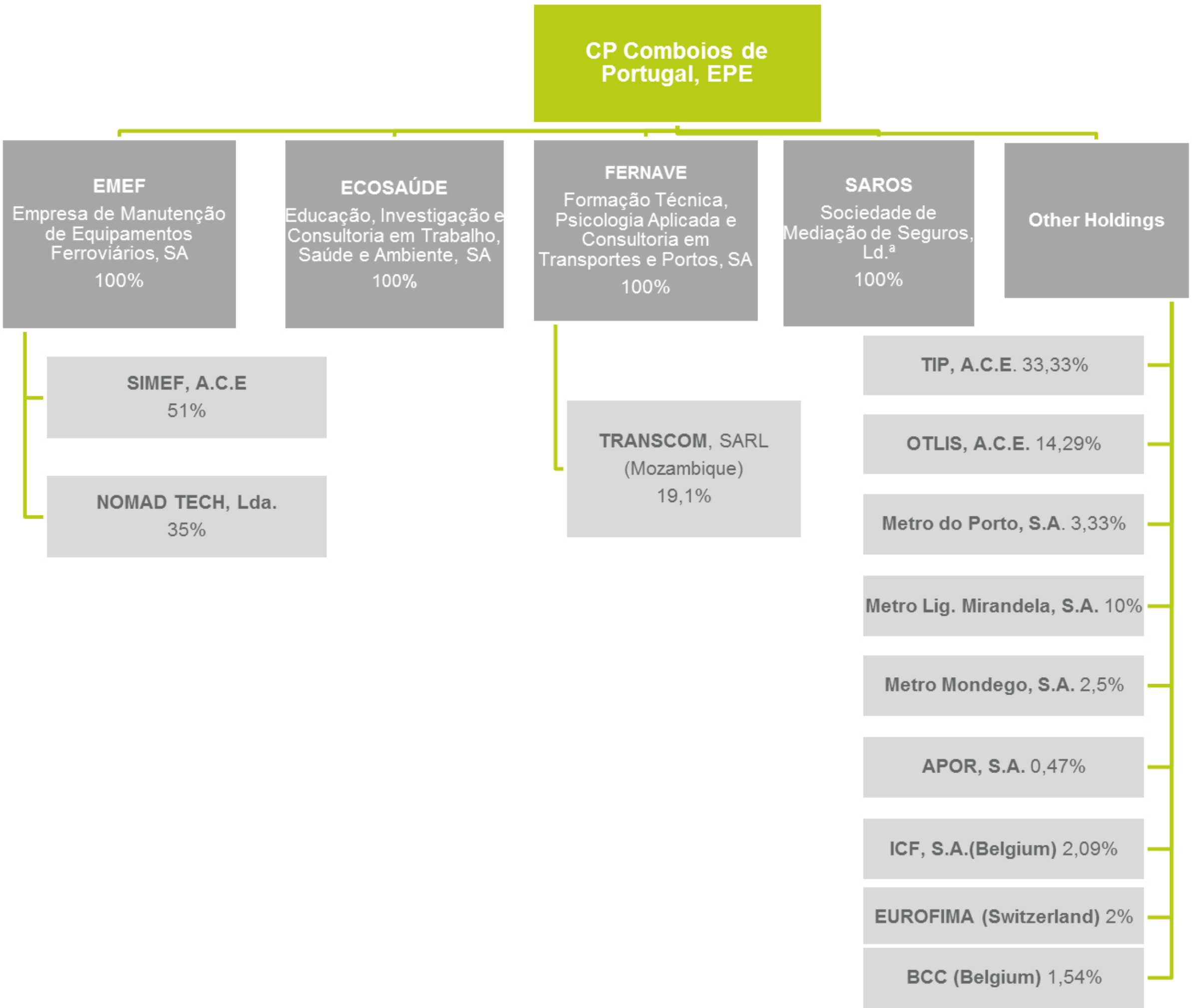
Finally, we also highlight the acquisition of Microsoft licences amounting to 1.3 million Euros, the interventions in several buildings and fixed facilities amounting to 232 thousand Euros, and the acquisition of vending and validating machine parts amounting to 246 thousand Euros.

CP GROUP

CP is a public railway transport company held 100% by the State. CP controls companies in the field of supplies in the area, with minority case-by-case holdings.

The privatisation process of CP Carga S.A. was concluded on the 20th of January, 2016, once the buyer and government approval conditions were met, with the final signing of the corresponding sales agreement to MSC Mediterranean Shipping Company Rail (Portugal) – Operadores Ferroviários, S.A. The process was approved by the relevant authorities, namely the Competition Authority, who issued an opinion approving of the contractual conditions in December, 2015.

The following diagram presents the holdings from CP and its affiliate companies as at 31-12-2016:



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

EMEF, which was incorporated in 1992, has a vast involvement in the area of railway engineering.

In 2016, EMEF achieved an operating result around 4.3 million Euros and a net result of approximately 3.4 million Euros.

The achieved results were based on a growth of the service provision around 7.7%, which is justified by the increase of 3% in the business of repair sector and of 13% in the maintenance sector.

Customers of CP, Medway and Prometro were the main contributors for the growth in demand, with increases in the overall undertaken activity by 6%, 11% and 24%, respectively.

EMEF (Amounts in thousands of €)	2016	2015	2016-2015	2016 /2015
Turnover	63 045	58 562	4 483	7,7%
Operating Result	4 314	2 209	2 105	95,3%
Net Result	3 431	1 378	2 052	148,9%

Ecosaúde - Educação, Investigação e Consultoria em Trabalho, Saúde e Ambiente, S.A.

ECOSAÚDE provides healthcare services in the companies of the group and in the market.

In 2016, Ecosaúde presented a relevant change in its customer portfolio. As of April, 2016, it stopped rendering services to the IP Group, the second largest Customer of the Company.

However, the company was able to slightly increase the turnover (+1% in Sales Volume) by engaging in new sales and maintaining the same level of results from the previous year.

Regarding expenses and operating efficiency, Ecosaúde continued the rationalisation process of operating expenses specifically through terminations of employment by mutual consent, having reduced permanent staff by -8% (21 employees in December, 2016, with two less employees compared with the end of 2015).

Ecosaúde Amounts in thousands of €	2016	2015	2016-2015	2016 /2015
Turnover	2 135	2 123	11	1%
Operating Result	31	28	3	11%
Net Result	8	4	4	96%

FERNAVE – Formação Técnica, Psicologia Aplicada e Consultoria em Transportes e Portos, S.A.

FERNAVE renders services in the scopes of professional training, psychology and recruitment. It has been developing its activity both in the railway and road sector, in Portugal and Africa, in Portuguese speaking countries.

In 2016, the EBITDA improved significantly reaching the positive amount of 74 thousand Euros. This indicator improved essentially as a result of the growth in profit value, which increased by 100% and the decrease in personnel expenses by approximately 15%.

Fernave reached the desired operating stability represented in a positive operating result of about 50 thousand Euros. The net result was of approximately -58.6 thousand Euros. This was compromised by the impact of final accounts from the affiliate Transcom, due to a deeply accentuated depreciation of Metical.

FERNAVE (Amounts in thousands of €)	2016	2015	2016-2015	2016 /2015
Turnover	1 743	865	878	101,6%
Operating Result	50	-395	445	112,7%
Net Result	-59	-484	425	87,8%

SAROS – Sociedade de Mediação de Seguros, Lda.

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

In 2016, the companies' EBITDA amounted to 394.7 thousand Euros, representing a negative variation of 6.1% compared with the previous year. This decline is mainly due to the negative variation of 38.7 thousand Euros in the heading "Other Income and Gains", which included 40.2 thousand Euros in 2015 corresponding to the settlement of commissions from previous years. It is also worth mentioning the positive contribution in the Turnover (positive variation of 3.2% compared with 2015).

It should be noted that in 2016 the calculation criteria of the Estimated Tax was altered (currently reflecting individual taxable profit, as opposed to 2015, where the tax result of CP Group was considered). This adjustment had a significant impact in the net result of the period, as the company closed the financial year of 2016 with a result of 306.2 thousand Euros, representing a negative variation of 26.1% compared with the previous year.

Saros (Amounts in thousands of €)	2016	2015	2016-2015	2016 /2015
Turnover	463	449	14	3,2%
Operating Result	395	420	-26	-6,1%
Net Result	306	414	-108	-26,1%

MAIN FRAMEWORKS

SUPPLY / OPERATION

Half-life Intervention of CPA [Tilting Trains]

The project Nova Geração dos Comboios Alfa Pendular [New Generation of Alfa Pendular Trains] was presented to the public and the intervention of the first unit began.

This focuses on a complete remodelling of the trains CPA4000, within an operation that encompasses, namely, the exterior and interior designs, seats and lining material, lighting systems, remodelling the Bar and toilets, as well as the maintenance of mechanical and hydraulic systems. Wi-Fi access conditions to mobile communication networks will also be improved and all seats will have individual power outlets.

Inter-city Trains with a New Image

The exterior renovation of 103 carriages of the Inter-city service was completed. This new image incorporated sobriety and simplicity factors, associated with modernity, comfort and youthful standards, without overlooking practical factors, such as the signs of existing services (Bar, Bikes, Wi-Fi and exterior signals with seat numbers next to the entrance door).

Wi-Fi in Modernised Carriages

The Wi-Fi equipment was purchased and its installation in the IC carriages of the Beira Alta, Alentejo and Sul [South] lines was initiated. 31 units were completed.

Changes in the North Region Supply

Non-stop trains between Coimbra and Porto Campanhã were established and the links in the Marco, Nine and Ermesinde stations were improved. There was also an expansion of the Alfa Pendular service to Guimarães since the beginning of May.

New Timetables in the Sado Line

In September, a new timetable in the Sado Line was introduced. These changes include the extension of the service between Setúbal and Praias do Sado-A.

Historic Train of Douro 2016

The campaigning period was extended and the supply was reinforced with more traffic, so as to meet the increasing demand for this product. This campaign was also marked by the return of the Steam Locomotive, which started using diesel as its primary energy in replacement of coal.

Celebration of "Santos Populares"

Given the celebration of "Santo António" in Lisbon and "São João" in Porto and Braga, the services were reinforced, including the implementation of special trains, in order to meet the needs of thousands of passengers seeking services from CP during such dates.

Literary Train

As a partner of FOLIO 2016 – Festival Literário Internacional de Óbidos [International Literary Festival of Óbidos], CP introduced special trains with several cultural events during the trips between Lisbon and Óbidos.

Tariff and Ticketing

Tariff Update

Considering the Government's decision to maintain the prices in administered services, CP decided to maintain prices for the rest of services as well.

Yield Management

New commercial conditions were implemented regarding the Long-distance Services, with emphasis in the Advance Purchase discount that may reach 65% in a limited number of seats.

APP - CP

The APP – CP was launched on September 30th. It consists of a mobile application to search for and buy trips, with free download for iOS and Android. It can be used to plan and purchase trips in Alfa Pendular, Inter-cities and trip complement in Regional and InterRegional trains. It can also be used to select seats and check all timetables in an offline mode. Some other features of this app include the search for trains in the nearest station and to receive notifications or information about the Company's supply.

CP Card

New features were incorporated, currently allowing the membership of Companies in addition to the Pass and *Flexipasse* recharging. It also provides discounts in accordance with the charged amount. The SIGA *Assinatura* Card was replaced by CP Card for single mode passes in the Urban services of Porto. Equipped with contactless technology, this card allows the combination of several travel cards in one, by integrating different routes and services according to the needs of the Customer.

Rail & Fly SATA

CP and SATA INTERNACIONAL – AZORES AIRLINES signed a partnership agreement, designed for customers of the airline company who complete their travel itinerary with train trips, and receive a 20% discount on the basic charge available for Alfa Pendular or Inter-city train trips.

Rail & Fly CP / Emirates

CP and EMIRATES AIRLINES signed a partnership agreement that gives any passenger with a flight operated by that airline company the chance to buy an Alfa Pendular or Inter-city train ticket with a 20% discount on the available basic charge, upon presentation of the boarding card and/or electronic ticket. Emirates grants a 5% discount in Economy Class to CP Customers registered in myCP.

Sintra Green Card

An all-in-one ticket to travel in the Urban trains of Lisbon, in the Sintra routes of ScottUrb, and to visit historical monuments, was released.

Travelling all Lisbon Ticket

The all-in-one ticket valid for 24 hours in Carris/Metro/CP was created in order to meet the needs of the tourism market in the Lisbon region.

Museums District

The agreement regarding the sale of all-in-one "Museums District + CP Cascais Line" ticket, which allows travelling for 24 hours on the Cascais Line and visit all Bairro dos Museus [Museums District] sites in Cascais, was concluded.

Park & Ride

Following the action launched on the previous year with the parking areas of the Sintra Line, a ticket was created which combines train + parking in the Cascais Line and is valid for parking areas next to the Carcavelos, S. Pedro, S. João, and Estoril stations.

COMMUNICATION

AP and IC Discount Campaign

With the "Há comboios para tudo. Há comboios para todos" ["Trains for everything. Trains for everyone"] title, this campaign represents the main publicity work for the premium product of CP and for brand promotion, reaching the mass media, and television in particular.

The campaign began with the promotion of Youth discount and was extended throughout the year with a new edition of different types of contents for digital channels, radio, television and press.

INTRA_RAIL Campaigns

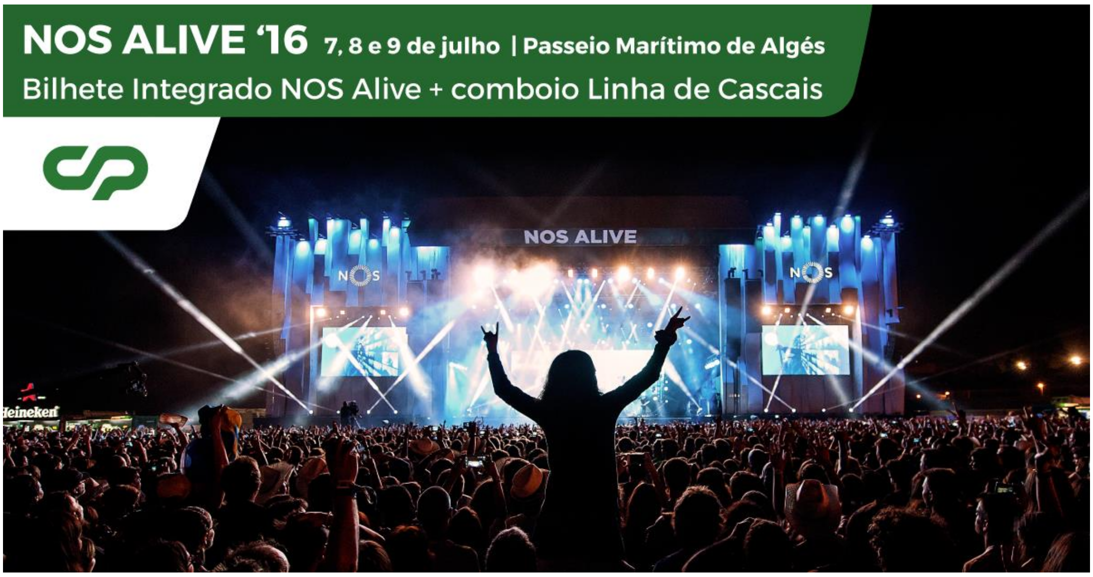
With the slogan "Portugal wasn't made for you to stay at home", the campaign for the INTRA_RAIL product was developed, designed for the Youth sector, promoting its advantages: All-in-one travel packet with accommodation and breakfast, perfect for short holidays and exploring the target's inherent values such as adventure and freedom, at reasonable prices. This campaign was undertaken exclusively through digital media.

A reporting team of RTP took their backpacks and explored Portugal for seven days through the INTRA_RAIL experience. The team shared their experience with the Portuguese audience through live streams and the deferred transmission of the previous day. From Valença to Vila Real de Santo António, RTP travelled in CP's trains and was accommodated in the Youth Hostel, using the INTRA_RAIL product.

MOVIJOVEM and CP also organised a special INTRA_RAIL Live Trip in order to promote the product and within the 30th anniversary of the Youth Card, where 30 youths from all over Portugal had the opportunity to travel by train and spend the night in the Youth Hostels from March 21st to 25th.

From "Musical to Train Enthusiasts"

CP partnerships continued with the greatest music events all over Portugal, with the reinforcement of supply, creation of special trains and sale of all-in-one tickets (event + train ticket).



International Campaign

A campaign of the International service (Sud, Lusitânia and Celta) was developed under the theme "Best choice for your holidays". This campaign selected the most emblematic destinations in the route of each train, respectively San Sebastian, Madrid and Vigo, highlighting the competitive price that CP offers for each of them. The campaign was carried out in Portuguese and Spanish digital media, radio and press.

Tourism Products

Continuing CP's long tradition in tourism products, various travel itineraries were undertaken which combined train trips with the leisure needs of customers. This includes the Almond blossom, Lamprey, Fundão cherry, Grape harvest festival and *Senhora da Agonia* Pilgrimage Circuits.

The Tourist Travelcard for Lisbon, Porto and Algarve was promoted.

CP and Cooltrain brand Ambassadors

Endorsement initiatives were developed by public figures in pursuit of CP's communication strategy for digital channels, namely in social media: Raquel Strada was the ambassador on Facebook; Conguito, also known as Fábio Lopes, was the ambassador on the Cooltrain Facebook page.

Passes Campaign

Annual campaign for the promotion of CP’s passes. In order to boost the use of the train by new Customers, 1,000 passes were distributed for the Urban trains of Lisbon, Porto and Regional services, providing customers who purchased their first pass with a free pass for the following month.

INNOVATION

Digital Channels

The modularisation of the information contents and regulations related to digital channels, as well as their implementation into webservices, was concluded. The digital sales channels were incorporated into conventional sales channels, and a new interface application was created in order to expand accessibility to different digital sales channels, such as travel agencies, ATMs, new netTicket and Apps. The responsive design of the online ticket services was implemented, with a restructuring of the netTicket application.

CPKids MiniGames

A free mobile app for children was launched, which addresses the train travelling subject with the mascot Kimboy as its brand image. This consisted of a joint project with Science4you - a Portuguese company that produces, develops and markets scientific and educational toys.

Project COI – Integrated Operating Centre of Lisbon

An agreement between CP and the Municipal Council of Lisbon (CML) was signed for the exchange of information regarding timetables, changes within the services, number of passengers and of incidents. It is an initiative of the Municipal Council of Lisbon for the development of an Open Data Policy in the city.

CP Joins TOPRAIL

CP joined the project TOPRAIL – Tourism Potential of Railway Services, launched by UIC – International Union of Railways. This project seeks to increase the visibility of the tourism products and promote opportunities in the railway and tourism fields through an online platform.

Internal Processes

Human Resources Recruitment

In 2016, CP hired train drivers, shunters, commercial assistants, graduate technicians and rolling stock operators.

These recruitment processes aimed at rejuvenating permanent staff and satisfying the needs of some underperforming operating categories following the reduction of permanent staff in previous years. CP had not carried out recruitment processes since 2010.

Strengthening the Fight against Fraud

Control activities continued with the presence of brigades in station platforms and on board the trains. CP launched awareness campaigns regarding the obligatory validation of train tickets.

Operating Housing

Interventions in support areas for train crews of Faro and Porto Campanhã were finished. The intervention in the dormitory in Figueira da Foz was also finished.

The housing of Vila Nova de Foz Coa was transferred to Torre de Moncorvo and of Marco de Canavezes to Penafiel due to operating needs.

Renewal of Safety Certification

CP's Safety Certification was renewed by IMT – Portuguese Mobility and Transport Institute, in accordance with Directive 2004/49/EC and the applicable national legislation. The main goal is to ensure, in a continuous and integrated way, the safety management of operations, taking the necessary risk control measures into account.

The Safety Certification is related to the Safety Management System (SMS), which defines the way that traffic safety is undertaken and managed by CP, also encompassing the relations with all remaining railway agents thereunder.

Asset Management

Interventions in Rolling Stock Fleets

The 1st stage of the Rolling Stock Fleet of Stª Apolónia in the access to lines PAG, M4, M5, M6 and the 2nd stage of railway improvement in the Rolling Stock Fleet of Campolide, which focused on lines G2, V, 22 and 23 and on the switches of rails 3 and 4, were finished. The replacement of the pedestrian crossing over the railway in the Rolling Stock Fleet of Algueirão was also finished.

Decommissioning of the public railway sector of the Terminal Station in Terreiro de Paço

Following the publication of Order no. 10759-A/2016, from the Office of the Deputy Secretary of State of Treasury and Finance and of the Deputy Secretary of State of Infrastructure, the immovable property "Estação Sul e Sueste" [South and Southeast Station] is no longer in the ownership of CP, having been written off from the Registration of properties under its administration.

Asset Profitability

- Signing of the promissory purchase and sale agreement regarding the Praia das Maçãs Resort.
- Renting of the house 15B in Barreiro.

Social Intervention

Expanded SIM – Integrated Mobility Service

There was an expansion to all trains and stations of the assistance to Customers with Special Needs (CSN) who are not wheelchair users, provided there is a request at least 12 hours in advance.

New CP / INR agreement

New agreement between CP and the National Rehabilitation Institute (INR) allowing all citizens who are disabled to a degree of 80% or more to benefit from a 75% discount in CP's train travels. Due to the frequent need of assistance during these trips, it is also possible to purchase a ticket with 25% discount for a carer who travels in the same train, class and itinerary.

160th Anniversary of the Train in Portugal

The first train journey in Portugal took place on the 28th of October, 1856, between Lisbon and Carregado.

In the scope of the 160th anniversary of the train in Portugal, several events took place: The Station of S. Bento, in Porto, and the *Fundação Bienal de Cerveira,* hosted a Visual Arts Exhibition related to the train theme; The 44th Classic Lottery drawing recalled the opening journey of 1856; CP produced a medal allusive to the anniversary, in a limited edition work of the sculptor Santa Bárbara; In a joint organisation of the Assembly of the Republic, CP and IP, the celebration of the 160th Anniversary of the Train in Portugal was marked in the Assembly of the Republic with a Symposium and an exhibition, in the Main Concourse of the Assembly in order to note the important role that railway transportation played in territorial, social and economic development and cohesion of the country; There were several initiatives and exhibitions in the *Museu Nacional Ferroviário* [National Railway Museum] in Entroncamento; Customers were surprised with different initiatives on board the trains.

125th Anniversary of the train arrival at the city of Covilhã

In order to celebrate the 125th anniversary of the train arrival at Covilhã, the city council, in collaboration with CP, IP, the *Fundação do Museu Nacional Ferroviário* [Foundation of the National Railway Museum] and several other local organisations, carried out a programme of different activities including exhibitions, releases and a historical re-enactment of the arrival of King Carlos and Queen Amélia at the station of Covilhã, with typical clothing used during that time.

100th Anniversary of S. Bento Station

The S. Bento Station, in Porto, was opened on the 5th of October, 1916, and is considered one of the most beautiful train stations in the world. The celebration took place in the Station and had different activities and an Exhibition called "*Ei-los que partem*", promoted jointly by CP, IP and the Portuguese Army, in order to celebrate three historical dates: The 100th Anniversary of the Start of World War I, 160th Anniversary of the Train in Portugal and the 100th Anniversary of the S. Bento Station.

COMPLIANCE WITH LEGAL OBLIGATIONS

SUMMARY

Compliance with Legal Guidelines 2016	Compliance Y/N/NA	Measurement/ Identification	Explanation / Reference to the item of the Report
Management Goals / Activities and Budget Plan			
Improve EBITDA	Y	+10,9 M€ than expected	Recurrent EBITDA / See "Management Goals" and "Reduction Measures of Operating Expenses"
Decrease influence of Expenses in the Turnover	Y	107,7%, -6,7 p.p. than expected	SCCMC+ESS+PERSONNEL w/o termin. of employment and impact from remuneration reduction reversal / See "Management Goals" and "Reduction Measures of Operating Expenses"
Targets to be achieved in the Activities and Budget Plan 2016			
Profits from Traffic	Y	+ 1,7% than expected	See "Management Goals"
Transported Passengers	Y	+ 1,1% than expected	See "Management Goals"
Final Effective Staff	Y	- 22 employees than expected	See "Management Goals"
Indebtedness Level	Y	-1,42% than expected	Variation of remunerated debt / See "Management Goals"
Investment	Y	64% implementation of the Annual Budget	See "Management Goals"
Sold Commodities and Consumed Materials Costs (SCCMC)	Y	-29,2% than expected	See "Management Goals" and "Reduction Measures of Operating Expenses"
External Services and Supplies (ESS)	Y	-8,6% than expected	'See "Management Goals" and "Reduction Measures of Operating Expenses"
Personnel Expenses	N	+3,5% than expected	'See "Management Goals" and "Reduction Measures of Operating Expenses"
Degree of Budget implementation prescribed in the Budget Management Information System / State Budget System (SIGO/SOE)			
	Y	97,2% - Expenditure and 92,3% - Revenue	See "Management Goals"
Financial Risk Management			
	Y	2,62%	Average funding cost / See " Financial Risk Management"
Limit for Debt Growth			
	N	3,7%	Adjusted Indebtedness. Decrease of around 14.1% in remunerated debt / See "Limit for Debt Growth"
Development of Average Times for Payment to Suppliers			
	Y	-13 days	Variation between the fourth quarter of 2016 and the fourth quarter of 2015 / See "Average Times for Payment"
Disclosure of Arrears			
	Y	0	There are no arrears attributable to the company / See "Average Times for Payment"
Recommendations from the Shareholder when the last accounts were approved			
	NA		The 2015 accounts are pending approval from the Ministries.
Remunerations:			
No management awards	Y	Not Applicable	See "Remunerations"
Board of Directors - remuneration reductions and reversals in force in 2016	Y	6 897 €	See "Remunerations"
Inspection (Supervisory Board/Certified Public Accountant) - remuneration reductions and reversals in force in 2016	Y	2 080 €	See "Remunerations"
External Auditor - remuneration reductions and reversals in force in 2016	Y	Not Applicable	See "Remunerations"
Remaining Employees - remuneration reductions and reversals in force in 2016	Y	431 507 €	See "Remunerations"
Remaining Employees - interdiction of remuneration valuation, in accordance with article 38 of Law no. 82-B/2014, extended to 2016 by item 1 of article 18 of Law no. 7-A/2016, from March 30th	Y	Non-existing	See "Remunerations"

Compliance with Legal Guidelines 2016	Compliance Y/N/NA	Measurement/ Identification	Explanation / Reference to the item of the Report
Public Manager Statute - article 32 and 33			
No use of credit cards	Y	Not used	No credit cards or other payment instruments will be used by the Members of the Board of Directors to cover expenditures at the company's service.
No refund of expenses with personal representation	Y	Non-existing	There will be no refund to Members of the Board of Directors regarding any possible expenses with personal representation.
Maximum amount of expenses associated with communications	Y	80 €	See "Implementation of Articles 32 and 33 of the Public Manager Statute"
Monthly maximum amount for fuel and tolls related to official cars	Y	1/4 of expenses with personal representation	See "Implementation of Articles 32 and 33 of the Public Manager Statute"
Undocumented or confidential expenses - item 2 of art 16 of Corporate Public Sector Legal System and art 11 of Public Manager Statute			
Interdiction of undocumented or confidential expenses	Y	Non-existing	See "Implementation of Articles 16 of the Corporate Public Sector Legal System and 11 of the Public Manager Statute"
Promoting wage equality between women and men - item 2 of Council of Ministers Resolution no. 18/2014			
Preparation and publication of the report regarding the remunerations granted to women and men	Y	At CP's website	www.cp.pt/institucional/pt/empresa/principios-bom-governo
Preparation and publication of the annual report on corruption prevention			
Annual report on corruption prevention	Y	'At CP's website	www.cp.pt/institucional/pt/empresa/principios-bom-governo
Public Procurement			
Implementation of the Public Procurement rules by the company	Y	100,00%	See "Public Procurement"
Implementation of the Public Procurement rules by affiliates	NA	Not Applicable	See "Public Procurement"
Employment agreements submitted for early review by the Court of Auditors	Y	24 agreements in overall amount of 43.460.599,14 €	See "Public Procurement"
Audits performed by the Court of Auditors			
	NA		There were no audits performed by the Court of Auditors during 2016.
Vehicle Fleet			
No. of vehicles	Y	-2	4 decommissionings and 2 new granted additions
Expenses with vehicles	N	+ 27.378€ than the previous year	Increase justified by additional expenses associated with Vehicle operating leasing for granted vehicles and increase in maintenance costs for vehicled owned by CP (average age of 14 years).
Operating Expenses of State-owned Companies			
Reduction Measures of Operating Expenses	Y		See "Reduction Measures of Operating Expenses "
State Treasury Unit Principle (art. 28 of DL 233/2013)			
Cash and investments centralised in the Public Debt Management Institute (IGCP)	Y	69,00%	Demand deposit amount in IGCP / Total demand deposit amount.
Cash and investments in Commercial Banking	Y	3 411 882 €	Demand deposit amount in Commercial Banking corresponding to the revenue collected from the stations within the last days of the month, in accordance with the exemption obtained from the State Treasury Unit Principle.
Interest earned following the non-compliance with the State Treasury Unit Principle and submitted in State Revenue	NA	0,00%	Since CP complied with the State Treasury Unit Principle, there is no interest earned following the non-compliance therein and submitted in State Revenue.

Management Goals

CP kept its continued growth trend in 2016, which is occurring since the end of 2013.

CP's activity during the year was carried out based on the 2016 Budget and Activities Plan (PAO 2016), approved by the Sector and Financial Ministries on the 30th of December, 2016. The strategic focus kept aiming to the promotion of the company's efficiency and sustainability.

In 2016, CP transported approximately 115 million passengers, 1.2 million passengers more than what was expected (+1.1%). Profits from traffic surpassed 230 million Euros, placed 1.7% above what was expected (+3.9 million Euros).

In an analysis by service, it is highlighted that the Long-distance service transported 420 thousand passengers more and had 4.1 million Euros more in profits from traffic than expected, and that the Urban services of Porto transported 826 thousand passengers more and 0.6 million Euros more in profits from traffic than expected.

The recurrent EBITDA was positive at 0.3 million Euros, 10.9 million Euros higher than expected (-10.6 million Euros).

This variation is essentially justified by the operating expenses directly related to the transportation of passengers, due to a general cost containment and budgetary constraint that led to the forced postponement of several actions and interventions to 2017. Operating income was similar to what was expected, and the growth of profits from traffic and other extraordinary income offset the decrease in the volume of services provided and re-invoicing to MEDWAY (former CP Carga)[2].

Concerning expenses, the positive variation is highlighted, at 14.9 million Euros (8.6%), accounted for in the heading for External Services and Supplies. This variation is explained, namely, by an inferior number of unplanned interventions for rolling stock than what was expected, and due to the fact that invoicing regarding traction electricity used by MEDWAY was directly made to that company starting from June 2016.

Expenses with Sold Commodities and Consumed Materials Costs accounted a positive variation of 2.3 million Euros (29.2%) since, contrary to what was expected, there was no increase in the price of fuel.

Personnel expenses (without compensations for termination of employment) were 3.3 million Euros (3.5%) above what was expected. This increase is justified specifically by the reversal of payment cuts, in 20% each quarter, when only 20% of additional restitutions had been foreseen compared with what was accounted for in 2015. It is also worth mentioning the increase in overtime work resulting from the delays in the recruitment processes and the need to assign several collaborators for the required training.

CP closed the financial year of 2016 with a Net Result of -144.6 million Euros, which represents a difference of 5.8 million Euros compared with the forecast (-138.8 million Euros).

INCOME AND EXPENSES (amounts in thousands of Euros)	PERIODS		Variation 2016/2016P	
	ACTUAL 31-12-2016	2016 P	Amount	%
OPERATING RESULT OF THE PASSENGER TRANSPORTATION ACTIVITY (EBITDA)	344	-10 597	10 940	103%
Compensation for termination of employment	-2 689	-4 001	1 312	33%
Implementation of equity method, fair value, impairment, provisions, deferred taxes and other non-core	2 521	19 756	-17 236	-87%
Depreciations	-54 506	-56 001	1 495	3%
OPERATING RESULT	-54 331	-50 842	-3 489	-7%
FINANCIAL RESULT	-87 283	-87 641	358	0%
NET RESULT	-144 565	-138 773	-5 792	-4%

[2] The privatisation process of CP Carga, SA, was concluded on January 20th, 2016.

This variation is due, however, to the fact that the positive impact of the disposal of assets, namely the Rossio Complex, was considered in the estimates, which was later postponed since the administrative process was longer than initially expected.

If this impact is excluded, the Net Result of 2016 would be approximately 8 million Euros (5%) better than expected.

CP had the support of the State, via capital injections to finance the historical debt service, investments, and the agreement with the Organisations Representing Employees regarding variables. The remaining operating needs were covered by the revenue of the company, therefore there was no indebtedness in 2016.

Concerning budget management, CP accounted for a budgetary implementation of revenue of 93.2%[3]. It is worth noting the absence of revenue arising from the disposal of assets that had been initially estimated, as previously mentioned. If this effect is excluded, the implementation degree would be of approximately 96.7%[3].

Regarding expenses, the implementation was of 97.2%[3] of the available budget. Compared with the originally approved budget, the implementation degree was around 91.7%, since it was not possible to obtain authorisation for the use of the management balance from the previous year and only 10 million Euros of captive funds were made available. These budget restrictions originated a forced postponement of several interventions to 2017.

Budgetary Implementation of Revenue All sources		2016		
Economic	Name	Initial Budget (1)	Collections (2)	Implementation Rate (3)=(2)/(1)
R.04 / R.05	Fines Penalties	0,00 €	802 172,05 €	-
R.07	Sale of Current Goods and Services	274 457 813,00 €	275 631 165,04 €	100,4%
R.08	Other Current Revenue	24 970 644,00 €	17 179 967,39 €	68,8%
R.09	Sale of Capital Goods	23 501 500,00 €	841 413,17 €	3,6%
R.06 / R.10	Transfers	4 358 754,00 €	3 912 311,62 €	89,8%
R.11	AT FIN SOC E QUA SOC	0,00 €	1 072 674,29 €	-
R.12.04	PA FIN SOC FIN	0,00 €	10 293,75 €	-
R.12.06	Financial Liabilities - Loans	36 618 114,00 €	0,00 €	0,0%
R.12.07	Financial Liabilities - Capital Endowment	187 730 587,00 €	175 898 191,82 €	93,7%
R.13 / R.15	Claims / Refunds not deducted in payments	0,00 €	3 281,34 €	-
R.16	Balance of the Management	4 887 518,00 €	4 887 518,00 €	-
TOTAL		556 524 930,00 €	480 238 988,47 €	86,3%

[3] Excluding source 710 and 520. The amounts predicted for source 710 derived exclusively from the implementation of the Law on Outstanding Commitments and Payments, and were meant to fund the reserve and bonds of 2016, although the payment was only foreseen for 2017.

Budgetary Implementation of Revenue Excluding Sources 710 and 520		2016		
Economic	Name	Initial Budget (1)	Collections (2)	Implementation Rate (3)=(2)/(1)
R.04 / R.05	Fines Penalties	0,00 €	802 172,05 €	-
R.07	Sale of Current Goods and Services	274 457 813,00 €	275 631 165,04 €	100,4%
R.08	Other Current Revenue	24 970 644,00 €	17 179 967,39 €	68,8%
R.09	Sale of Capital Goods	23 501 500,00 €	841 413,17 €	3,6%
R.06 / R.10	Transfers	4 358 754,00 €	3 912 311,62 €	89,8%
R.11	AT FIN SOC E QUA SOC	0,00 €	1 072 674,29 €	-
R.12.04	PA FIN SOC FIN	0,00 €	10 293,75 €	-
R.12.07	Financial Liabilities - Capital Endowment	187 730 587,00 €	175 898 191,82 €	93,7%
R.13 / R.15	Claims / Refunds not deducted in payments	0,00 €	3 281,34 €	-
TOTAL		515 019 298,00 €	475 351 470,47 €	92,3%

Budgetary Implementation of Expenses All Sources		2016				
Economic	Name	Budget before Withholdings (1)	Withholdings (2)	Available Budget (3)=(1)-(2)	Payments Made (4)	Implementation Rate (5)=(4)/(3)
D.01	Personnel Expenses	110 689 567,00 €	3 068 136,00 €	107 621 431,00 €	107 140 386,93 €	99,6%
D.02	Acquisition of goods and services	247 110 469,00 €	29 404 324,00 €	217 706 145,00 €	191 355 877,41 €	87,9%
D.10/D.03	Amortisations loans/Interest and other costs	158 604 418,00 €	0,00 €	158 604 418,00 €	158 159 819,59 €	99,7%
D.07	Acquisition of capital assets	23 357 215,00 €	3 181 106,00 €	20 176 109,00 €	14 694 622,78 €	72,8%
D.06.02.03.R0.00	Reserve	10 739 962,00 €	10 739 962,00 €	0,00 €	0,00 €	-
D.04/D.06	Remaining	1 135 781,00 €	0,00 €	1 135 781,00 €	671 974,24 €	59,2%
TOTAL		551 637 412,00 €	46 393 528,00 €	505 243 884,00 €	472 022 680,95 €	93,4%

Budgetary Implementation of Expenses Excluding Sources 710 and 520		2016				
Economic	Name	Budget before Withholdings (1)	Withholdings (2)	Available Budget (3)=(1)-(2)	Payments Made (4)	Implementation Rate (5)=(4)/(3)
D.01	Personnel Expenses	110 689 567,00 €	3 068 136,00 €	107 621 431,00 €	107 140 386,93 €	99,6%
D.02	Acquisition of goods and services	221 232 318,00 €	23 134 848,00 €	198 097 470,00 €	191 355 877,41 €	96,6%
D.10/D.03	Amortisations loans/Interest and other costs	158 604 418,00 €	0,00 €	158 604 418,00 €	158 159 819,59 €	99,7%
D.07	Acquisition of capital assets	23 357 215,00 €	3 181 106,00 €	20 176 109,00 €	14 694 622,78 €	72,8%
D.04/D.06	Remaining	1 135 781,00 €	0,00 €	1 135 781,00 €	671 974,24 €	59,2%
TOTAL		515 019 299,00 €	29 384 090,00 €	485 635 209,00 €	472 022 680,95 €	97,2%

Financial Risk Management

The Order no. 101/09-SETF, of 30.01, establishes a set of instructions aiming to mitigate the effects of the volatility of the financial markets regarding the financial situation of the companies, and also specifies the obligation of data reporting in that scope. The situation of CP in 2016 regarding these subjects is summarised in the table below.

Financial Risk Management Order no. 101/09-SETF, of 30-01	COMPLIED Y	N	NA	Description
Procedures adopted regarding risk assessment and respective hedging measures				
Diversification of funding instruments			X	Following CP's inclusion in the consolidation perimeter of the State Budget in 2015, CP could no longer raise funds from credit institutions, and its funding needs were covered by the Portuguese State, as provided by the law in force for Reclassified Public Companies.
Diversification of available interest rate categories			X	
Diversification of creditor entities			X	
Hiring instruments of risk hedging management considering the market conditions			X	There was no hiring of financial risk management instruments.
Adoption of an active policy of permanent capitals reinforcement				
Consolidation interest-bearing liabilities: transformation of short-term liability in M/L- term, in favourable conditions	X			At the end of 2014, the short-term debt became a medium and long-term debt through a loan concluded with the State. From then on, the influence of the medium and long-term debt has been predominant, reaching almost 86% of the total remunerated debt at the end of 2016.
Hiring the operation which minimises the financial cost (all-in-cost) of the operation			X	There were no new loans in 2016. Existing loans were concluded based on the total cost.
Minimising the provision of real guarantees	X			Decrease of debt guaranteed by the State, following the amortisation of loans endorsed by the State, namely with the European Investment Bank.
Minimising restrictive clauses (covenants)			X	There were no new loans in 2016. Existing loans were always concluded keeping in mind the minimisation of restrictive clauses.
Measures pursued in order to optimise the financial structure of the company				
Adoption of policies that minimise the allocation of borrowed capitals to the financial hedging of investments			X	In 2016, CP kept the investment volume at the necessary minimum to ensure safety and operability of rolling stock, systems, equipment and fixed installations. The State provided CP with capital endowments to fund investment expenses.
Option for investments with proven social/corporate profitability, benefiting from CF and E	X			
Use of self-funding and disinvestment revenues			X	
Inclusion in the R&A				
Description of the evolution of the average annual funding rate within the last 5 years	X			In a separate point of this Report.
Annually paid interest related to interest-bearing liabilities and other costs within the last 5 years	X			In a separate point of this Report.
Analysis of the efficiency of the funding policy and the use of financial risk management intruments	X			In a separate point of this Report.
Reflection in the FS 2016 on the effect of variations of fair value of the swap agreements in portfolio				
	x			

Key:
CF - Community Funds
E - Equity
Y - Yes
N - No
N.A. - Not Applicable

Article 72 of Decree-Law 133/2013, of October 3rd, (with the amendments introduced by Law no. 75-A/2014, of September 30th) establishes that the management of the portfolio of financial derivatives of public companies which have been reclassified and integrated in the public administration sector is transferred to IGCP, E.P.E., under the terms of the European System of National and Regional Accounts, therefore, such management became exclusive competence of IGCP, E.P.E..

In that sense, a power of attorney was concluded with IGCP in December 2014, to authorise IGCP to manage the CP's portfolio of derivatives.

In the chapter "Funding" of this report it is possible to obtain additional information regarding the financial management during 2016, including, specifically, the evolution of the average rate of funding.

Limit for Debt Growth

In the chapter "Funding" of this report it is possible to obtain additional information regarding this subject.

Average Time for Payment

During 2016 and similarly to what happened in 2015, CP had the support of the State, via granting capital injections to finance the historical debt service, investments, and personnel expenses associated with the agreement with the Organisations Representing Employees regarding variables, relating to years prior to 2015. CP was able to ensure timely fulfilment of its financial liabilities to its suppliers and creditors thanks to the received capital injections and funds from the operating activity of the company.

As at 31st of December, 2016, CP did not present any arrears for reasons that it may have been held liable for, as showed in the table below:

Matured Debts (amounts in Euros)	0-90 days	Matured debts in accordance with Art.1 of DL 65-A/2011			
		90-120 days	120-240 days	240-360 days	>360 days
Acquisition of Goods and Services	1 349 110				
Acquisition of Capital					
Outstanding debts to Suppliers (Total)	**1 349 110**				
Infraestruturas de Portugal, SA	407				
Others	1 348 703				

The table below presents the evolution of the Average Time for Payment during 2016 in comparison with 2015:

Year	Quarter	Payment Deadline (days)	Payment Deadline Without IP (days) (*)
2015	1st	204	54
	2nd	131	48
	3rd	47	40
	4th	47	34
2016	1st	46	34
	2nd	44	32
	3rd	38	32
	4th	34	30
∆(%) 4th quarter 2016/2015		-28%	-12%

(*) Excluding the debt owed to IP related to Network Directory services. It should be noted that this Average Time for Payment includes, however, other debts owed to IP regarding extra-Network Directory services which cannot be easily removed from the indicator.

The Average Time for Payment presented a significant reduction in 2015, resulting from the payment of the historical debt to IP, in the end of 2014. It continued to decrease throughout 2016, along with timely fulfilment of the company's liabilities to its suppliers and creditors.

Recommendations from the Shareholder Issued When the 2015 Accounts were Approved

Approval of 2015 Accounts by the responsible Ministry is pending.

Remunerations

Salary Decrease Measures

During 2016, with the coming into force of Law no. 159-A/2015, of December 30th, and Law no. 7-A/2016, of March 30th, which approved the State Budget for 2016, salary decreases which had been imposed during the term of the Economic and Financial Assistance Programme were gradually eliminated, having been completely eliminated as of the 1st of October, 2016.

However, the 5% decrease in the fixed monthly net remuneration of the members from the Board of Directors was maintained (see item 1 of article 12 and item 4 of article 20 from Law no. 12-A/2016, of June 30th).

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

The payment of overtime work was made in accordance with the foreseen rules in the Employment Agreement Scheme in Public Services, by virtue of article 18 of Decree-Law 133/2013 of October 3rd.

During 2016 the enforcement of the agreements concluded with labour unions in 2013, regarding only the payment of work provided in a non-compensated non-working day and in a non-compensated official holiday, was extended. The aforementioned agreements were transmitted to the responsible Ministries at due time.

Regarding the employees working 35 hours, the scheme applied was the one foreseen in article 45 of Law 82-B/2014, of December 31st, *ex-vi* article 18 of Law no. 7-A/2016, of March 30th.

In relation to the fixed monthly net remuneration of the members from the supervisory bodies, the provisions foreseen in Law no. 159-A/2015, of December 30th, were applied.

The service provision from the external auditor was addressed in July 2014 by an international contest which allowed a decrease of the financial burden maintained with the audit services to the individual and consolidated accounts of the companies of the Group. This agreement is in force for the financial years from 2014 to 2016.

The decreases, regarding the Governing Bodies and remaining employees, are summarised in the following table:

Designation Unit: €	2010	2011	2012	2013	2014	2015	2016
Personnel Expenses (€) (*)	**122 251 079**	**108 072 860**	**83 530 337**	**98 036 837**	**92 317 413**	**98 756 519**	**99 371 923**
Governing Bodies Expenses (€)	**509 746**	**468 233**	**418 369**	**442 818**	**499 442**	**437 966**	**398 637**
Decreases resulting from legal changes (€)	0	66 716	76 758	67 952	61 685	22 523	6 897
Increases resulting from legal changes (€)	0	0	0	0	0	0	0
Expenses with Effective Staff w/o G.B. (€) (*)	**112 444 766**	**92 080 738**	**80 006 790**	**92 423 563**	**89 396 514**	**95 896 013**	**96 284 564**
Decreases resulting from legal changes (€)	0	2 589 338	2 119 059	2 501 077	2 927 123	1 264 227	431 507
Increases resulting from legal changes (€)	0	0	0	0	0	0	0
Termin. of Employment / Compensation (€)	**9 296 567**	**15 523 889**	**3 105 178**	**5 170 456**	**2 421 457**	**2 422 539**	**2 688 722**

(*) Not considering in 2014 the adjustment of expenses regarding w ork accident pensions amounting to 11.1 million Euros.
Not considering in 2015 additional personnel expenses, regarding previous years, amounting to 27.2 million Euros, follow ing the agreement concluded w ith Organisations Representing Employees on the implementation of variable bonuses as remuneration used for the calculation of the Holiday Compensation and Holiday Allow ance.

Board of Directors' Remunerations

Term of Office	Position	Name	Appointment		OPRLO			No. Of Terms of Office
Start-End			Mode	Date	Yes/ No	Originating Entity	Paying Entity (O/D)	
21-02-2013 to 31-12-2015	President	**Manuel Tomás Cortez Rodrigues Queiró**	RCM no. 6-A/2013 (DRE 2nd series, no. 42) of 28-02-2013 with Declaration of Amendment no. 285/2013 (DRE 2nd series, no. 45) of 05-03-2013		N	N.A.	D	1
21-02-2013 to 31-12-2015	Executive Voting Member	**Maria João S. C. Rosa Calado Lopes**	RCM no. 6-A/2013 (DRE 2nd series, no. 42) of 28-02-2013 with Declaration of Amendment no. 285/2013 (DRE 2nd series, no. 45) of 05-03-2013		N	N.A.	D	1
24-4-2015 to 31-12-2015	Executive Voting Member	**Nuno Serra Sanches Osório**	RCM no. 29/2015 (DRE 2nd series, no. 87) of 6-5-2015		N	N.A.	D	1

Key: **OPRLO** - Option for Remuneration in the Place of Origin

O/D - Origin/destination

Although the directors were appointed for a fixed period of time, they shall remain in office until new appointment, without prejudice to dissolutions or resignations.

Member of the Board of Directors	Accumulation of Positions - 2016		
	Entity	Position	Scheme (Public/Private)
Manuel Tomás Cortez Rodrigues Queiró	EMEF	President B.D.	Public
	TIP	1st/January to 8th / February - President Starting on 8th/Feb (included) - Voting member	Public
	Nomad Tech	Manager	Private
Maria João S. C. Rosa Calado Lopes	CP Carga	President of B.D. until 20-1-2016	Public
	FERNAVE	Sole Director	Public
Nuno Serra Sanches Osório	CP Carga	Director until 20-1-2016	Public
	EMEF	Director	Public
	FMNF	Director B.D.	Public
	FMNF	Voting Member A.B.	Public
	ECOSAÚDE	Sole Director	Public
	SAROS	Manager	Public
	OTLIS	Director	Public
	SIMEF	President of B.D.	Public

Key:

CP CARGA - Logística e Transportes Ferroviários de Mercadorias, S.A.

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

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

FERNAVE - Formação Técnica, Psicologia Aplicada e Consultadoria em Transportes e Portos, S.A.

SAROS - Sociedade de Mediação de Seguros, Ld.ª

Nomad Tech, Lda

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

FMNF - Fundação do Museu Nacional Ferroviário Ginestal Machado

TIP - Transportes Intermodais do Porto, ACE

OTLIS - Operadores de Transportes da Região de Lisboa, ACE

B.D. - Board of Directors

A.B. - Advisory Board

Members of the B.D.	EGP			
	Fixed	Rate	Gross Monthly Remuneration (€)	
	Y/N	A,B,C	Monthly Salary	Representation Expenses
Manuel Tomás Cortez Rodrigues Queiró	Y	A	5 722,75 €	2 289,10 €
Maria Joao S. C. Rosa Calado Lopes	Y	A	4 578,20 €	1 831,28 €
Nuno Serra Sanches Osório	Y	A	4 578,20 €	1 831,28 €

Key: EGP - Public Manager Statute

Member of B.D.	Annual Remuneration 2016 (€)					
	Fixed (1)	Variable (2)	Gross (3)=(1)+(2)	Remuneration Decreases (4)	Remuneration Reversals (5)	Final Gross Amount (6)=(3)-(4)+(5)
Manuel Tomás Cortez Rodrigues Queiró	107 587,70 €	0,00 €	107 587,70 €	14 878,67 €	5 035,99 €	97 745,02 €
Maria Joao S. C Rosa Calado Lopes	86 070,16 €	0,00 €	86 070,16 €	10 654,71 €	4 028,68 €	79 444,13 €
Nuno Serra Sanches Osório	86 070,16 €	0,00 €	86 070,16 €	10 654,71 €	4 028,68 €	79 444,13 €
			279 728,02 €	36 188,09 €	13 093,35 €	256 633,28 €

There is no variable component in the remuneration of the Board of Directors, nor any management awards.

Member of B.D.	Social Benefits (€)							
	Meal Allowances (€)		Social Protection Scheme		Health Insurance Annual Cost	Life Insurance Annual Cost	Other	
	Daily Amount	Amount Paid per Year	Identification	Annual Cost			Identification	Amount
Manuel Tomás Cortez Rodrigues Queiró	6,86 €	1 385,72 €	Social Security	23 338,72 €	289,75 €	0,00 €	Personal Accident Insurance	8,10 €
Maria Joao S. C. Rosa Calado Lopes	6,86 €	1 522,92 €	Social Security	18 869,55 €	289,75 €	0,00 €	Personal Accident Insurance	8,10 €
Nuno Serra Sanches Osório	6,86 €	1 461,18 €	Social Security	18 999,02 €	289,75 €	0,00 €	Personal Accident Insurance	8,10 €
		4 369,82 €		61 207,29 €	869,25 €	0,00 €		24,30 €

Note: Health insurance and personal accident insurance premiums are identical for all employees, and correspond to the amounts specified to the total premiums per capita (commercial premiums and related fees).

Member of B.D.	Vehicle Expenses - 2016									
	Assigned Vehicle	Agreement Concluded	Reference Amount of Vehicles	Mode	Starting Year	Ending Year	Monthly Lease (€)	Months of Use	Annual Lease Expenses	No. Remaining Contractual Installments
	Y/N	Y/N	(€)	(1)		(*)	on 31-12-2016		(€) (**)	on 31-12-2016
Manuel Tomás Cortez Rodrigues Queiró	Y	N	49 745,80	ALD	2010	2016	979,16	2	1 958,32	0
Manuel Tomás Cortez Rodrigues Queiró	Y	N	57 575,98	ALD	2008	2017	882,22	10	10 017,59	6
Maria João S. C. Rosa Calado Lopes	Y	N	57 575,98	ALD	2008	2017	626,80	12	10 431,84	6
Nuno Serra Sanches Osório	Y	N	59 418,04	ALD	2008	2017	547,03	12	8 242,65	5

(1) Purchase; ALD = Long-term Lease; Leasing or other

(*) The agreements were extended.

(**) Includes regularisations of previous years.

Member of B.D.	Annual Expenses regarding Missions (€)					
	Missions	Housing Expenses	Daily Allowances	Other		Total Expenses with Trips
	(€)	(€)	(€)	Identification	Amount (€)	
Manuel Tomás Cortez Rodrigues Queiró	1 582,16 €	1 067,57 €	741,61 €	Meals	2 692,38 €	6 083,72 €
Maria Joao S. C. Rosa Calado Lopes	0,00 €	0,00 €	0,00 €	Meals	803,38 €	803,38 €
Nuno Serra Sanches Osório	456,27 €	413,40 €	250,18 €	Meals	1 017,18 €	2 137,03 €
						9 024,14 €

Inspection

SUPERVISORY BOARD

Term of Office Start-End	Position	Name	Appointment		Fixed Remuneration Statute (Monthly)	No. Term of Office
			Mode	Date		
13-11-2013 to 31-12-2015	President	**António José Farinha Simão**	Joint Order w/o no. from Ministries of Finance and Economy	13.11.2013	1 602,37 €	1
13-11-2013 to 31-12-2015	Effective Voting Member	**Maria de Lurdes Pereira Moreira Correia de Castro**			1 201,78 €	1
01-12-2015 to 31-12-2015	Effective Voting Member	**Nelson Manuel Costa Santos**			1 201,78 €	1

Although the Members of the Supervisory Board were appointed for a fixed period, they will remain in office until new appointment, w/o prejudice of dissolutions or resignations.

Member of the Supervisory Board	Annual Remuneration 2016 (€)			
	Gross	Remuneration Decreases	Remuneration Reversals	Final Amount
	(1)	(2)	(3)	(4)= (1)-(2)+(3)
António José Farinha Simão	22 433,17 €	1 794,65 €	1 201,01 €	21 839,53 €
Maria de Lurdes Pereira Moreira Correia de Castro	16 824,94 €	1 345,99 €	913,33 €	16 392,28 €
Nelson Manuel Costa Santos	16 824,94 €	1 271,96 €	863,12 €	16 416,10 €
				54 647,91 €

CERTIFIED PUBLIC ACCOUNTANT

Term of Office	Position	Identification Company CPA/CPA			Appointment			No. of years undertaking a position in the group	No. of years undertaking a position in the company
Start-End		Name	CPA Assoc. No.	CMVM No.	Mode	Date	Agreement Date		
01-08-2014 to 31-12-2015	Company CPA	Oliveira, Reis e Associados-Sociedade de Revisores Oficiais de Contas, Ldª	23	20 161 381	Joint Order w/o no. from May 16th, 2014, from Ministries of Finance and Economy, started undertaking the position on August 1st, 2014 to conclude the term of office 2013-2015.	1-8-2014	16-5-2014	3	3
01-08-2014 to 31-12-2015	CPA	Oliveira, Reis e Associados-Sociedade de Revisores Oficiais de Contas, Ldª, represented by **Dr. Joaquim Oliveira de Jesus**	1 056	20 160 668	Joint Order w/o no. from May 16th, 2014, from Ministries of Finance and Economy, started undertaking the position on August 1st, 2014 to conclude the term of office 2013-2015.	1-8-2014	16-5-2014	3	3
01-08-2014 to 31-12-2015	Substitute CPA	Oliveira, Reis e Associados - Sociedade de Revisores Oficiais de Contas, Ldª, **Substitute CPA Dr. José Vieira dos Reis.**	359	20 160 091	Joint Order w/o no. from May 16th, 2014, from Ministries of Finance and Economy, started undertaking the position on August 1st, 2014 to conclude the term of office 2013-2015.	1-8-2014	16-5-2014	3	3

Name	Annual Amount of the Service Agreement - 2016 (€)				Annual Amount of Additional Services 2016 (€)				
	Gross (1)	Decreases (2)	Reversals (3)	Final Amount (4)= (1)-(2)+(3)	Identification of the Service	Gross (1)	Decreases (2)	Reversals (3)	Final Amount (4)= (1)-(2)+(3)
Oliveira, Reis e Associados-Sociedade de Revisores Oficiais de Contas, Ldª, represented by **Dr. Joaquim Oliveira de Jesus**	21 500,00 €	1 720,00 €	1 075,00 €	20 855,00 €	N.A.	0,00 €	0,00 €	0,00 €	0,00 €

External Auditor

Identification of the External Auditor			Agreement Date	Agreement Term	No. of years undertaking the position in the group	No. of years undertaking the position in the company
Name of the External Auditor	CPA Assoc. No.	CMVM No.				
Ribeiro, Rigueira, Marques, Roseiro & Associados, SROC, Lda.	197	20 161 495	10/07/2014	3 years	3	3
Represented by: **Joaquim Eduardo Pinto Ribeiro**	1 015	20 160 630	10/07/2014	3 years	3	3
Member responsible for quality control: **Helena Isabel Gonçalves Lopes Rigueira**	1 026	20 160 640	10/07/2014	3 years	3	3

Name of the External Auditor	Annual Amount of the Service Agreement - 2016 (€)				Annual Amount of Additional Services 2016 (€)				
	Amount (1)	Decreases (2)	Reversals (3)	Final Amount (4)= (1)-(2)+(3)	Service Identification	Gross (1)	Decreases (2)	Reversals (3)	Final Amount (4)= (1)-(2)+(3)
Ribeiro, Rigueira, Marques, Roseiro & Associados, SROC, Lda.	11 750 €	(See note)	N.A.	N.A.	N.A.	0 €	0 €	0 €	0 €

Note: The amount of the Service Agreement concerns 3 financial years (2014-2016) and encompasses CP's audit services (individual and consolidated accounts) and of the companies from the CP Group. The total amount of the agreement for the 3 years was of 84,750€. Costs regarding exclusively CP for those 3 years amount to 35,250€.

Implementation of Articles 32 and 33 of the Public Manager Statute

In the scope of CP-Comboios de Portugal, E.P.E., in accordance with the provisions of items 1 and 2 article 32 of the Public Manager Statute (Decree-Law no. 71/2007 from March 27th, in the wording of Decree-Law no. 8/2012 from January 18th, Amendment no. 2/2012 from January 25th and Decree-law no. 39/2016 from July 28th), no other credit cards or other payment instruments are used, for expenditures at the company's service, by the Members of the Board of Directors, and there is also no refund to members of any possible expenses of personal representation. Expenses associated with communications, including mobile phones, home phones and internet, shall not exceed 80€.

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

Member of B.D.	Communication Expenses (€)		
	Established Monthly Limit	Annual Amount (1)	Obs.
Manuel Tomás Cortez Rodrigues Queiró	80,00 €	464,56 €	Shown amounts concern monthly invoicing
Maria Joao S. C. Rosa Calado Lopes	80,00 €	79,37 €	
Nuno Serra Sanches Osório	80,00 €	155,88 €	
		699,81 €	

Member of B.D.	Established Monthly Limit for Fuel and Tolls	Annual Expenses regarding Vehicles (€)			
		Fuel	Tolls	Total	Obs.
Manuel Tomás Cortez Rodrigues Queiró	1/4 representation expenses	4 697,67 €	2 082,40 €	6 780,07 €	Specified amounts correspond to expenses regarding vehicles assigned to each member of the B.D. It is worth noting, however, that such vehicles - although allocated to a B.D. member - are constantly used for trips of other collaborators of CP.
Maria João S. C. Rosa Calado Lopes		1 214,88 €	54,20 €	1 269,08 €	
Nuno Serra Sanches Osório		2 435,53 €	497,70 €	2 933,23 €	
				10 982,38 €	

Implementation of Articles 16 of the Corporate Public Sector Legal System (RJSPE) and 11 of the Public Manager Statute (EGP)

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

Report on Remunerations Paid to Women and Men

This information is available at the following website:

https://www.cp.pt/institucional/pt/empresa/principios-bom-governo

Annual Report on Corruption Prevention

This information is available at the following website:

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

Public Procurement

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

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

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

In 2016, 24 employment agreements were submitted for early review by the Court of Auditors for exceeding the overall aggregate amount of 5,000,000€, in the total amount of 43,460,599.14€

National Public Purchasing System

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

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

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

VEHICLE FLEET

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

Bearing in mind the provisions in the Circular Letter of the Directorate-General of Treasury and Finance, 4238 of July 1st, 2013, and in Order no. 5410/2014 of the Ministry of Environment, Regional Planning and Energy and of the National Treasury of April 17th, 2014, it was complied with since 2014 at a ratio of two scrapped vehicles for each new acquisition, to the decrease of the range of vehicles and the maximum established rents. This meant an inferior automobile fleet and with less usage expenditure.

In 2016, four vehicles were decommissioned (one for the termination of the Vehicle Operating Leasing (AOV) agreement and three due to serious malfunctioning with a substantial repair cost), and no new purchases were made. Two vehicles granted to CP by affiliate companies were included in the fleet in order to satisfy the needs that CP's fleet was incapable of meeting.

In 2016, the expenses with the vehicle fleet amounted to 284,426€, representing an increase of 27,378€ compared with 2015. This increase is explained by the additional expenses of Vehicle Operating Leasing regarding the vehicles granted to CP (16,226€) and by the increase in maintenance costs for vehicles owned by CP (15,577€), the average life being of 14 years which demonstrates its clear aging and urgent need of replacement. In general, the remaining headings (fuel, *via verde* [electronic toll], insurance) reveal a reduction in associated expenses.

It is highlighted that there has been a decreasing trend in total annual expenses with the vehicle fleet since 2013.

Reduction Measures of Operating Expenses

Cost Reduction Policy (amounts in Euros)	Target (*) 2016	2016 Financial Year	2015 Financial Year	2014 Financial Year	2010 Financial Year	Δ 2016/2015		Δ 2016/2010	
						Absolute	%	Absolute	%
(0) EBITDA (**) (a)	-10 596 807	343 613	3 260 783	25 794 368	13 358 199	-2 917 170	-89%	-13 014 586	-97%
(1) Sold Commodities and Consumed Materials Costs	7 715 195	5 459 521	5 985 193	7 715 510	11 400 400	-525 672	-9%	-5 940 879	-52%
(2) External Services and Supplies	173 599 745	158 701 092	164 077 905	169 938 629	165 726 647	-5 376 813	-3%	-7 025 555	-4%
(3) Personnel Expenses (b)	97 386 505	99 371 923	98 756 519	92 317 413	122 251 077	615 404	1%	-22 879 154	-19%
(4) Compensation for Termination of Employment	4 000 565	2 688 722	2 422 539	2 421 457	9 296 567	266 183	11%	-6 607 845	-71%
(5) Accumulated impact of the reversal of remuneration decreases (c)	2 423 570	3 225 898	2 176 070	0	0	1 049 828	48%	3 225 898	100%
(6) Operating Expenses =(1)+(2)+(3)-(4)-(5)	272 277 309	257 617 916	264 221 008	267 550 095	290 081 557	-6 603 092	-2%	-32 463 641	-11%
(7) Turnovers (w/o Operating allowances) (d)	238 071 408	239 243 464	241 783 095	239 758 877	238 503 000	-2 539 631	-1%	740 464	0%
(8) Weight of Expenses / Turnover = (6)/(7)	114,4%	107,7%	109,3%	111,6%	121,6%	-1,6 p.p.	-	-13,9 p.p.	-
Communication Expenses (External Services and Supplies)	1 168 788	512 711	603 897	759 112	1 382 359	-91 187	-15%	-869 649	-63%
Travelling/Housing Expenses (External Services and Supplies) Expenses regarding daily allowances (Personnel Expenses)	529 416	1 012 727	432 982	341 010	481 207	579 746	134%	531 520	110%
Total HR (Governing Bodies+Leading positions+Employees) (average staff)	2 698	2 674	2 703	2 754	3 275	-29	-1%	-601	-18%
Nº Governing Bodies	6	6	6	7	6	0	0%	0	0%
No. Leading Positions 1st level	16	17	16	19	46	1	6%	-29	-63%
Number Employees (w/o Governing Bodies and Leading Positions)	2 676	2 651	2 681	2 728	3 223	-30	-1%	-572	-18%
Number Employees / No. Leading Positions	167,25	155,94	167,56	143,58	70,07	-11,62	-7%	85,88	123%
Number of Vehicles	49	47	49	51	n.a.	-2	-4%	n.a.	n.a.
Expenses with Vehicles	308 820	284 426	257 048	275 026	n.a.	27 378	11%	n.a.	n.a.

(*) In accordance with the Activities and Budget Plan 2016 approved by the Ministries.

(**) Not including compensations for termination of employment, fair value, impairments, provisions, depreciations and other transactions unrelated to the company's activity. The EBITDA of 2015 is different from what was published in 2015 due to changes in its assessment criteria, so as to exclude income and expenses that are not directly related to the transportation activity, namely arising from the sale of scrap and decommissioning of assets.

(a) Includes Operations Subsidies until 2014.

(b) Not considering in 2014 the adjustment of the expenses amount regarding work accident pensions of 11.1 million Euros.
Not considering in 2015 additional personnel expenses concerning previous years, amounting to 27.2 million Euros, following the agreement concluded with the Organisations Representing Employees on the inclusion of variable bonuses within remuneration used for the calculation of holiday compensation and holiday allowance.

(c) Variation of remuneration decreases compared with 2014, including employer's contribution.

(d) Turnover of 2015 and 2016 influenced by the reduction of services provided to former CP Carga / MEDWAY, following the privatisation and tractive stock transfer process.

In 2016, the strategic focus of the Company was in promoting economic and financial efficiency and sustainability.

CP had a positive recurrent EBITDA[4], although inferior to what was accounted for in the previous year, essentially due to the reduction in sales and services rendered to former CP Carga / MEDWAY, following its privatisation, which was partially offset by the significant growth in rendered sales and services related to passenger transportation.

Excluding the impact of the reduction in services provided to former CP Carga / MEDWAY, of approximately 11 million Euros, there would be an improvement in recurrent EBITDA of 8.2 million Euros (+61%) vis-à-vis the previous year.

The influence of the main headings of expenses in the turnover was of 107.7%, presenting a favourable evolution of 1.6 p.p. compared with the previous year and of 6.7 p.p. compared with the forecast.

This ratio presents an improvement of approximately 14 p.p. in comparison with 2010.

It is also to be noted that this ratio excludes some operating and recurrent income and expenses, included in the headings of other income and expenses, which are essential to the assessment of the operating stability of the company[5].

The main headings of expenses presented a reduction of 11% compared with 2010. However, it is pointed out that this development is influenced by several factors exogenous to the company, such as the increase in charges for the use of railway infrastructures (+8 million Euros compared with 2010) and traction electricity (+4.2 million Euros compared with 2010), as well as the increase in expenses with the leasing of rolling stock (+5.6 million Euros compared with 2010), due to the absence of investment in the electrification of infrastructures and in rolling stock.

Upon the correction of these factors, the main headings of expenses would fall approximately 17% below what was accounted in 2010, demonstrating the rationalisation and cost containment measures implemented in the company.

Regarding the number of permanent staff and leading positions, it is verified that between 2010 and 2016 there was a reduction of 18% in permanent staff (-601 employees) and of 63% in first rank leading positions (annual average value).

In the scope of expenses related to travels, stays and daily allowances[6], there was an increase in expenses in 2016 resulting from the agreements established with the Organisations Representing Employees for the redefinition of working periods and subsequent reorganisation of the schedules of operating staff. This reorganisation resulted in an increase of productivity and availability of human and material resources, which was decisive for the maintenance of a peaceful environment at work, the increase of involvement in the company's activity, with the subsequent improvement of the quality of rendered service, as well as for the results obtained in 2016.

There was an increase in expenses regarding the vehicle fleet compared with 2015 due to additional expenses with Vehicle Operating Leasing and an increase in maintenance costs, as previously mentioned in this report.

4 Does not include compensations for termination of employment, fair value, impairment, provisions, depreciations and other transactions unrelated to the company's activity.

5 For example, they refer the re-invoicing of Traction Electricity and Fuel to MEDWAY/former CP Carga, the income of which is accounted for in other income.

6 These headings include the transportation of operating staff from and to the workplace, i.e. related to the transportation production.

The Order of the Secretary of State of Infrastructure was signed on the 13th of December, 2016, authorising the exemption from the compliance with cost reduction regarding communications and vehicle fleet by CP.

STATE TREASURY UNIT PRINCIPLE

In compliance with the legal provisions on the State Treasury Unit Principle, to which public companies are subject, this company has requested, on a yearly basis, to be exempted from complying with it.

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

- The number of movements of the account of IGCP has increased significantly, both in collections and payments, and is moved with significant regularity;
- In general, payments are made via IGCP;
- The collections from customers are being directed to the IGCP account;
- Since December 2010 the occasional treasury surplus are applied in IGCP - Cedic's;
- The available sums which have not yet been applied, due to their amount, are maintained in IGCP's account.

However, as a result of the specificities of the activity of CP-Comboios de Portugal, EPE, it has been necessary to keep the movement of some bank accounts in the National Banking System, since it is not possible to make some services needed for CP's activity via IGCP account, due to Treasury Bank's operating features.

Commercial Banking (amounts in Euros) (*)	1st Quarter 2016	2nd Quarter 2016	3rd Quarter 2016	4th Quarter 2016
BBVA	3 311 €	5 547 €	45 996 €	0 €
BPI	1 279 241 €	836 144 €	1 338 330 €	2 847 738 €
SANTANDER	631 717 €	356 006 €	742 537 €	533 249 €
Millennium BCP	11 826 €	5 547 €	5 078 €	7 500 €
CGD	23 299 €	25 267 €	17 952 €	23 395 €
Novo Banco	5 423 €	5 408 €	5 393 €	0 €
Total	1 954 817 €	1 233 918 €	2 155 286 €	3 411 882 €
Interest Earned	0 €	0 €	0 €	0 €

(*) Cash at the end of the period.

Following the request to be exempt from complying with the State Treasury Unit Principle for 2016, CP, through Order no. 225/16 – SEATF of March 8th, obtained such exemption in relation to some services, namely value collection and counting, meal cards and bank guarantees. CP is undergoing negotiations with IGCP for the requested availability of the remaining services, specifically regarding the provision of Points of sale and associated services, and the corresponding agreement is expected to be signed as soon as possible.

AUDITS PERFORMED BY THE COURT OF AUDITORS

There were no audits performed by the Court of Auditors during 2014, 2015 and 2016.

Information in the SEE [State Corporate Sector] website

Information on the SEE website	Disclosure		Comments
	Y/N/N.A.	Update Date	
Statutes	Y	14/03/2012	
Characterisation of the Company	Y	17/01/2017	
Responsible Ministry's and Shareholder's Functions	Y	12/01/2016	
Governing Model / Members of Governing Bodies:	Y	24/06/2015	
Identification of Governing Bodies	Y	24/06/2015	
Fixed Remuneration Statute	Y	24/06/2015	
Disclosure of Remunerations earned by Governing Bodies	Y	24/06/2015	
Identification of functions and responsibilities of members of the B.D.	Y	24/06/2015	
Presentation of curriculum synthesis of Governing Bodies' members	Y	24/06/2015	
Public Financial Effort	Y	20/05/2016	
Synthesis Form	Y	17/01/2017	
Historic and Current Financial Information	Y	18/01/2017	
Good Governance Principles	Y	06/06/2016	
Internal and External Regulations that the Company must comply with	Y	06/06/2016	
Relevant Transactions w/ related entities	Y	06/06/2016	
Other transactions	Y	06/06/2016	
Analysis of sustainability within the scopes:	Y	06/06/2016	
Economic	Y	06/06/2016	
Social	Y	06/06/2016	
Environmental	Y	06/06/2016	
Assessment of compliance with GGP	Y	06/06/2016	
Ethical Code	Y	06/06/2016	

FINANCIAL AND ECONOMIC ANALYSIS

Operating Account

INCOMES AND EXPENSES (amounts in thousands of Euros)	PERIODS		Variation 2016/2015	
	ACTUAL 31-12-2016	ACTUAL 31-12-2015	Amount	%
Provided Sales and Services	239 243	241 783	-2 540	-1%
Provided Sales and Services to former CP Carga (Medway)	5 776	16 821	-11 045	-66%
Operating allowances	17		17	s/s
Other income	26 757	30 886	-4 129	-13%
	266 017	272 669	-6 652	-2%
Sold commodities and consumed materials costs	-5 460	-5 985	526	9%
External services and supplies	-158 701	-164 078	5 377	3%
Personnel Expenses (w/o compensations and agreement on variables)	-96 683	-96 334	-349	0%
Other expenses	-4 830	-3 011	-1 818	-60%
	-265 674	-269 408	3 735	1%
Operating Result of the transportation activity* (EBITDA)	344	3 261	-2 917	-89%
Expenses/reversals of depreciation and amortisation	-55 362	-58 882	3 521	6%
Impairment of depreciable and amortisable investments (losses/reversals)	856	1 158	-303	-26%
Compensation for termination of employment	-2 689	-2 423	-266	-11%
Agreement on variables		-27 246	27 246	100%
Gains/losses attributed to subsidiaries, associated companies and joint ventures	3 257	-9 685	12 942	134%
Inventory impairments (losses/reversals)	-266	-255	-11	-4%
Impairment of receivables (losses/reversals)	-290	-31 254	30 964	99%
Provisions (increases/decreases)	-11 497	297	-11 794	-3973%
Impairment of non-depreciable and non-amortisable investments (losses/reversals)	1 684	-93 385	95 070	102%
Other income (reclassification by deferred taxes)	11 025		11 025	s/s
Other income (movements transfer of goods CPCarga)		40 285	-40 285	-100%
Other income (recognition sale amount CPCarga)	1 634		1 634	s/s
Other income (Investment grants recognised as a result of decommissioned stock)	276		276	s/s
Other income (scrap sale)		906	-906	s/s
Other expenses (decommissioning building Terr. Paço - Order_10759-A/2016)	-1 998		-1 998	s/s
Other expenses (other decommissionings of rolling stock)	-2 596	-383	-2 213	-577%
Increase/Decrease of fair value	1 292	2 412	-1 120	-46%
Operating Result	-54 331	-175 197	120 866	69%
Interest and similar income gained	1 048	4 437	-3 389	-76%
Payable interest and similar expenses	-88 331	-107 445	19 115	18%
Financial Result	-87 283	-103 009	15 726	15%
Result before taxes	-141 614	-278 205	136 591	49%
Income tax of the period	-2 951	-221	-2 730	s/s
Net result of the period	-144 565	-278 426	133 861	48%

* Before compensations for termination of employment, fair value, impairments, provisions, depreciations, funding and tax expenses, and other transactions unrelated to the company's activity. The EBITDA of 2015 is different from what was published in 2015 due to changes in its assessment criteria, in order to exclude income and expenses not directly related to the transportation activity, namely arising from scrap sale and decommissioning of assets.

Net Result

CP's *Net Result* in 2016 amounted to -144.6 million Euros, which translates into an improvement of 133.9 million Euros, comparing with the previous year (-278.4 million Euros).

This improvement was primarily due to the fact that there were no net negative impacts incurred in 2015, of approximately -85 million Euros, arising from the sale of CP Carga, from the recognition – also in 2015 – of additional personnel expenses of previous years, amounting to 27.2 million Euros, resulting from the agreement entered into with Organisations Representing Employees (ORT) on the inclusion of variable bonuses within the concept of remuneration used for the calculation of the holiday compensation and holiday allowance, and from the improvement of the financial result, of 15.7 million Euros, particularly resulting from the reduction in historical debt.

Recurrent *EBITDA* remained positive, and the growth in sales and rendered services associated with passenger transportation partially offset the reduction in sales and services rendered to former CP Carga (MEDWAY), following its privatisation. Excluding the impact of the reduction in services provided to former CP Carga (MEDWAY) of approximately 11 million Euros, there would be an improvement in recurrent EBITDA of 8.1 million Euros (+60%) vis-à-vis the previous year.

It is also important to mention the negative impact on the *Net Result* of 2016, amounting to 2.6 million Euros, due to the non-acceptance of CP's application to join the special scheme applicable to deferred tax assets.

Operating Result of the Passenger Transportation Activity (EBITDA)

Recurrent EBITDA of 2016 was positive at approximately 0.3 million Euros, 2.9 million Euros below what was accounted for in the previous year, essentially due to the following variations:

- Decrease in *other income* by 4.1 million Euros, resulting from the reduction in the value of re-invoicing to former CP Carga (MEDWAY), since the energy consumption was invoiced directly to that company starting on June 2016 following the renegotiation of the agreement;
- Decrease in *sales and rendered services* by 2.5 million Euros, essentially due to the reduction of services rendered to former CP Carga (MEDWAY), upon transfer of locomotives in 2015, which led, namely, to a reduction in the value of leasing services for rolling stock.
  However, this variation was offset significantly by the growth in the provision of services to passengers of approximately 10 million Euros, as previously analysed;
- Increase in *other expenses* by 1.8 million Euros, due to expense correction of previous years;
- Decrease in *external services and supplies* by 5.4 million Euros, mainly influenced by the decrease in expenses regarding maintenance and repair of rolling stock, due to the transfer of locomotives to CP Carga in 2015, and the expenses with traction electricity, following the execution of the agreement establishing that the invoicing from the energy supplier was made directly to former CP Carga (MEDWAY) starting on June 2016.

Operating Result

The *Operating Result* in 2016 amounted to -54.3 million Euros, which translates into an improvement of 120.9 million Euros (+69%), comparing with the previous year.

Apart from the aforementioned reasons for the recurrent EBITDA, the following were the main factors which contributed to this situation:

- Decrease in *impairments of non-depreciable and non-amortisable investments* by 95.1 million Euros due to the net negative impacts incurred in 2015, arising from the adjustment of the value of the financial holding of CP in CP Carga by virtue of the conclusion of a reference agreement for the sale of the latter company;
- Decrease in *impairments of receivables* by 31 million Euros, mainly due to the recognition in 2015 of expected losses associated with the sale of credits, arising from the conclusion of a reference sale agreement for the sale of CP Carga;
- No negative impacts on *personnel expenses* – recognised in 2015 – of previous years, amounting to 27.2 million Euros, resulting from the agreement entered into on the 22.04.2015 with Organisations Representing Employees (ORT) on the inclusion of variable bonuses within the concept of remuneration used for the calculation of the holiday compensation and holiday allowance;
- Increase in *gains / losses attributed to subsidiaries, associated companies and joint ventures* by 12.9 million Euros, considering the losses in CP Carga amounting approximately to 10.9 million Euros in 2015, which did not occur in 2016 due to the disposal of said company, and due to the fact that EMEF had positive results in 2016 of approximately 3.4 million Euros, thereby positively affecting CP's result through the application of the equity method;
- Decrease in the value of *depreciations* by 3.5 million Euros, mainly due to the transfer of locomotives to CP Carga in 2015, the decrease in investment in recent years and the end of the depreciation period of certain assets;
- Recognition of income amounting to 1.6 million Euros, concerning the sale of the former CP Carga (MEDWAY), through the settlement of an advance payment carried out in 2015, based on the estimated sale value;
- No positive impacts in 2015 in *Other Income and Gains* (transactions transfer of assets CP Carga), amounting to 40.3 million Euros, arising from the capital increase in kind made by CP in CP Carga, particularly the capital gains recognition from the transfer of locomotives to the latter company (+19.3 million Euros), and the recognition as income of all investment grants allocated to such material (+20.9 million Euros);
- Increase in *other expenses and losses* due to expenses with the decommissioning of rolling stock, of approximately 2.6 million Euros in 2016 (2.2 million Euros higher than the previous year), and resulting from the decommissioning of the Terreiro do Paço Terminal, amounting to 2 million Euros, due to the publication of Order no. 10759-A/2016, from the Offices of the Deputy Secretary of State of Treasury and Finance and of the Deputy Secretary of State of Infrastructure;
- Decrease of the favourable impact of *fair value variations* by 1.1 million Euros, due to the term of the derivatives agreements owned by the company;
- Decrease in income connected with the sale of scrap by 0.9 million Euros.

It is also worth mentioning that *provisions* amounted to 11.5 million Euros in 2016, mainly as a result of the accounting reclassification of the amounts recognised in expenses into provisions, in order to tackle liabilities associated with occupational accidents pensions, due to the non-acceptance of CP's application to join the special scheme applicable to deferred tax assets. This reclassification positively affected the heading of *other income and gains* (*reclassification by deferred taxes*) in the same amount.

Financial Result

The *Financial Result* of 2016 was negative at 87.3 million Euros, with an improvement of 15.7 million Euros vis-à-vis 2015.

This development was mainly influenced by the decrease of the company's financial liability and of the financing interest rates.

Balance Sheet

HEADINGS (amounts in thousands of Euros)	PERIODS		Variation 2016/2015	
	31/12/2016	31/12/2015	Amount	%
ASSET				
Non-current Asset	597 975	640 022	-42 047	-7%
Current Asset	52 743	71 031	-18 289	-26%
Total of Asset	**650 717**	**711 053**	**-60 336**	**-8%**
EQUITY AND LIABILITY			0	
Equity includes:	-2 529 206	-3 031 043	501 837	17%
Net result of the period	-144 565	-278 426	133 861	48%
Total of Equity	**-2 529 206**	**-3 031 043**	**501 837**	**17%**
LIABILITY			0	
Non-current Liability	2 641 546	3 065 323	-423 778	-14%
Current Liability	538 378	676 773	-138 395	-20%
Total of Liability	**3 179 923**	**3 742 096**	**-562 173**	**-15%**
Total of Equity + Liability	**650 717**	**711 053**	**-60 336**	**-8%**

Assets

In 2016, CP's Asset decreased by 60.3 million Euros, and the following impacts are the most significant:

- Decrease of *fixed tangible assets* by 42.7 million Euros, resulting from the absence of undertaken investment to offset the depreciation of fixed tangible assets of the company;

  The decommissioning of rolling stock and other fixed tangible assets is also worth mentioning, such as the Terreiro do Paço Terminal in the total net amount of 4.6 million Euros;

- Increase of *financial holdings – equity method* by 3.2 million Euros, namely arising from the implementation of the equity method to EMEF's results with reference to December 2016;
- Decrease of *deferred tax assets* by 2.6 million Euros due to the non-acceptance of CP's application to join the special scheme applicable to deferred tax assets;
- Decrease of *balance of customers and other accounts receivable* by 18.4 million Euros, essentially as a result of the decrease in debts of former CP Carga (MEDWAY). The regularisation of the debt of the Ministry of Public Works of Argentina is also pointed out, amounting to 4.9 million Euros, essentially as a result of the termination of the rolling stock sales agreement due to non-compliance;
- Decrease of *non-current assets held for sale* by 2.6 million Euros, namely due to the write-off of the company's asset Terreiro do Paço River Terminal, following the publication of order 10759-A/2016, from the Office of the Deputy Secretary of State of Treasury and Finance and of the Deputy Secretary of State of Infrastructure;
- Increase of *available cash and demand deposits* by 3.4 million Euros from collecting revenue at the end of the year which could not be used in time.

Equity

The increase in capital carried out by the State during 2016 amounts to 654,913,275.48 Euros:

- The increase of statutory capital by 113 million Euros was approved in March, following the Joint Order of the Deputy Secretary of State of Treasury and Finance and the Secretary of State of Infrastructure, to be paid by the State in cash. The amount of 29 million was paid in March, and the remaining sum, amounting to 84 million, was paid in April;
- The increase of statutory capital of CP, E.P.E. by 303,823,560.41 Euros was approved in July 2016, following the Joint Order of the Deputy Secretary of State of Treasury and Finance and the Secretary of State of Infrastructure, to be paid by the State in the following way: 266,823,560.41 Euros by the conversion of credit held by the State / Directorate-General of Treasury and Finance which was due on the 31st of May 2016, effective from that date; 37,000,000.00 Euros in cash, where 10,000,000.00 Euros were paid in July 2016, and the remaining sum of 27,000,000.00 Euros was paid in September 2016;
- The increase of statutory capital of CP, E.P.E. by 25,898,191.82 Euros was approved in October 2016, following the Joint Order of the Deputy Secretary of State of Treasury and Finance and the Secretary of State of Infrastructure, to be paid by the State in cash;
- The increase of statutory capital of CP, E.P.E. by 212,191,523.48 Euros was approved in November 2016, following the Joint Order of the Deputy Secretary of State of Treasury and Finance and the Secretary of State of Infrastructure, to be paid by the State by conversion of credit held by the Directorate-General of Treasury and Finance, which was due on the 30th of November 2016.

Liability

CP's Liability has sustained a decrease of 562.2 million Euros in 2016, and the following impacts are the most significant:

- Decrease of *Funding obtained* by 498 million Euros, through the use of cash related to capital increases carried out by the State for the amortisation of funding with maturity in 2016, as well as from the conversion of matured debt service to statutory capital of the company;
- Increase of *Provisions* by 10.8 million Euros, namely by transfer of *other accounts payable (by expenditure accruals),* due to the non-acceptance of CP’s application to join the special scheme applicable to deferred tax assets;
- Decrease of the balance of *Suppliers and other accounts payable* by 67.8 million Euros, mainly due to the reduction of accrued interest payable resulting from the amortisation of some funding;
- Decrease of *Deferrals* by 4.7 million Euros mainly due to the regularisation of the billing issued to the Ministry of Public Works of Argentina, in the amount of 4.9 million Euros, through the termination of the rolling stock sales agreement due to non-compliance;
- Decrease of *Financial Liabilities held-for-trading* by 1.3 million Euros, as a result of the term of the last derivatives agreement.

FUNDING

Funding Policy

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

In this sense, following the joint orders from the Sector and Financial Ministries, it was determined that the statutory capital of CP, E.P.E. would be increased by 654,913 million Euros in 2016, to be paid and carried out by the State as follows:

- March / April – 113 million Euros in cash;
- July / September – 303,824 million Euros, from which 266,824 million Euros were the result of the conversion of credits held by the State / Directorate-General of Treasury and Finance and 37 million Euros in cash;
- October – 25,898 million Euros in cash;
- November – 212,192 million Euros, by conversion of credits held by the State / Directorate-General of Treasury and Finance;

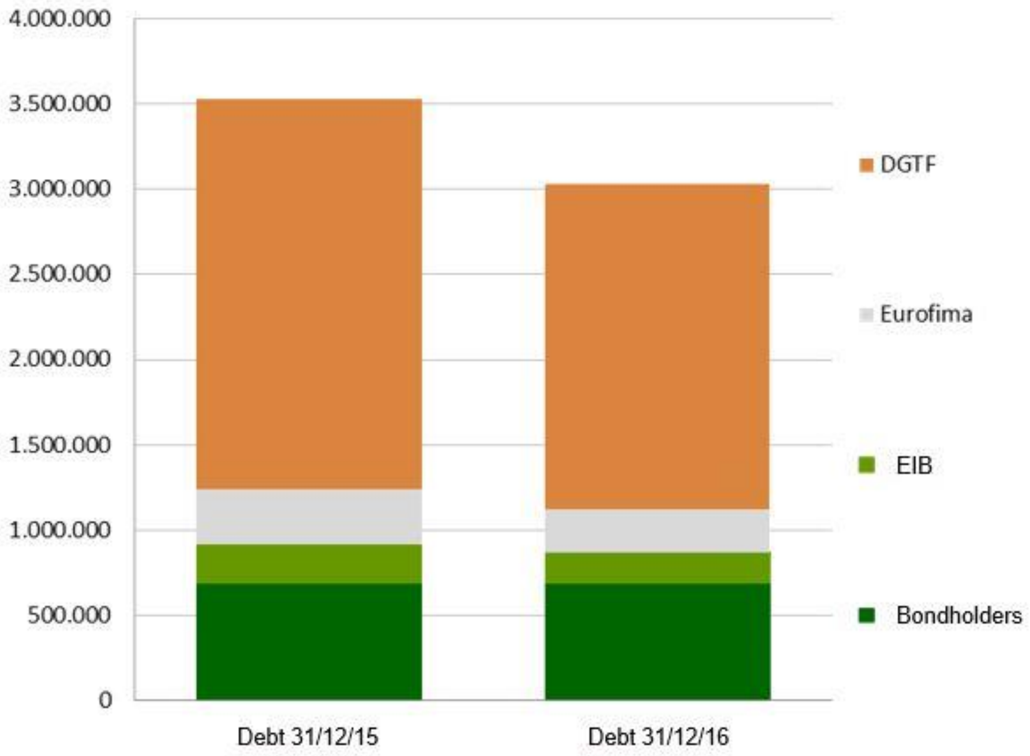
These amounts were meant to cover the needs arising from the debt service (amortisations, interest and other costs), of investment and personnel expenses related to historical agreement on variables.

The remaining operating liabilities were covered by the revenue of the company, therefore there was no indebtedness in 2016.

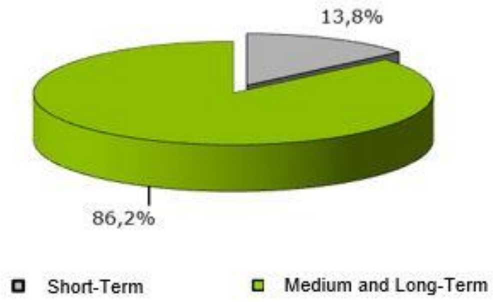
Remunerated Debt

CP's remunerated debt as at 31.12.2016 presented a reduction of 498 million Euros compared with the end of 2015, following the amortisation of loans Eurofima, in the amount of 75 million Euros, and BEI in the amount of 42.68 million Euros, and the conversion of debt service associated with the loan from the State to statutory capital of the company, in the amount of 380,514 million Euros.

At the end of 2016, the debt amounted to 3,025 million Euros, with the following particulars by financing sources:



The structure of the debt remained almost unchanged, with medium and long term debt as a significant influence, to which the loan concluded with the Portuguese State in the last quarter of 2014 contributed. This loan currently represents 63% of the total debt.



Co-funding Sources

CP had a non-recoverable funding in 2016 of approximately 1.5 million Euros, as co-funding of investments from the Portuguese State, in the scope of the Programme of Investment and Development Expenses from the Ministry of Interior (PIDDAC).

This co-funding amount was exclusively meant for the project "Large Repairs R2 and R3".

PIDDAC * 2016 Amounts in thousands of Euros	Amounts
Repairs of rolling stock	1 541

* PIDDAC: Programme of Investment and Development Expenses from the Ministry of Interior

Financing Costs

Financing costs showed a significant decrease in 2016, essentially due to the preservation of market rates at historically low levels.

The replacement, in the end of 2014, of loans from the National Banking System to medium and long term loans at fixed rate with the Portuguese State resulted in a considerable reduction of costs, considering the spreads and commissions imposed at that time.

Unit: m€

Description	2016	2015	2014	2013	2012
Interest	82.657	96.508	197.703	200.844	185.516
Surety	1.414	1.499	1.504	1.804	1.808
Other costs	1.931	2.781	3.855	7.521	7.107
Financial costs	86.002	100.788	203.062	210.169	194.431
Debt	3.280.501	3.828.310	4.134.441	3.807.787	3.637.063
Average cost	2,62%	2,63%	4,91%	5,52%	5,35%

Debt Limit

CP did not resort to debt in 2016. The remunerated debt decreased approximately 14.1%.

Considering Adjusted Indebtedness, there was an increase of 3.7% arising from the capital injections received for investment, financial costs and agreement on variables.

Interest-bearing Liability Amounts in thousands of Euros	2016	2015	2014	2013	Variation 16/15
Funding Obtained (Current and Non-current) (*)	3 024 535,02	3 522 177,90	4 134 440,94	3 807 786,56	-497 642,88
…from which, granted by DGTF	1 902 570,00	2 283 084,00	2 283 084,00	0,00	-380 514,00
Capital Increases by endowment	859 381,19	683 483,00	0,00	0,00	175 898,19
Capital Increases by credit conversion	479 015,08	0,00	0,00	0,00	479 015,08
Adjusted Indebtedness	4 362 931,29	4 205 660,90	4 134 440,94	3 807 786,56	157 270,39
Adjusted Indebtedness (%)	3,7%	1,7%	8,6%		

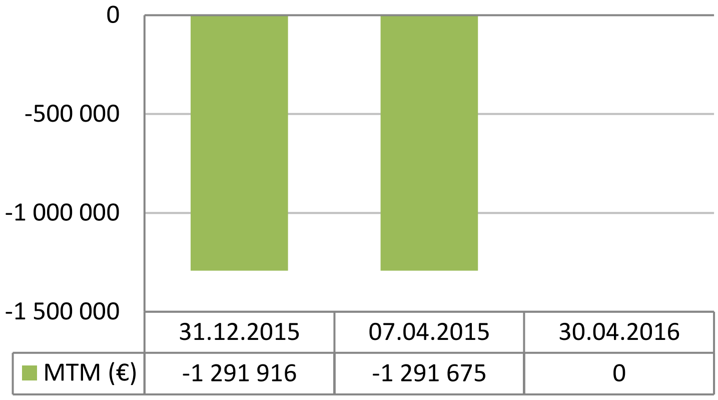
(*) Corresponds to the debt included in the Balance Sheet in the heading of Funding Obtained.

Risk Management Instruments

In April, the only financial risk management instrument that CP held in its portfolio reached maturity, at the same time of the amortisation of the base loan Eurofima for this derivative.

Counterparties	Associated Loan	Notional (M€)	Maturity
ABN/RBS	Eurofima 126	75.000	07-04-2016

The market value of this derivative at the date of maturity amounted to -1,291 million Euros, and was recognised in the company's liability.



With the maturity of the operation, the corresponding liability was eliminated, and had no impact in the results of the company since the derivatives were recognised by fair value in the company's accounts[7].

[7] Although there was no impact in results, expenses/income associated with interest maturity on the one hand and, on the other hand, fair value income, were recognised through the elimination of the liability associated with the derivative upon maturity of the transaction.

PERSPECTIVES FOR 2017

Perspectives for the Portuguese economy in 2017 point out the continuity of a moderate recovery of economy and employment.

The economic activity in Portugal should grow at a slightly higher rate than 2016, resulting in a larger contribution of exports (exports less imports). There should be a slight decrease in the contribution of domestic demand for the gross domestic product (GDP), and it is estimated that the growth rate of private consumption will present a deceleration, although offset by the growth of gross fixed capital formation (GFCF). Public Consumption will continue to decrease reflecting the budget consolidation effort.

It is worth highlighting that, in 2017, private consumption will continue to benefit from the positive impact over the households' disposable income as a result of the reversal of some measures implemented in the scope of the Economic and Financial Assistance Programme.

In a framework of gradual improvement of the labour market, it is expected that there will be a reduction of the unemployment rate.

In this context, it is predicted that there will be a slight boost of mobility needs of the population in 2017, arising from the increase of tourism.

In order to meet the mobility needs whilst strengthening its role as a sustainable transportation that facilitates both the development of a rational energy policy and the economy, CP will continue to use the means of production it has in the most efficient way possible, to promote dialogue with Employees and Representative Organisations, to maintain a dynamic, flexible and proactive commercial attitude in the light of the evolution found and predicted for the market, as well as to adjust its supply whenever possible, improving the effects of the commercial services network to handle market changes and circumstances.

However, it is important to note that there still exist obstacles regarding the activity.

Regarding national railway infrastructures, the electrification of important railway routes is still in progress, which implies the compliance with demanding maintenance cycles of diesel rolling stock with frequent and extended immobilisations.

In terms of the company, both the budget restrictions and the absence of a Public Service Agreement for the establishment of obligations and corresponding financial compensations remain.

Keeping the economy forecasts in mind, the guidelines from the Sector and Financial Ministries, the Board of Directors established the following strategic guidelines for 2017:

1. Meet mobility needs, through the promotion of transport connectivity and accessibility, appropriateness of supply and service provision of higher quality and that contributes for a greater Customer satisfaction;
2. Reinvigorate organisation, by increasing motivation of employees and greater productivity of means of production;
3. Create more value, by promoting dialogue with social and political agents and with organisations representing employees and establishing partnerships with the manager of infrastructures and other stakeholders;
4. Promote financial balance, by establishing contracting frameworks whether from public service or from infrastructure use, by continuing the recovery of historical debt, by rationalising expenses, by profiting from non-core assets, and by promoting the sustainability of affiliate companies.

In this context, some activities foreseen for 2017 are highlighted:

- “Half Life” intervention in CPAs [Tilting Trains] and marketing of the "New Service AP";
- Wi-Fi installation in urban trains;
- Modernisation of embedded traffic systems (Convel / GSM-R);
- Improvement of access conditions to rolling stock for passengers with reduced mobility;
- Launching the Historical Train in the Vouga Line;
- External recruitment of HR;
- Revision of the Company’s Agreement;
- Expansion of the automatic access control to stations;
- Purchase / lease of vending devices;
- Improvement of the Sales Network;
- Yield Management monitoring and developing;
- Broadening the use of CP Card;
- Implementation of a Customer Relationship Management programme;
- Development of the Enterprise Content Management (ECM) platform;
- Profiting from non-core assets;
- Maintenance of rolling stock fleet.

RELEVANT FACTS AFTER THE END OF THE FINANCIAL YEAR

There were no relevant events after the date of balance sheet.

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 144,564,817 Euros, are transferred to the account of Results brought forward.

Lisbon, March 16th, 2017

The Board of Directors,

President: Eng. Manuel Tomás Cortez Rodrigues Queiró

Voting Member: Dr. Maria João Semedo Carmelo Rosa Calado Lopes

Voting Member: Dr. Nuno Serra Sanches Osório

STATEMENT OF CONFORMITY

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

As far as we know: The information foreseen in paragraph a) of item 1 article 245 of the Securities Code was established in compliance with the applicable accounting norms, providing a true and appropriate image of the asset and the liability, of the financial situation and of the results of CP - Comboios de Portugal, EPE (Company), and the management report accurately exhibits the business evolution, the performance and the position of the company, and also contains a description of the main risks and uncertainties that the company faces.

Lisbon, March 16th, 2017

The Board of Directors

President: Eng. Manuel Tomás Cortez Rodrigues Queiró

Voting Member: Dr. Maria João Semedo Carmelo Rosa Calado Lopes

Voting Member: Dr. Nuno Serra Sanches Osório

FINANCIAL STATEMENTS

Individual Balance Sheet as at December 31st, 2016 (amounts in Euros)

HEADINGS	NOTES	PERIODS	
		31/12/2016	31/12/2015
ASSET			
Non-current asset			
Fixed tangible assets	7	541 899 337	584 580 920
Financial Holdings - equity method	9	28 296 700	25 115 396
Other financial investments	10	27 771 396	27 771 396
Accounts receivable	11	7 124	-
Deferred tax assets	12	-	2 554 258
		597 974 557	640 021 970
Current asset			
Inventories	14	4 180 996	4 547 314
Customers	15	5 064 378	5 681 837
State and other public entities	16	9 133 207	9 377 095
Other accounts receivable	17	5 351 034	23 168 933
Deferrals	18	615 446	671 912
Financial assets held for trading	19	4	16
Non-current assets held for sale	20	16 995 564	19 561 448
Cash and bank deposits	5	11 402 251	8 022 897
		52 742 880	71 031 452
Total of asset		650 717 437	711 053 422
EQUITY AND LIABILITY			
Subscribed capital	21	3 333 713 276	2 678 800 000
Legal reserves	22	24 703	24 703
Other reserves	23	1 306 650	1 306 650
Results brought forward	24	(5 933 624 420)	(5 655 198 305)
Adjustments/other variations in equity	25	213 938 582	222 450 407
Net result of the period		(144 564 817)	(278 426 115)
Minority interests			
Total of equity		(2 529 206 026)	(3 031 042 660)
Liability			
Non-current liability			
Provisions	26	20 188 852	9 417 835
Funding obtained	27	2 607 965 827	3 023 979 040
Other accounts payable	28	13 390 899	31 926 392
		2 641 545 578	3 065 323 267
Current liability			
Suppliers	29	16 763 694	19 569 823
Advance payments from customers	30	200 500	1 815 470
State and other public entities	16	425 595	302 248
Funding obtained	27	416 569 188	498 198 858
Other accounts payable	28	104 418 908	150 882 711
Deferrals	18	-	4 711 789
Financial liabilities held for trading	31	-	1 291 916
		538 377 885	676 772 815
Total of liability		3 179 923 463	3 742 096 082
Total of equity and liability		**650 717 437**	**711 053 422**

Certified Accountant - Dr Ana Coelho

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Voting Member - Dr. Maria João Semedo Carmelo Rosa Calado Lopes

Individual income statement by nature

Period ended on December 31st, 2016

(amounts in Euros)

INCOME AND EXPENSES	Notes	PERIODS	
		31/12/2016	31/12/2015
Provided sales and services	32	239 243 464	241 783 095
Operating allowances	33	16 929	-
Gains/losses attributed to subsidiaries, associated companies and joint ventures	34	3 256 950	(9 685 159)
Sold commodities and consumed materials costs	35	(5 459 521)	(5 985 193)
External services and supplies	36	(158 701 092)	(164 077 905)
Personnel expenses	37	(99 371 923)	(126 003 012)
Impairment of inventories (losses/reversals)	14	(266 346)	(255 169)
Impairments of receivables (losses/reversals)	11,15,17	(289 781)	(31 253 910)
Provisions (increases/decreases)	26	(11 496 936)	296 834
Impairment of non-depreciable and non-amortisable investments (losses/reversals)	38	1 684 347	(93 385 223)
Increases/decreases of fair value	41	1 291 916	2 411 650
Other income	39	39 690 757	72 076 379
Other expenses	40	(9 423 368)	(3 394 681)
Result before depreciations, financing expenses and taxes		175 396	(117 472 294)
Expenses/reversals of depreciation and amortisation	42	(55 361 905)	(58 882 413)
Impairment of depreciable and amortisable investments (losses/reversals)	43	855 533	1 158 064
Operating result (before financing expenses and taxes)		(54 330 976)	(175 196 643)
Interest and similar income gained	44	1 047 594	4 436 572
Payable interest and similar expenses	45	(88 330 671)	(107 445 331)
Result before taxes		(141 614 053)	(278 205 402)
Income tax of the period	13	(2 950 764)	(220 713)
Net result of the period		(144 564 817)	(278 426 115)

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Individual income statement by functions

Period ended on December 31st, 2016 (amounts in Euros)

	PERIODS	
	2016	2015
Provided sales and services	239 243 464	241 783 095
Cost of provided sales and services	(253 312 066)	(245 045 021)
Gross result	(14 068 602)	(3 261 926)
Other income	47 424 801	79 798 565
Distribution expenses	(37 700 358)	(45 874 694)
Administrative expenses	(27 882 018)	(64 028 823)
Research and development expenses	-	-
Other expenses	(22 104 799)	(141 829 765)
Operating result (before financing expenses and taxes)	(54 330 976)	(175 196 643)
Financing expenses (net)	(87 283 077)	(103 008 759)
Results before taxes	(141 614 053)	(278 205 402)
Income tax of the period	(2 950 764)	(220 713)
Net result of the period	(144 564 817)	(278 426 115)

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Individual statement of changes in equity on the period of 2015

(amounts in Euros)

DESCRIPTION		NOTES	Equity attributed to the holders of the parent company's capital												
			Subscribed Capital	Own Shares (quotas)	Other equity instruments	Share premiums	Legal Reserves	Other reserves	Results brought forward	Revaluation surplus	Adjustments / Other changes in equity	Net result of the period	Total	Non-controlling Interests	Total Equity
Position at the beginning of 2015	1	20 to 24	1 995 317 000				24 703	1 306 650	(5 495 329 134)		252 512 766	(159 869 171)	(3 406 037 186)		(3 406 037 186)
Changes in the period															
First adoption of the new accounting referential															
Changes in accounting policies		6													
Differences of conversion of financial statements															
Realisation of revaluation surplus															
Revaluation surplus															
Adjustments by deferred taxes															
Other changes recognised in equity		20 to 24									(30 062 359)		(30 062 359)		(30 062 359)
	2										(30 062 359)		(30 062 359)		(30 062 359)
Net result of the period	3											(278 426 115)	(278 426 115)		(278 426 115)
Comprehensive result	4 = 2 + 3											(278 426 115)	(308 488 474)		(308 488 474)
Operations with stakeholders in the period															
Realisations of capital			683 483 000												
Realisations of share premiums															
Distributions															
Down payments for hedging losses															
Other operations									(159 869 171)			159 869 171	159 869 171		159 869 171
	5		683 483 000						(159 869 171)			159 869 171	683 483 000		683 483 000
Position at the end of the period of 2015	6 = 1+2+3+5		2 678 800 000				24 703	1 306 650	(5 655 198 305)		222 450 407	(278 426 115)	(3 031 042 660)		(3 031 042 660)

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Individual statement of changes in equity on the period of 2016

(amounts in Euros)

DESCRIPTION		NOTES	Equity attributed to the holders of the parent company's capital												
			Subscribed Capital	Own Shares (quotas)	Other equity instruments	Share premiums	Legal Reserves	Other reserves	Results brought forward	Revaluation surplus	Adjustments / Other changes in equity	Net result of the period	Total	Non-controlling Interests	Total Equity
Position at the beginning of 2016	1	20 to 24	2 678 800 000				24 703	1 306 650	(5 655 198 305)		222 450 407	(278 426 115)	(3 031 042 660)		(3 031 042 660)
Changes in the period															
First adoption of the new accounting referential															
Changes in accounting policies		6													
Differences of conversion of financial statements															
Realisation of revaluation surplus															
Revaluation surplus															
Adjustments by deferred taxes															
Other changes recognised in equity		20 to 24									(8 511 825)		(8 511 825)		(8 511 825)
	2										(8 511 825)		(8 511 825)		(8 511 825)
Net result of the period	3											(144 564 817)	(144 564 817)		(144 564 817)
Comprehensive result	4 = 2 + 3											(144 564 817)	(153 076 642)		(153 076 642)
Operations with stakeholders in the period															
Realisations of capital			654 913 276												
Realisations of share premiums															
Distributions															
Down payments for hedging losses															
Other operations									(278 426 115)			278 426 115	278 426 115		278 426 115
	5		654 913 276						(278 426 115)			278 426 115	654 913 276		654 913 276
Position at the end of the period of 2016	6 = 1+2+3+5		3 333 713 276				24 703	1 306 650	(5 933 624 420)		213 938 582	(144 564 817)	(2 529 206 026)		(2 529 206 026)

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Individual cash flow statement on December 31st, 2016 (amounts in Euros)

CASH FLOW STATEMENT	31/12/2016	31/12/2015
Cash flows from operating activities - direct method		
Collections from customers	267 682 745	254 183 183
Payments to suppliers	(203 514 459)	(211 187 681)
Payments to employees	(101 914 917)	(99 276 027)
Cash generated by the operations	**(37 746 631)**	**(56 280 525)**
Payment/receipt of income tax	(274 381)	(364 890)
Other receivables/ payments	34 575 186	30 907 607
Cash flows from operating activities (1)	**(3 445 826)**	**(25 737 808)**
Cash flows from investment activities		
Payments regarding:		
Fixed tangible assets	(14 665 092)	(17 089 019)
Other assets	(132 702 396)	(304 500 000)
Receivables from:		
Fixed tangible assets	472 500	582 550
Financial investments	-	200 000
Other assets	132 920 094	304 500 000
Investment grant	1 540 660	1 575 000
Interest and similar income	1 096 918	3 073 800
Dividends	414 211	297 546
Cash flows from investment activities (2)	**(10 923 105)**	**(11 360 123)**
Cash flows of financing activities		
Receivables from:		
Realisations of capital and other equity instruments	175 898 192	683 483 000
Payments regarding:		
Funding obtained	(117 680 188)	(604 842 688)
Interest and similar expenses	(40 465 338)	(58 599 320)
Cash flows from financing activities (3)	**17 752 666**	**20 040 992**
Variation of cash and its equivalents (4) = (1) + (2) + (3)	**3 383 735**	**(17 056 939)**
Effect of exchange rates differences	**289**	**(262)**
Cash and its equivalents at the beginning of the period	**8 018 227**	**25 075 428**
Cash and its equivalents at the end of the period	**11 402 251**	**8 018 227**

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ATTACHMENTS TO THE FINANCIAL STATEMENTS

COMPANY IDENTIFICATION AND REPORTING PERIOD (NOTE 1)

Identification

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

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

The transportation of goods was demerged in 2009, therefore, it started to be undertaken by CP Carga - Logística e Trasporte 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 Government, the responsible Ministries of Economy and Finance, as well as the financial control of the Court of Auditors and of the Inspectorate General of Finance.

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

CP is the parent company of a group of companies and those are its individual financial statements, whose balances and transactions with the companies from the group presented in note 45.

Separation of Sectors - Infrastructure

The relationship between the railway operator CP and the manager of the infrastructure, currently "Infraestruturas de Portugal, SA (IP)", is described in Decree-law no. 104/97 from April 29th.

Article 6 of the aforementioned diploma foresees that the companies must agree in the way of articulation, in the actions and decisions that must be made regarding management, exploitation and development of infrastructures, and to its coordination with the public service of the railway transportation.

In accordance with article 7, use rates will be owed to the manager of the infrastructure due to 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, Decree-law no. 270/2003 from October 28th, amended by Decree-law no. 151/2014 from October 13th, foresees that the typology of the provision of services to companies of railway transportation encompasses everything necessary to the effective exercise of the right of accessing the infrastructure, even the additional and auxiliary services.

In accordance with de Network Directorate 2016, the additional services are the services connected with the activity regarding the provision of railway transportation services, namely the supply of electrical energy for traction, in accordance with the foreseen proceedings of the applicable law, manoeuvres, and parking of rolling stock. 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 auxiliary services are the remaining services linked with the activity of providing railway transportation services, namely the access to the telecommunications network, the supply of supplementary information, in particular those of commercial nature and the technical inspection of rolling stock, making capacity and viability studies regarding offer scenarios, supply of work-force for the operating activities of the operators, provision of operating instalments in stations and provision of common spaces for the instalment of equipment. In accordance with the mentioned legislation, the manager of the infrastructure can charge for the provision of auxiliary services, but has no obligation to perform them.

Separation of Sectors - Transportation

Following the Strategic Guidelines for the Railway Sector presented by the XVII Constitutional Government on October 2006, and in compliance with the agreement of liberalisation of the sector undertaken by Portugal regarding the European Union, Decree-law no. 137-A/2009 was published, later amended by Decree-law no. 59/2012 from March 14th, which approved the legal system applicable to CP – Comboios de Portugal, E.P.E., as well as the corresponding Statutes, and also authorized the autonomy of the activity of the transportation of goods, revoking Decree-law no. 109/77 from March 25th, which had approved the Statutes of "Caminhos de Ferro Portugueses, E.P.".

Complying with the guidelines provided in Order no. 9541/2008 from March 14th, published in the Portuguese Official Gazette (2nd Series, no. 65, from April 2nd, 2008), the company CP Carga - Logística e Transportes Ferroviários de Mercadorias S.A. was established on July 31st, 2009.

The autonomy of the activity of transportation of goods was, indeed, foreseen in Decree-law no. 137-A/2009 (articles 9 and 10) through the incorporation of a company limited by shares whose shared capital would be entirely held by CP, E.P.E., and whose object would be the activity of railway transportation of goods, having been given the business name of CP Carga - Logística e Transportes Ferroviários de Mercadorias, S.A.. The autonomy of the aforementioned area of activity occurred due to the division in 2009, in accordance with the provisions of article 33 of Decree-law no. 558/99 from December 17th, with the wording of Decree-law no. 300/2007 from August 23rd which, in the meantime, were revoked by Decree-law no. 133/2013 from October 3rd and later amended by law no. 75-A/2014 from September 30th.

In 2015, the reprivatisation process of CP Carga was approved by Decree-law no. 69/2015 from May 6th, since the Council of Ministers, through the Council of Ministers Resolution no. 52-B/2015, decided to select the "Mediterranean Shipping Company Rail (Portugal) – Operadores Ferroviários, S.A." to proceed with the purchase of the shares representing up to 100% of the share capital of CP Carga, given the merit of the corresponding improved and final binding offer in what concerns the fulfilment of the selection criteria foreseen in article 5 of the tender specifications, approved as attachment to the Council of Ministers Resolution no. 30-B/2015, from May 8th (tender specifications), and in particular concerning the quality and credibility of the presented strategic project, the value associated with the global financial offer, and the strengthening of economic and financial capacity and capital structure of CP Carga, S.A.

This transaction was carried out in January 2016, with the disposal of CP Carga, and during 2016 the parties reached a consensus and the Service agreements - which are essential for the company to continue as a going concern - were concluded.

Concession System

On January 1st, 1951, CP begun the exploitation of transportation in the railway network in 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 agreement of concession in accordance with the Bases Attached 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 in which this new concession was based were the result of the revision of the legal system regulating the exploitation of the railway transportation and to the coordination of the latter with other transportation means, since it was considered inadequate to the flexibility and rationing demands of the production of this type of service, within a modern management context. 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 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 exploited 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 of exploitation, mostly through the operation subsidies scheme – which resulted in more clarity regarding the responsibilities concerning the management of the railway network.

This right to operation subsidies by CP was also due to 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 exploitation, transportation and tariffs obligations.

The Community Regulation no. 1370/2007 from the European Parliament and from the Council of October 23rd, and Decree-law no. 167/2008, later published, establish the legal system applicable to the definition and compensation of obligations regarding the public service of transportation of passengers, making the temporary and gradual adoption of measures for implementing public service agreements possible.

Public Service Agreement

The conclusion of public service agreements, which established the public service obligations and corresponding financial compensations, is the adequate and necessary instrument for clarifying the relationships between the State and the legal person governed by public law, as well as the corresponding liabilities, either from the State or from CP, establishing a procedure foreseen in Decree-law no. 558/99 from December 17th, amended by Decree-law no. 300/2007 from August 23rd and, in the meantime, revoked and replaced by Decree-law no. 133/2013 from October 3rd, and later amended by law no. 75-A/2014 from September 30th and law no. 42/2016 from December 28th. The article 39 of Decree-law no. 133/2013 mentions, amongst other liabilities, the exclusive competition to the sectorial ministries, the definition of the level of public service to be provided by the companies and the promotion of the necessary diligences for the concerning conclusion of agreements.

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

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

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

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

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

The operation subsidies granted to CP regarding 2016 are in the Council of Ministers Resolution no. 37-B/2016, published in the Portuguese Official Gazette (1st Series, no. 124 from June 30th, 2016).

It is also worth mentioning that the amounts granted to CP by the State in 2016 correspond exclusively to the State's contribution for passes and the intermodal system Andante, and CP did not receive any compensation for its public service provision.

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 2016 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 annexed file, were approved by the Board of Directors of the Company on March 16th, 2017, being presented in Euros and prepared in accordance with the assumptions of the continuity and of the accrual basis in which the items are recognized 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 understandability, 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 ended on December 31st, 2016, and for the comparative financial information presented in these financial statements for the period ended on December 31st, 2015.

Derogations of the Accounting Normalization System (SNC)

There were no derogations made to the provisions of SNC.

Comparative Values

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

The presentation of the financial statements of CP – Comboios de Portugal, EPE, regarding the financial year of 2015, was adjusted to the provisions of ordinance no. 220/2015 of July 24th, which approves the new Financial Statement models starting on January 1st, 2016, and are therefore no longer presented in accordance with the provisions of Decree-law no. 158/2009, of July 13th.

The following table demonstrates a summary of the adjusted headings from the financial statements of 2015.

HEADINGS	2015 Financial Statements published in the R&A/2015 (Decree-law no. 158/2009, from July 13th	2015 – adjusted New Financial Statement's Model (Ordinance no. 220/2015 from July 24th, 2015)
ASSET		
Current Asset		
Advance payments to suppliers (appointment 2015)	133 790	
Other accounts receivable (appointment 2015)	23 035 143	
Other credits receivable (new appointment)		23 168 933
EQUITY AND LIABILITY		
Equity		
Adjustments to financial assets (appointment 2015)	132 640	
Other variations in equity (appointment 2015)	222 317 767	
Adjustment/Other variations in equity (new appointment)		222 450 407
Liability		
Current liability		
Shareholders/members (appointment 2015)	124 729	
Other accounts payable (appointment 2015)	150 757 983	
Other debts payable (new appointment)		150 882 712

First-time Adoption of the Accounting Standards and Financial Reporting (NCRF) – Transitional Disclosure (Note 3)

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

Main Accounting Policies (Note 4)

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

Bases of measurement

The 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 accounted for at the lower value between their accounting value and fair value deducted from the corresponding sale costs.

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

The matters requiring a larger index of judgment or complexity, or those for which the assumptions and estimates are considered significant, are presented in the headings "Value judgments", “Main assumptions concerning the future” and “Main sources for estimate uncertainty” 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 abatements 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 the expenses related with maintenance and routine repairs which do not increase the useful life of the asset, or which do not correspond to 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 CP's 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 are assigned to the operating use by the company. The assets made available by the Portuguese State, without transfer of the property of the State, are accounted for 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:

- The 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 pluriannual 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 marked-down 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 value 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 not recognised; and
- The 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 marked-down by the extension of its expected useful life.

Building and Fixed Facilities:

- Routine maintenance and repair expenses (maintenance agreements, technical inspections, etc.) are recognised as operating expenses;
- Expenses incurred with plans of pluriannual programed 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 is CP's responsibility during the period in which these are part of their operations. The maintenance and repair costs are accounted for in the results of the period in which they are incurred, in accordance with the accruals principle.

Depreciation

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

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

Fixed tangible assets belonging to the State (assets provided in Joint Order no. 261/99 from March 24th) are being marked-down since 1999 at a rate of 2%, in accordance with the Regulating Decree no. 25/2009 from September 14th.

No residual amounts were considered when determining the marked-down 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

The interest on loans directly attributable to the acquisition or construction of assets are 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 necessary activities 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 necessary activities 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.

Regarding the determination of the use value, the latter shall reflect the expected cash flows, discounted at a discount rate appropriate for the business. CP considers that, for the calculation of expected cash flows, it is essential to take into account the features of the provided public service as well as the specificities of the funding structure that has been followed until the current moment.

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

Subsidiaries

Subsidiaries are all the entities controlled by the company.

It is considered control over a company the power of managing the financial and operating policies of a company or of an economic activity with the aim of obtaining benefits from it.

It is assumed that control exists 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, moreover, of 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, where both the fair value of assets and liabilities are determined and the possible goodwill is included in the carrying value of the investment which is not amortised. Goodwill is tested annually, regardless of the existence of impairment indicators. Possible losses by impairment established 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 evaluation 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 the losses of the subsidiary 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 associates 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.

Associates 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 associate. 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 the losses of the associate 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 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, is also considered interest in the associate. 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 has made payments in favour of the invested company.

Financial derivatives and hedge accounting

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

The fair value of the financial derivatives matches its market value, when available. If it is not available, it is established by external entities, based on the valuation techniques used in the market.

Hedge Accounting

The hedge derivatives are accounted for at their fair value and their gains or losses are recognised in accordance with the hedge accounting method adopted by CP. For the qualification of the hedge accounting, CP shall ensure the compliance with all the following conditions:

- Establish and document the hedge relationship in such way that the hedged risk, the hedging item and the hedged item are clearly identified and that the risk of the hedged item is the same risk for which the hedge with the hedge instrument is being made;
- The risk to be hedged is one of the following: Risk hedging of fixed interest rate or the risk hedging of variability of interest rates, currency risk or price risk; and
- Expects that the changes in fair value or cash flow in the hedged item, attributable to the risk being covered, will compensate almost entirely the changes of fair value or cash flows of the hedging instrument.

Risk Hedging of Fixed Interest Rate

The variations of the fair value of derivatives attributed and that qualify as risk hedging of fixed interest rate ("fair value hedging") are accounted for against results, jointly with the variations of fair value of the hedged risk of the asset, liability or group of assets and liabilities. If the hedging relationship no longer complies with the hedge accounting requirements, the accumulated gains or losses recognised in the valuing of the hedged risk are amortized by maturity of the hedged item.

Hedging of the Risk of Variable Interest Rates, Currency Risk, Price Risk of Goods within an Undertaking

The variations of fair value of derivatives, which qualify for cash flow hedging, are recognised against reserves of equity at the time they occur.

The accumulated values in equity are reclassified for results of the financial year in the periods in which the hedged item influences results.

In the case of discontinuation of a hedging relationship of a future transaction, the variations of fair value of the derivative accounted for in equity are recognised therein until the future transaction is recognised in results. When it is no longer anticipated that the transaction occurs, the accumulated gains or losses accounted for against equity are immediately recognised in the results.

However, even though the financial instruments hired by the Company aim for risk hedging of the interest rate, these instruments do not comply with NCFR 27, as mentioned above, in order for them to be classified as financial hedging instruments. For that same reason, they were classified as financial instruments held for trading.

Other Financial Assets/Liabilities

CP only recognises a financial asset, a financial liability or an equity instrument when it becomes part of the provisions 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 changes 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 are of a fixed amount, of a fixed interest rate during the life of the instrument or, also, if it is of a variable rate which is a normal market indexing rate for funding operations (such as *Euribor*) and, furthermore, when it includes a spread over the same indexing rate; and
  - That do not contain any agreement clause which may result in nominal value loss and accumulated interest for the holder (except the typical cases of credit risk), namely in receivables from customers, other accounts receivable, accounts payable to suppliers, other accounts payable, and bank loans.
- Agreements to grant or contract loans that:
  - Cannot be settled in net base,
  - When concluded, it is expected that they fulfil the conditions for recognition at cost or at amortised cost without impairment losses; and
  - The company 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 concluded, result in the delivery of such instruments - which shall be measured at the cost without impairment losses.

Measuring at Fair Value through Results

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

The financial instruments for which it is not possible to obtain reliable fair values are measured at the 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.

The recoverable amount of financial assets that present impairment indicators 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, if the increase is objectively related with an event occurring after the recognition of impairment loss.

Jointly Controlled Entities

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

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

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

Inventories

The existence of goods and of raw, auxiliary and consumable materials 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.

Other Receivables from Customers and Other Debtors

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

Impairment losses are accounted for based on the evaluation of the estimated losses, associated with the credits of bad debts at the balance sheet date. Identified impairment losses are accounted for against results, and they are subsequently reversed for results if a decrease of the amount of the estimate loss is verified 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 of Funding obtained.

Loans and bank overdrafts

Loans are initially recognised in the liability through the received nominal value, which is net of expenses related with issuance. The received nominal value corresponds to the respective fair value at that date. Afterwards, the loans are measured by 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 by using the effective interest rate method.

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

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

All remaining loans are classified as non-current liability.

This way, the amount in debt of the funding agreements whose contractually established maturity exceeds one year, is classified into the non-current liability heading.

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 likeliness for their sale.

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

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

Foreign currency transactions

Functional and presentation currency

The elements included in CP's financial statements are measured using the currency of the economic environment in which the company 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 expressed in foreign currency are converted into Euros using the exchange rates in force at that date.

The 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 pursuant to their fair value expressed in foreign currency are converted into Euros. For such purpose, the exchange rate in force at the date when the fair value was determined shall be used.

Revenue recognition

The revenues created in CP concern the passenger transportation service provision, the sale of goods and other services related with railway transportation, deducing 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 the amount of revenue and expenses 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 the period to which they refer, regardless of their payment or reception, in accordance with the underlying assumption of the accrual basis (economic periodisation). The prepared financial statements inform not only of past transactions involving the payment and reception of cash but also of obligations of future payment and resources representing cash to be received in the future. The accrual-based accounting is carried out through the use of the other accounts receivable and payable heading, as well as the deferrals heading.

Provisions

Provisions are recognised when (i) the company has a present, legal or constructive obligation arising from a past event (ii) there is a likeliness of 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 provided value is the amount considered to be necessary in order to deal with estimated economic losses. When the time effect of the money is material, the provision amount is presented by the current value of the expenses expected to be necessary to settle the obligation.

Interest and similar Income obtained and Interest and Similar Expenses incurred

Interest is recognised in accordance with the accruals principle. The receivable dividends are recognised at the date in which the right to their reception is established.

Considering that 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 to items being moved in equity, which implies their recognition in equity.

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

At the end of each financial year a revision of such deferred taxes is performed, and such taxes are reduced as long as their future use is no longer likely.

The company does not recognise any deferred tax assets or liabilities in 2016, 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 balance sheet date, and any adjustments to taxes of previous periods.

CP is the dominant society of a group of companies which is taxed in accordance with the special taxation scheme of the consolidated result, as mentioned in note 12.

- **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 non-occurrence, of one or more uncertain future events which are not entirely under the company'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 non-occurrence, of one or more uncertain future events which are not entirely under the company'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 respective statements, unless there is a remote possibility of an outflow of resources incorporating future economic benefits.

- **Subsequent Events**

The financial statements herein reflect the subsequent events occurred until March 16th, 2017, date in which they were approved by the Management Board in accordance with the provisions in note 2.

The events occurred after the balance sheet date under conditions which already existed at the balance sheet date are considered in the preparation of the financial statements. The material events after the balance sheet date which do not lead to adjustments are disclosed in note 47.

Value Judgments

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

Main Assumptions concerning the Future

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

The Board of Directors understands it is adequate to prepare the financial statements based on continuity, considering the following factors:

- CP's operating situation presents sustainability, regarding for instance the preservation of a positive EBITDA of transportation activity in 2016, which indicates the existence of future sustainability factors;
- The State has granted all its support to the company, namely in what concerns the necessary support to the company's funding, with the aim of ensuring the debt service and the needs of exploitation and investment; and
- The importance of the service CP provides nowadays to the Portuguese economy by the transportation of 114.8 million passengers per year (+2.8 million passengers transported compared with 2015), is also to be remarked, as a factor of vital importance for the functioning of the economic activity, reinforcing the need for the State to ensure the necessary support for the continuity of CP.

Main sources for estimate uncertainty

The preparation of the financial statements in accordance with the NCRF requires the use of some important accounting estimates.

The estimates are based on the best known knowledge at each time and in the actions planned to be made, which are permanently reviewed based on the information available. Changes in the facts and circumstances may lead to the revision of the estimates. This may mean the actual future results can be different from the mentioned estimates.

The main sources for estimate uncertainty at the balance sheet date, which have a significant risk of provoking 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 concerning the expected utility of the asset for the company. The policy of assets management of the company 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 estimation of the asset's useful life is a matter of value judgment based in the company's experience with similar assets.

Fair Value of the Financial Instruments

The fair value is based on market quotations, when available. If there is no quotation, the fair value is established in accordance with the usage of recent transaction prices, similar and concluded in market conditions or, also, in accordance with assessment methods based on techniques of future cash flows - which are discounted considering the market conditions, the temporal value, the yield curve and volatile factors. Such methodologies may require the use of assumptions or judgements when estimating fair value.

The fair value of the derivative financial instruments is established by an external company using the discounted cash flows method. All the calculations were made based on yield curves presented by Reuters at the day of reference of the financial statements. Thus, the moment in which the estimates are made is the main source of uncertainty.

Bad Debts

Impairment losses concerning credits of bad debt 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 estimate of impairment losses of balances of accounts receivable against the considered assumptions, including changes of the economic environment, the sectorial trends, and the decay of the credit status of the main customers and of significant non-compliances. This assessment process is subject to several estimates and judgements. The changes of these estimates may imply the establishment of different impairment levels, thus resulting in different impacts in the results.

Provisions

Provisions are liabilities of an uncertain amount or temporal event. CP, bearing into account the principle of prudence, has built provisions whenever there is a present obligation (legal or constructive), derived from a past event in which an outgoing of resources to settle the obligation is likely and, thus, can be made a reliable estimate of the mentioned obligation. Concerning the establishment of provisions for legal proceedings, these require the use of judgment, based on the last known information at the time of preparation of the financial statements, namely regarding the probability of losing the legal proceedings and of the estimated value of that loss. Changes of these estimates may imply impacts on the results.

Non-Current Assets Held for Sale

Non-current assets held for sale shall be recognised by the least value between their net account value and their fair value, deduced from the costs intended for sell. While establishing the fair value, namely regarding rolling stock, and bearing into account the absence of an active market, CP considers that, as reference, the amount of the recent transactions with similar material, adjusting such amount to the technical characteristics of the material and the existing demand. The existence of an impairment amount to be recognised is established based on the estimate selling amount, and the actual impact will only be known at the moment of the effective sale of the assets - which may imply variations of some significance in the 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 from funding, are disclosed.

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

As at December 31st, 2016, all cash flow balances and their equivalents are available for use.

The cash flow statement regarding the financial year 2016 shows negative operating flows of approximately 3.4 million euros. However, there is an improvement of about 22.3 million Euros compared with the previous year.

It should also be noted that there was an increase of 13.5 million Euros in the cash flows generated by the operating activity when compared to the one accounted for in the same period of the previous year, resulting from the increase in provided sales and services associated with the transportation of passengers and the positive impact in other receivables of the arrears from Medway (former CP Carga). The decrease of 7.7 million Euros in payments to suppliers should also be highlighted, as this decrease is achieved along with a reduction of the average time of payment of the company.

Funding activity flows demonstrate the capital injections received from the State, in order to face the amortisation of funding and interest with maturity in the period.

Cash and cash equivalents

Cash and cash equivalents comprise the following balances:

(amounts in Euros)

Description	31/12/2016	31/12/2015
Cash	393 733	344 231
Bank deposits	11 008 518	7 678 666
Sub total	**11 402 251**	**8 022 897**
Bank overdrafts	-	(4 670)
Total	**11 402 251**	**8 018 227**

Disaggregation of Cash and Cash Equivalents Values

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

(amounts in Euros)

Description	31/12/2016	31/12/2015
Cash		
Central cash	2 946	1 302
Petty Cash	2 600	2 600
FFC Treasury	10 200	10 200
Cash from train stations	377 987	330 129
Total	**393 733**	**344 231**
Demand deposits		
Novo Banco	-	5 528
Banco Português de Investimento	2 847 738	2 857 515
Banco Santander	533 249	506 192
Caixa Geral de Depósitos	23 395	45 457
Inst. Gestão Crédito Público	7 596 636	4 252 436
Millennium BCP	7 500	11 538
Total	**11 008 518**	**7 678 666**
Sub total	**11 402 251**	**8 022 897**
Bank overdrafts	-	(4 670)
Total	**11 402 251**	**8 018 227**

(Note: the value considered in bank overdrafts matches cheques in transit)

Accounting Policies, Changes in Accounting Estimates and Errors (Note 6)

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

FIXED TANGIBLE ASSETS (NOTE 7)

At the end of 2016, CP presented a fixed tangible asset organised by fixed asset categories, as presented in the following table:

(amounts in Euros)

Description	31/12/2016	31/12/2015
Gross Amount:		
Land and natural resources	19 133 999	19 133 999
Buildings and other constructions	75 061 374	74 813 263
Basic equipment	1 376 332 408	1 371 356 237
Transportation equipment	1 287 880	1 350 060
Administrative equipment	21 348 316	19 825 773
Other fixed tangible assets	61 844 405	62 302 817
Ongoing investments	3 030 493	1 408 455
Advance payments on account of investments	4 238 522	3 460 927
Sub-total	**1 562 277 397**	**1 553 651 531**
Accumulated depreciation and impairment:		
Depreciation of the period	55 361 905	58 882 413
Accumulated depreciation of previous periods	958 726 740	903 043 250
Impairment losses of the period	855 533	1 158 064
Impairment losses of previous periods	5 433 882	5 986 884
Sub-total	**1 020 378 060**	**969 070 611**
Net book value	**541 899 337**	**584 580 920**

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 movements in the heading of fixed tangible assets during 2016 are summarised in the following table:

(amounts in Euros)

Description	Opening balance	Additions	Disposals	Assets classified as held for sale	Write-offs	Transfers	Other adjustments	Closing balance
Gross Amount:								
Land and natural resources	19 133 999	-	-	-	-	-	-	19 133 999
Buildings and other constructions	74 813 263	15 000	-	-	(4 602)	237 714	-	75 061 375
Basic equipment	1 371 356 237	76 847	-	11 982	(2 407 124)	7 294 466	-	1 376 332 408
Transportation equipment	1 350 060	-	(44 123)	-	(18 058)	-	-	1 287 879
Administrative equipment	19 825 773	1 530 611	(24 474)	-	(104 343)	120 749	-	21 348 316
Other fixed tangible assets	62 302 817	493 032	-	-	(960 561)	9 117	-	61 844 405
Ongoing investments	1 408 455	9 284 084	-	-	-	(7 662 046)	-	3 030 493
Advance payments on account of investments	3 460 927	777 595	-	-	-	-	-	4 238 522
	1 553 651 531	**12 177 169**	**(68 597)**	**11 982**	**(3 494 688)**	**-**	**-**	**1 562 277 397**
Accumulated depreciation and impairment:								
Buildings and other constructions	31 764 022	2 038 548	-	-	(4 601)	-	-	33 797 969
Basic equipment	866 883 331	50 153 419	-	11 982	(2 407 124)	-	-	914 641 608
Transportation equipment	1 265 493	40 757	(44 123)	-	(18 058)	-	-	1 244 069
Administrative equipment	19 026 369	735 672	(15 507)	-	(104 343)	-	-	19 642 191
Other fixed tangible assets	42 986 449	2 393 509	-	-	(617 149)	-	-	44 762 809
Fix. Tang. Assets-Acc.Impair.Losses - Basic Equipment	7 144 947	(855 533)	-	-	-	-	-	6 289 414
	969 070 611	**54 506 372**	**(59 630)**	**11 982**	**(3 151 275)**	**-**	**-**	**1 020 378 060**
Total	**584 580 920**							**541 899 337**

The most significant investments, concluded in the financial year of 2016, regard essentially to occasional repairs of the type R2 and R3 and half-life intervention for tilting trains.

As for decommissioning, the most significant heading is basic equipment, as a result of the decommissioning of rolling stock from the commercial activity, with no book value since it is completely depreciated.

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

As at December 31st, 2016, the following fixed tangible assets were granted as loan guarantee obtained by CP from Eurofima:

(amounts in Euros)

Descritption	Liability
Railcars	210 376 213
Total	**210 376 213**

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	31-12-2016			31-12-2015		
		Gross amount	Impairment	Net amount	Gross amount	Impairment	Net amount
EMEF, SA	Investment	11 310 537	-	11 310 537	8 028 936	-	8 028 936
EMEF, SA	Loans	13 500 000	-	13 500 000	13 500 000	-	13 500 000
CP CARGA, SA	Investment	-	-	-	21 080 144	21 080 144	-
CP CARGA, SA	Loans	-	-	-	71 272 682	71 272 682	-
SAROS, SA	Investment	382 641	-	382 641	490 628	-	490 628
FERNAVE, SA	Investment	2	-	2	2	-	2
FERNAVE, SA	Loans	2 600 000	-	2 600 000	2 600 000	-	2 600 000
ECOSAÚDE, SA	Investment	-	-	-	-	-	-
ECOSAÚDE, SA	Loans	300 000	-	300 000	300 000	-	300 000
OTLIS, ACE	Investment	203 520		203 520	195 830		195 830
Total		**28 296 700**	**-**	**28 296 700**	**117 468 222**	**92 352 826**	**25 115 396**

The impairment accounted for in 2015 with the affiliate CP Carga results from the implementation of the terms of the sale agreement of the latter, signed on September 19th, 2015, and effective as of January 20th, 2016.

In 2016 the following movements in these financial holdings were made, as presented in the following table:

(amount in Euros)

	Opening balance	Additions	Disposals	Equity Method	Other changes	Closing balance
Gross amount						
EMEF, SA	21 528 936	-	-	3 281 601	-	24 810 537
CP CARGA, SA	92 352 826	-	(21 000 142)		(71 352 684)	-
SAROS, SA	490 628	-	-	(107 987)	-	382 641
FERNAVE, SA	2 600 002	-	-	-	-	2 600 002
ECOSAÚDE, SA	300 000	-	-	-		300 000
OTLIS, ACE	195 830	-	-	83 336	(75 646)	203 520
Sub-total	**117 468 222**	-	**(21 000 142)**	**3 256 950**	**(71 428 330)**	**28 296 700**
Impairment	92 352 826		-	-	(92 352 826)	-
Sub-total	**92 352 826**	-	-	-	**(92 352 826)**	-
Total	**25 115 396**	-	**(21 000 142)**	**3 256 950**	**20 924 496**	**28 296 700**

During 2016 there was a disposal of 95% of the holding CP had over the capital of CP Carga, SA, which not only resulted in a decrease of the financial investment, but also in the annulment of the existing impairment. The remaining 5% of CP's holding in CP Carga are accounted for in the other financial investments heading (note 9).

In contrast, the application of the Equity Method to the holding over the capital of EMEF resulted in an increase of the Financial Holdings heading.

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

(amounts in Euros)

Name of the associate	% of shareholding	Reference date	Assets	Liabilities	Equity	Income	Net result
EMEF, SA	100	31-12-2016	49 947 770	38 637 232	11 310 537	66 381 637	3 430 542
SAROS, SA	100	31-12-2016	481 720	99 080	382 641	465 203	306 223
FERNAVE, SA	100	31-12-2016	692 963	3 592 633	(2 899 671)	1 763 522	(58 574)
ECOSAÚDE, SA	100	31-12-2016	895 800	984 290	(88 490)	2 179 656	7 740
TIP, ACE	33	31-12-2016	14 045 221	14 515 200	(469 979)	6 262 177	1 322 529
OTLIS, ACE	14	31-12-2016	5 966 799	4 539 298	1 427 502	5 098 470	547 670

Other Financial Investments (Note 9)

CP has financial holdings in several companies which are recognised at 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 presented in the following table:

(amounts in Euros)

Description	Method	31-12-2016			31-12-2015		
		Gross amount	Impairment	Net amount	Gross amount	Impairment	Net amount
CP Carga, SA	Acquisition cost	80 000	(80 000)	-	-	-	-
MLM, SA	Acquisition cost	12 721	(12 721)	-	12 721	(12 721)	-
METRO DO PORTO, SA	Acquisition cost	249 399	(249 399)	-	249 399	(249 399)	-
METRO-MONDEGO, SA	Acquisition cost	3 595		3 595	3 595	-	3 595
ICF	Acquisition cost	382 269	(382 269)	-	382 269	(382 269)	-
EUROFIMA	Acquisition cost	27 760 679		27 760 679	27 760 679	-	27 760 679
BCC	Acquisition cost	1 460		1 460	1 460	-	1 460
APOR	Acquisition cost	5 000		5 000	5 000	-	5 000
Bonds CONSOLIDATED 1942	Acquisition cost	662		662	662	-	662
		28 495 785	**(724 389)**	**27 771 396**	**28 415 785**	**(644 389)**	**27 771 396**
				27 771 396			27 771 396
				-			-

The movement of these financial holdings in 2016 is analysed in the following table:

(amounts in Euros)

	Opening balance	Additions	Disposals	Fair value	Other changes	Closing balance
Gross amount						
CP Carga, SA	-	80 000				80 000
MLM, SA	12 721	-	-	-	-	12 721
METRO DO PORTO, SA	249 399	-	-	-	-	249 399
METRO-MONDEGO, SA	3 595	-	-	-	-	3 595
ICF	382 269	-	-	-	-	382 269
EUROFIMA	27 760 679	-	-	-	-	27 760 679
BCC	1 460	-	-	-	-	1 460
APOR	5 000	-	-	-	-	5 000
Bonds CONSOLIDATED 1942	662	-	-	-	-	662
	28 415 785	**80 000**	-	-	-	**28 495 785**
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)
	(644 389)	**(80 000)**	-	-	-	**(724 389)**
Total	**27 771 396**	-	-	-	-	**27 771 396**

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 its establishment. However, in the extraordinary general meeting of February 1st, 1984, the extension of the Convention term was approved by all Member states for a further 50 years, i.e. until 2056.

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

RECEIVABLES (NOTE 10)

The particulars of this heading are analysed as follows:

(amounts in Euros)

Description	31/12/2016	31/12/2015
Gross amount:		
Sundry debtors - current account +1 year	975 110	975 110
Sundry	7 124	-
Sub-total	**982 234**	**975 110**
Accumulated impairment		-
Impairment of the period - Other medium to long-term debts to third parties	-	-
Impairment of previous periods -Other medium to long term debts to third parties	(975 110)	(975 110)
Sub-total	**(975 110)**	**(975 110)**
Net book value	**7 124**	**-**

DEFERRED TAX ASSETS (NOTE 11)

The particulars of this heading are analysed as follows:

(amounts in Euros)

Description	31/12/2016	31/12/2015
Deferred tax assets	-	2 554 258
	-	**2 554 258**

As per mentioned in note 12 regarding income taxes, as a result of the implementation of Law no. 61/2014 from August 26th, which approved the special scheme applicable to deferred tax assets, the company began the recognition of deferred tax assets in 2014, awaiting the issuance of the ordinance from the Sector and Financial Ministries confirming said implementation.

Since this authorisation was not concluded within the established deadlines, CP was not able to join the special scheme applicable to deferred tax assets, so the amount accounted for in this heading was derecognised in 2016.

INCOME TAX (NOTE 12)

CP is the parent 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, SA; CP CARGA - Logística e Transportes Ferroviários de Mercadorias, SA (until 2015); and SAROS – Sociedade de Mediação de Seguros, Lda..

CP does not account for deferred tax assets connected with the reporting of tax losses, impairments and temporary provisions which have not been accepted for tax purposes, since it considers that there are no expectations that the aforementioned group of companies – which is under the special taxation scheme – will obtain future taxable profits which enable the use of CP's accumulated tax losses. By the end of 2016, the total deductible tax losses of the CP Group amounted approximately to 450.8 million Euros, which may be used between 2016 and 2028.

Similarly, deferred tax liabilities related to reassessed fixed tangible assets (rolling stock) have not been accounted for in previous periods, since it is considered that there is no expectation of significant changes to the form of funding of the public transportation service and to the economic conditions, in a way that may result in the generation of a basis of assessment enough to originate collection and, subsequently, the payment of income taxes.

Further concerning the income tax, CP joined the special scheme applicable to the deferred tax assets in 2014 (Law no. 61/2014, of August 26th), which, provided certain requirements are complied with, enables the formation of an active deferred tax that may be converted into tax credit, used for the payment of income and wealth taxes or, at most, such active deferred tax may be refunded to the taxpayer. Therefore, in 2014, the company recognised a deferred tax asset based on the proceeds of the total liability of occupational accident pensions by the Corporate Income Tax rate in force, plus the corresponding surtax. Due to the fact that the company's responsible entities did not approve its application to join the aforementioned special scheme, this amount was derecognised in the 2016 financial year.

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

INVENTORIES (NOTE 13)

As at December 31st, 2016, CP presented the following amounts of inventories, detailed by classification:

(amounts in Euros)

Description	31/12/2016	31/12/2015
Gross amount:		
Raw, auxiliary and consumable materials	9 191 135	9 291 107
	9 191 135	9 291 107
Accumulated impairment		
Impairment of the period	(266 346)	(255 168)
Impairment of previous periods	(4 743 793)	(4 488 625)
	(5 010 139)	(4 743 793)
Net book value	**4 180 996**	**4 547 314**

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

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

Since the financial year of 2012, and bearing into account the durability of most of the parts used for repairs of rolling stock, the company opted to assess more thoroughly the impairment of this universe of assets. In order to do so, the depreciation of the storage parts of rolling stock was calculated in accordance with the estimate useful life of the series of material to which they were linked, which allowed the identification of the actual obsolete and without application materials. For the remaining several materials, the criterion of non-rotation for over 5 years was kept.

Bearing in mind the application of this new criterion, more adapted to the reality of the company, an impairment loss of €226,346 was recognised in 2016, as identified in the following table:

(amounts in Euros)

Description	Opening balance	Losses	Reversal	Settlement	Closing balance
Inventory impairment					
Raw, auxiliary and consumable materials	(4 743 793)	(266 346)	-	-	(5 010 139)
Total	**(4 743 793)**	**(266 346)**	**-**	**-**	**(5 010 139)**

CUSTOMERS (NOTE 14)

As at December 31st, 2016 the heading of customers presented the following amounts:

(amounts in Euros)

Description	31/12/2016	31/12/2015
Gross amount:		
Customers current accounts		
General	4 135 092	4 820 166
Associated companies	178 916	501 639
Joint ventures	488 910	486 591
Other related parties	261 460	(126 559)
Customers - accumulated impairment losses	1 687 242	1 408 565
Sub-total	**6 751 620**	**7 090 402**
Accumulated impairment		
Impairment losses of the period	(278 677)	81 294
Impairment losses of previous periods	(1 408 565)	(1 489 859)
Sub-total	(1 687 242)	(1 408 565)
Net book value	**5 064 378**	**5 681 837**

The movements of the impairment losses are analysed as follows:

(amounts in Euros)

Description	Opening balance	Losses	Reversals	Closing balance
Impairment losses				
General customers	1 408 565	278 677	-	1 687 242
Total	**1 408 565**	**278 677**	-	**1 687 242**

The old balances from customers are presented as follows:

(amounts in Euros)

Description	up to 90 days	Between 90 and 180 days	Between 180 and 360 days	More than 360 days
General customers	2 964 289	597 520	611 916	(38 633)
Associated companies	178 916	-	-	-
Joint ventures	481 473	(937)	(184)	8 558
Other related parties	269 420	(7 999)	39	-
Total	**3 894 098**	**588 584**	**611 771**	**(30 075)**

State and Other Public Entities (Note 15)

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

(amounts in Euros)

Description	31/12/2016	30/12/2015
Assets		
Income tax	**1 216 982**	**1 215 119**
Special payment on account	1 149 930	1 144 283
Withholding tax	67 052	70 836
VAT	**7 023 331**	**7 221 754**
Vat to recover from Nov. and Dec.	5 646 857	4 891 292
VAT requested refunds	1 376 474	2 330 462
Contributions from Soc. Sec. National Pensions Centre	12 476	55 597
VAT withholding tax to recover	880 418	884 625
Total	**9 133 207**	**9 377 095**
Liability		
Income tax	396 507	286 242
Withholding income tax	23 518	12 641
Contribution to Social Security	2 925	3 365
Other taxes	2 645	-
Total	**425 595**	**302 248**

Other Receivables (Note 16)

The heading of other receivables presents the amounts displayed in the following table:

(amounts in Euros)

Description	31/12/2016	31/12/2015
Gross Amount:		
Advance payments to suppliers:		
EMEF-EMP. MANUT. EQUIP. FERROV. S.A.	3 279	3 279
SISCOG-SISTEMAS COGNITIVOS, LDA.	128 391	128 391
REDE FERROV. NACIONAL, E.P.E.	2 120	2 120
Suppliers current account - Debit balances	4 693	578
Other debtors - personnel	17 565	60 040
Sundry debtors - current account	2 187 890	19 873 423
Sundry debtors - bad debt	3 187 206	36 117 056
Sundry creditors - debit balances	103 268	88 247
Sundry creditors - dep. securities provided	220 261	218 210
Sundry creditors - VAT - operations to settle	136 044	139 454
Sundry debtors/creditors- invoicing to issue	(1 289)	(997)
Sundry debtors/creditors - health insurance	193 218	199 920
Sundry creditors-ODC- card galp frota/via verde	31 371	30 126
ODC - Business Units/ other	157 622	351 899
Debtors from accrual of revenue	2 166 601	2 074 243
Sub-total	**8 538 240**	**59 285 989**
Accumulated impairment		-
Impairment of the period - other debts to third parties	32 929 850	(31 135 756)
Impairment of previous periods - Other Short term and Medium to Long term debts to third parties	(36 117 056)	(4 981 300)
Sub-total	**(3 187 206)**	**(36 117 056)**
Net book value	**5 351 034**	**23 168 933**

The reduction vis-à-vis 2015 is mainly found in the headings of sundry debtors (current account) and bad debt, justified by the debt settlement of CP Carga, as a result of the application of the terms from the sale agreement of this company, as well as the subsequent regular payment from Medway of the invoicing issued by CP.

The movements of the impairment losses are analysed as follows:

(amounts in Euros)

Description	Opening balance	Losses	Use	Reversals	Closing balance
Impairment losses					
Other debts to third parties	36 117 056	11 104	(32 940 954)	-	3 187 206
Total	**36 117 056**	**11 104**	**(32 940 954)**	**-**	**3 187 206**

Deferrals (Note 17)

The heading deferrals presents the amounts accounted for in the following table:

(amounts in Euros)

Description	31/12/2016	31/12/2015
Asset		
Expenses to be recognised		
Defer. - Exp. to be Recogn. - Other - Miscellaneous	615 446	671 912
Total	**615 446**	**671 912**
Liability		
Income to be recognised		
Defer. - Inc. to be Recogn. - other def.- inc. recogn.	-	(4 711 789)
Total	**-**	**(4 711 789)**

The decrease accounted for in the heading of deferred liabilities is essentially due to the settlement of the issued invoicing within a rolling stock sales agreement, arising from the termination of the agreement due to non-compliance of the buyer. This transaction had no impact in results since it was offset by the annulment of an asset of the same value.

Financial Assets Held for Trading (Note 18)

The heading financial assets held for trading is analysed as follows:

(amounts in Euros)

Description	31-12-2016	31-12-2015
Financial Assets	4	16
Total	**4**	**16**

At the date of reference for the presentation of these Financial Statements, the Company has only accounted within the heading of Financial Assets Held for Trading, the fair value of the shares of Millenium BCP transferred from the company Fergráfica, S.A., in December 31st, 2016, in the scope of its liquidating.

Non-Current Assets Held for Sale (Note 19)

One of the goals of the company is to proceed with the disposal of assets unnecessary to its activity. These assets concern mainly buildings and rolling stock. In that sense, the top management is committed with 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 understands they must remain in this heading of asset, since the amount can be recoverable not by usage but through sale and, also, the top management is strongly committed to the development of efforts in that sense.

The assets classified as held for sale are valued by the least value between their accounting value and their expected selling value.

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

Particularly in what concerns rolling stock, taking into consideration the period since the classification of the assets of this category and, although the company remains strongly committed to its sale, the company decided, in 2015, to adjust its value to the possible market value which was the scrap value, since there were no interested customers and the company did not expect to recover the investment undertaken through the commissioning of the material to the transportation activity. This adjustment had a negative impact of €1.4 million in the company's accounts of 2015 and influenced material series of higher value since the remaining series already had an accounting value inferior to scrap value.

After the establishment of these impairments, the rolling stock universe classified in the non-current assets held for sale category got a value equal to zero as per the particulars below reported as at December 31st, 2016:

(amounts in Euros)

Description	Book Value (1)	Allowances to be recognised (2)	Scrap Value (3)	Impairment (4)	(1)-(2)-(3)-(4)
Several series	14 375 691	3 041 141	2 643 256	8 691 294	-

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

(amounts in Euros)

Description	31/12/2016	31/12/2015
Assets		
Land and Natural resources	1 744 117	1 744 117
Buildings and other constructions (a)	9 567 050	11 564 741
Basic equipment (b)	5 684 397	6 252 590
Total	**16 995 564**	**19 561 448**

(a) In the financial year of 2016, this heading suffered a decrease amounting to 1,997,691€

(b) In the financial year of 2016, this heading suffered a decrease amounting to 2,252,552€ and an impairment reversal amounting to 1,684,359€

The variation accounted for in 2016, comparing with the previous year, originated in the heading of buildings and other constructions, and is a result of the decommissioning of the building in the Terreiro do Paço River Terminal, following order no. 10759-A/2016, from the Office of the Deputy Secretary of State of Treasury and Finance and of the Secretary of State of Infrastructure.

Concerning buildings classified as non-current assets held for sale, it is also worth mentioning that the company did not identify any proof of existing impairment compared with the previously recognised, remaining strongly committed to the sale of these assets, and said efforts led to the signing of a Promissory Agreement of Purchase and Sale regarding the immovable property "Praia das Maçãs".

Subscribed Capital (Note 20)

In accordance with article 3 of Decree-law no. 50/2012 of March 14th which defines CP's Statutes, the statutory capital of the company is of 1,995,317,000 Euros, which is entirely held by the Portuguese State and is meant to meet the company's permanent needs. This amount is entirely subscribed as at December 31st, 2016.

In 2015, it was determined by joint orders of the Sector and Financial Ministries to increase the statutory capital of CP, EPE, in 683,483 million Euros, having been subscribed during the year, which allowed the company to face the payment resulting from historic debt (amortisations and financial costs) as well as investment.

Also in 2016, and in accordance with the law in force, it was equally determined that the statutory capital of CP, EPE, would be increased by 654,913 million Euros following the joint orders from the Sector and Financial Ministries, to be paid up by the State as follows:

- March / April – 113 million Euros in cash;
- July / September – 303,824 million Euros, from which 266,824 million Euros were the result of the conversion of credits held by the State/Directorate-General of Treasury and Finance and 37 million Euros in cash;
- October – 25,898 million Euros in cash;
- November – 212.191 million Euros, by conversion of credits held by the State/Directorate-General of Treasury and Finance.

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

The heading of Subscribed Capital therefore presents, in accumulated terms, an increase of 654,913 million Euros in 2016, corresponding to the capital amount subscribed by the State during the period.

Thus, at the end of 2016, the company presents a subscribed capital of 3,333,713,276 Euros.

Legal Reserves (Note 21)

In accordance with article 295 of the Portuguese Commercial Companies Code and in accordance with article 30 of Decree-law no. 137-A/2009 from June 12th, amended by Decree-law no. 59/2012 from March 14th that defines the CP Statutes, the company must have legal reserves and funds considered to be necessary, and such 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, the legal reserves have not been strengthened, nor have they been used for hedging losses.

OTHER RESERVES (NOTE 22)

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

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

RESULTS BROUGHT FORWARD (NOTE 23)

Following the approval by the Responsible Ministry of the accounting documents, the Company has transferred the net results of the financial years to results brought forward.

Since CP opted for the valuation of its fixed tangible assets due to its considered cost at the date of transition to the SNC, the balance of revaluation surplus is accounted for in this heading.

Rolling Stock:

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

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

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

In the financial year of 1997 there was a new reassessment of the fixed tangible asset in the heading basic equipment, containing 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, acquired until December 31st 1997, except for the assets corresponding to the rolling stock and the fleet parts. Such assets were valuated at their market prices, which were registered in CP 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 covered basically the identification of the assets, the corresponding assessment based on the criterion of the current market value and the calculation of the surplus of the latter for the historic cost.

ADJUSTMENTS/OTHER VARIATIONS IN EQUITY (NOTE 24)

The particulars of this heading are analysed as follows:

(amounts in Euros)

Description	31/12/2016	31/12/2015
Allowances	122 448 574	130 960 399
Financial recovery	91 357 368	91 357 368
Transition adjustments	132 640	132 640
Total	**213 938 582**	**222 450 407**

The heading financial repair reflects the liability assumed by the State in accordance with the Protocol from August 24th, 1993, concerning the debts to the Tax Authority, to the General Directorate of the Treasury and to the Banking System of 97,975,959 Euros and to the usage in the regulation of the remaining amount in debt by the State of 6,618,591 Euros, as a result of the financial restructuring held in the scope of Decree-law no. 361/85.

The amount of the heading of allowances concerns mainly to allowances received for rolling stock, resulting in decreases accounted for in this component of the capital, of the imputation, as an 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 presented in the following table:

(amounts in Euros)

Description	31/12/2016	31/12/2015
59300004 Reserves Grants - Rolling Stock	495 395	832 735
59300100 FEDER-Sub Proj 12UQE	4 965 660	5 839 594
59300700 PIDDAC-Sub Proj 12+4UQE	4 169 978	4 517 474
59300800 FEDER-Sub Proj 12+4UQE	11 397 095	12 346 840
59301001 PIDDAC-Sub Proj 34UQE/UTE	2 857 727	3 175 253
59301002 PIDDAC-Sub Proj 19UDD	433 493	484 361
59301003 PIDDAC-Sub Proj 21ALLAN	702 904	743 875
59301004 PIDDAC-Sub Proj 42UQE	382 808	422 712
59301005 PIDDAC-Sub Proj 34UME	17 841 400	18 928 830
59301006 PIDDAC-Sub Proj 57UTE Silicon	14 878 163	15 717 908
59301009 PIDDAC-Sub Proj 57CORRAIL	532 646	596 507
59301010 PIDDAC-Sub Proj 12Locomotives	390 009	390 009
59301012 PIDDAC-Sub Proj Acq 15 Loc 4700	-	(162 556)
59301013 PIDDAC-Sub Proj Contactless Ticket	920 931	1 794 303
59301014 PIDDAC-Improv. Interface Branch Line Lousã	190 568	218 455
59301015 PIDDAC-Sub Proj. Acq. 10 Locs 4700	-	(21 053)
59301024 PIDDAC-SubProj Change Max Veloc 45 Modern Carriag.	77 727	105 071
59301025 PIDDAC-Repl.Wheelset Transmission Boxes UDD's450	422 829	460 740
59301027 PIDDAC-Modernisation of 4 railcars 3500	1 100 313	1 205 313
59301028 PIDDAC-Large Repair R2 - 453	8 297	33 186
59301029 PIDDAC-Large Repair R2 - 2334	322 037	349 444
59301030 PIDDAC-Large Repair R2 - 2340	317 469	344 876
59301031 PIDDAC-Large Repair R2 - 2326	242 341	262 536
59301032 PIDDAC-Large Repair R3 - 9635	54 437	76 211
59301033 PIDDAC-Large Repair R2 - 464	22 377	60 738
59301034 PIDDAC-Large Repair R2 - 2197010	86 972	105 948
59301035 PIDDAC-Large Repair R2 - 2403	197 780	214 148
59301036 PIDDAC-Large Repair R2- 2404	454 060	490 875
59301037 PIDDAC-Large Repair R2 - 360	48 707	71 187
59301039 PIDDAC-Large Repair R2 - 2405	317 130	341 682
59301040 PIDDAC-Large Repair R2 - 468	33 186	58 075
59301041 PIDDAC-Large Repair R2 - 2197025	133 753	149 965
59301042 PIDDAC-Large Repair R2 - 463	58 656	83 794
59301043 PIDDAC-Large Repair -Gr R-R2 461	146 640	209 485
59301044 PIDDAC-Large Repair R2 469	91 126	128 833
59301045 PIDDAC-Large Repair R2 2197012	99 997	110 711
59301046 PIDDAC-Large Repair R2 2197034	129 443	143 312
59301047 PIDDAC-Large Repair R2 2197011	78 360	86 681
59301048 PIDDAC-Large Repair R2 2197020	129 443	143 312
59301049 PIDDAC-Large Repair R2 8597004	52 000	57 571
59301050 PIDDAC-Large Repair R2 8597007	77 999	86 357
59301051 PIDDAC-Large Repair R2 1415	162 715	174 478
59301052 PIDDAC-Large Repair R2 2197028	130 599	144 468
59301053 PIDDAC-Large Repair R2 1997008	64 650	67 308
59301054 PIDDAC-Large Repair R2 2197019	146 780	-
59301055 PIDDAC-Large Repair R2 0451	131 976	-
59301056 PIDDAC-Large Repair R2 2197027	146 780	-
59301057 PIDDAC-Large Repair R2 1997002	150 265	-
59301058 PIDDAC-Large Repair R2 3154	354 816	-
59301059 PIDDAC-Large Repair R2 9634	120 958	-
59301060 PIDDAC-Large Repair R2 2197007	146 780	-
59301061 PIDDAC-Large Repair R2 3266	280 877	-
59301101 FEDER-Sub Proj 19UDD	896 076	1 001 227
59301102 FEDER-Sub Proj 21ALLAN	1 373 141	1 453 178
59301103 FEDER-Sub Proj 34UME	31 779 552	33 713 899
59301104 FEDER-Sub Proj 57UTE Silicon	19 113 387	20 226 056
59301107 FEDER-Sub Proj 57CORRAIL	1 068 037	1 196 088
59301108 FEDER-Sub Proj 12Locomotives	903 370	903 370
59301700 FEDER-Improv. Interfaces Branch Line Lousã	414 264	474 888
59301800 FEDER-Contactless Ticket-CPLX	201 696	400 141
Total	**122 448 574**	**130 960 399**

Provisions (Note 25)

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	4 250 320	28 299	-	-	4 278 619
Work accidents and occupational illnesses	-	11 396 274	480 117	-	10 916 157
Railway Accidents	1 325 182	466 869	-	-	1 792 051
Financial Investments	3 541 282	125 862	-	520 369	3 146 775
Other	301 051	-	245 801	-	55 250
Total	**9 417 835**	**12 017 304**	**725 918**	**520 369**	**20 188 852**

Variations in the heading of Provisions are mainly due to the restitution of the provision for liabilities with work accidents and occupational illnesses, established in 2016, following the decision of the Sector and Financial Ministries for the non-acceptance of CP's application to join the special scheme applicable to deferred tax assets, which involved derecognising the value of the heading other accounts payable, where it was accounted for in 2015.

The liabilities for work accidents and occupational illnesses were calculated based on the actuarial assessment of the liabilities of the company as at December 31st, 2016, with allowances for work accidents occurred until December 31st, 1999. This calculation was held by an company external to CP (CGD PENSÕES).

The increases or decreases of liabilities arising from changes of the granted benefits are recognised as losses or gains in the financial year they occur. The methodology and the financial and actuarial assumptions of the assessment of liabilities are the following:

Calculation method: For the valuation of the liabilities regarding retired staff with work accident pensions, it was calculated the current value of immediate lifetime income annuities.

Discount rate: 1.75%.

Pension's growth rate: 1.0%.

Mortality tables: The French table TV 88/90 was used.

Period of payment of the work accident pensions: Life annuities.

Date of effect of the calculations: December 31st, 2016.

Funding Obtained (Note 26)

At the end of the financial year of 2016 the heading of funding obtained presented the particulars of the following table:

(amounts in Euros)

Description	31-12-2016	31-12-2015
Non-current		
Credit institutions and financial companies		
Bank loans	142 778 875	178 834 063
Debenture Loans	700 000 000	700 000 000
Applic. of Effective Rate Debenture Loans	(6 869 048)	(7 425 023)
Other funders	1 772 056 000	2 152 570 000
Total	**2 607 965 827**	**3 023 979 040**
Current		
Credit institutions and financial companies		
Bank loans	36 055 188	42 684 858
Other funders	380 514 000	455 514 000
Total	**416 569 188**	**498 198 858**

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

(amounts in Euros)

Description	31/12/2016	31/12/2015
Non-current		
Credit institutions and financial companies		
Bank loans		
Up to 1 year	36 055 188	42 684 858
1 to 5 years	110 245 542	122 500 730
More than 5 years	32 533 333	56 333 333
Debenture loans		
1 to 5 years	500 000 000	500 000 000
Applic. of Effective Rate Debenture Loans	(429 855)	(621 447)
More than 5 years	200 000 000	200 000 000
Applic. of Effective Rate Debenture Loans	(6 439 193)	(6 803 576)
Other funders		
Up to 1 year	380 514 000	455 514 000
1 to 5 years	1 622 056 000	1 622 056 000
More than 5 years	150 000 000	530 514 000
	3 024 535 015	**3 522 177 898**

As at December 31st, 2016, the future payments of the outstanding capital of the non-current funding obtained are analysed as follows:

(amounts in Euros)

Description	2017	2018	2019	2020	2021	2023 and following	Total
Credit insitutions and financial companies							
Bank Loans	36 055 188	28 067 209	20 685 000	37 693 333	23 800 000	32 533 333	178 834 063
Debenture Loans	-	-	499 570 145	-	-	193 560 807	693 130 952
Other funders	380 514 000	380 514 000	380 514 000	480 514 000	380 514 000	150 000 000	2 152 570 000
Total	**416 569 188**	**408 581 209**	**900 769 145**	**518 207 333**	**404 314 000**	**376 094 140**	**3 024 535 015**

Other Debts Payable (Note 27)

The heading of other accounts payable is analysed as follows:

(amounts in Euros)

Description	31/12/2016	31/12/2015
Non-current		
Creditors by expenditure accruals	13 390 899	31 926 392
Total	**13 390 899**	**31 926 392**
Current		
Shareholders/Members	-	124 729
Investment fund providers	(21 580)	143 797
Creditors by outstanding subscriptions	38 665 181	38 321 962
Other debtors and creditors	4 461 264	4 871 797
Creditors by expenditure accruals	61 214 587	107 274 319
Personnel	36 393	75 230
Advance payments from customers	63 063	70 877
Total	**104 418 908**	**150 882 711**

Regarding non-current liability, the most significant variation compared with the financial year of 2015 is accounted for in the heading of creditors by expenditure accruals as a result of the reclassification of the liability with work accidents and occupational illnesses, in the amount of approximately 11.5 million Euros, which was again treated as provision due to the non-acceptance from the sector and financial Ministries regarding CP's application to join the special scheme for deferred tax assets.

In the non-current liability, in 2016, the recognition of the liability concerning the settlement of historic debt arising from the integration of variable bonuses for the calculation of holiday allowances and holidays still remains, following the agreement concluded with the Organisations Representing Employees, which shall be paid until financial year of 2019. The amounts payable in the following year are transferred to current asset in accordance with the signed agreements.

There was a significant reduction in current liability, essentially due to the reduction of accrued interest payable as a result of the amortisation of some funding. This reduction of funding was achieved mainly through capital injections granted by the Portuguese State. It is also worth mentioning the decrease in the need for accrual of expenses associated with external services and supplies, due to the invoicing having been accounted for in 2016.

Suppliers (Note 28)

The heading of suppliers shows the following particulars:

(amounts in Euros)

Description	31/12/2016	31/12/2015
Suppliers current account		
General	11 001 901	16 204 729
Subsidiary companies	284 685	2 538 398
Associated companies	808 177	468 566
Joint ventures	4 448 533	143 117
Other related parties	223 330	213 519
Invoices received and pending approval	(2 932)	1 494
	16 763 694	**19 569 823**

In 2016, there was an overall decrease of outstanding balances to general suppliers, such as the decrease of the average time for payment by 13 days, and the decrease of the debt to "Infraestruturas de Portugal, SA", in the amount of 5.4 million Euros, which stood out as a contribution to such fact. Outstanding balances related to joint ventures essentially correspond to the amount payable to foreign networks, in the scope of the clearing process undertaken by the Central Clearing House (BCC), in accordance with the established deadlines, having been paid-up by the company in January, 2017.

Advance Payments from Customers (Note 29)

This heading presents the following amounts:

(amounts in Euros)

Description	31/12/2016	31/12/2015
Advance payments from customers	200 500	1 815 470
	200 500	**1 815 470**

The variation accounted for vis-à-vis 2015 arises from the regularisation as income of the advance payment provided by Mediterranean Shipping Company Rail (Portugal) – Operadores Ferroviários, S.A., to CP in the scope of the signing of the reference sales agreement of CP Carga.

Financial Liabilities Held for Trading (Note 30)

The heading of financial liabilities held for trading presents the following amounts:

(amounts in Euros)

Description	31/12/2016	31/12/2015
Potentially unfavourable derivatives	-	1 291 916
	-	**1 291 916**

As stated in note 18 regarding Financial Assets Held for Trading, the company has no derivative financial instruments (swaps for the hedging of the interest rate) with reference to December 31st, 2016.

The valuation as at 31.12.2015, was carried out by an external company (IMF – Informação de Mercados Financeiros, S.A.), and concerns the fair value of the only existing swap in 2015, with maturity until April, 2016, when the portfolio was closed.

Provided Sales and Services (Note 31)

Provided sales and services present the following particulars:

(amounts in Euros)

Description	2016	2015
Sales		
Services provided		
Passengers	237 540 173	227 126 927
Networks	760 569	745 024
Maint./lease/clean. rolling stock	1 508 525	14 057 216
Rescue train	896 917	1 365 278
Compensation for damage	1 212 272	515 797
Cleaning/ Safety	131 433	116 739
Computer/accounting/ other services	1 169 559	1 252 686
Other Metro Mondego	638 038	911 723
Other services	2 548 106	2 259 095
Discounts and abatements in sales	(7 162 128)	(6 567 390)
Total	**239 243 464**	**241 783 095**

Provided sales and services decrease approximately 2.6 million Euros, essentially as a result of the reduction in the service provision regarding the lease of rolling stock to former CP Carga (Medway). However, it is worth mentioning the preservation of the growth of 10.2 million Euros in passenger services namely in what concerns ticket sales, which presents an accumulated growth, compared with the same period in the previous year.

Operating Allowances (Note 32)

The operating allowances recognised as income in the financial years of 2016 and 2015 are identified in the following table:

(amounts in Euros)

Description	2016	2015
Operating allowances:		
(IEFP Training)	16 929	-
Total	16 929	-

Gains/losses attributed to subsidiaries, associated companies and joint ventures (Note 33)

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

(amounts in Euros)

Description	2016	2015
Losses		
Application of the equity method	(107 988)	(11 706 062)
Gains		-
Application of the equity method	3 364 938	2 020 903
Total	**3 256 950**	**(9 685 159)**

The increase of gains attributed to subsidiaries, associated companies and joint ventures, arises from the disposal of CP-Carga and consequently of the lack of negative impacts in CP related to the results of that company, as well as the improvement of results from EMEF.

Sold Commodities and Consumed Materials Costs (Note 34)

Sold commodities and consumed materials costs are presented as follows:

(amounts in Euros)

Description	2016	2015
Goods	-	-
Raw, auxiliary and consumable materials	5 459 521	5 985 193
Total	**5 459 521**	**5 985 193**

The expense with fuel consumption, as raw material for the provision of passenger railway transportation services, represents 79% of the total amount of the heading of raw, auxiliary and consumable materials. The expense with fuel decreased in 2016 following the reduction in fuel price.

External Services and Supplies (Note 35)

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

(amounts in Euros)

Description	2016	2015
Sub-agreements:		
Cleaning facilities	(244 576)	(365 410)
Cleaning rolling stock	(2 361 061)	(2 518 333)
Surveillance	(2 087 451)	(2 240 440)
Additional and auxiliary services	(1 710 890)	(2 182 671)
Restoration services	(2 506 098)	(2 743 400)
CP/Renfe Agreement	(4 348 823)	(4 117 257)
Other sub-agreements	(6 458 369)	(6 412 012)
Specialised services:		
Maintenance and repair	(35 134 879)	(33 830 384)
Specialised works	(492 369)	(1 131 462)
Surveillance and safety	(262 611)	(141 173)
Use of rolling stock	(471 459)	(471 459)
Other specialised works	(1 793 810)	(1 616 390)
Materials	(198 190)	(177 410)
Energy and fluids:		
Electricity	(26 617 185)	(29 976 611)
Fuels	(180 394)	(161 092)
Water	(122 832)	(117 550)
Travels, stays and transportation	(1 015 298)	(439 007)
Contº CP/ACE (EMEF/Siemens)	(4 849 636)	(8 169 156)
Miscellaneous services:		
Rents and leases:		
Infrastructure usage fee	(55 789 977)	(55 697 077)
Other rents and leases	(11 065 870)	(10 504 855)
Communication	(512 711)	(603 897)
Insurances	(202 463)	(198 588)
Other services	(274 140)	(262 271)
Total	**(158 701 092)**	**(164 077 905)**

The decrease of 5.4 million Euros in external services and supplies is essentially due to the decrease in maintenance and repair expenses of rolling stock associated with the maintenance agreement concluded with the consortium EMEF/Siemens, due to the transfer of rolling stock to former CP Carga in 2015, and to the reduction in expenses with traction electricity following the conclusion of the agreement that provides the issuance of invoicing from the energy supplier directly to Medway, meaning that CP did not have to bear such costs, which were later re-invoiced to CP Carga.

PERSONNEL EXPENSES (NOTE 36)

The heading of personnel expenses presents the following particulars:

(amounts in Euros)

Description	2016	2015
Remuneration of governing bodies	(337 182)	(365 293)
Remunerations of personnel	(75 196 705)	(74 831 060)
Indemnities	(2 688 722)	(2 422 539)
Agreement on variables	-	(22 017 368)
Charges on remuneration	(16 633 886)	(16 658 725)
Charges on variables	-	(5 229 125)
Insurance for work accidents and occupational illnesses	(2 479 540)	(1 439 607)
Social action expenses	(204 849)	(272 810)
Other personnel costs	(1 831 039)	(2 766 485)
Total	**(99 371 923)**	**(126 003 012)**

The decrease accounted for in this heading via-à-vis 2015 is a result of the liability arising from the agreement concluded with the Organisations Representing Employees regarding the inclusion of variable bonuses in the concept of remuneration used for the calculation of holiday compensation and holiday allowances being recognised in personnel expenses. The impact of this agreement amounted to 27.2 million Euros in 2015.

The particulars of the employees of the permanent staff as at December 31st, 2016 and 2015, by position in Administration/superior management and professional category is presented as follows:

Description	31/12/2016	31/12/2015
Governing bodies *	6	6
Directors/senior management		
Upper management	258	259
Middle management	14	14
Middle managers	230	235
Highly qualified professionals	2 130	2 105
Semi-skilled professionals	70	65
Total	**2 708**	**2 684**

* Includes three elements belonging to the Supervisory Board

IMPAIRMENT OF NON-DEPRECIABLE AND NON-AMORTISABLE INVESTMENTS (NOTE 37)

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

(amounts in Euros)

Description	2016	2015
Losses		
Non-current assets held for sale	-	(1 405 688)
On financial investments	(11)	(92 352 864)
Reversals		
Non-current assets held for sale	1 684 358	373 329
Total	**1 684 347**	**(93 385 223)**

In 2016, there was a significant decrease of impairments with financial investments, as a result of the disposal of the equity investment in CP Carga, SA, carried out in January 20th, 2016, the impact of which was accounted for in the 2015 accounts.

Similarly, no impairments associated with non-current assets held for sale were accounted for in 2016

OTHER INCOME (NOTE 38)

The heading of other income presents the following particulars:

(amounts in Euros)

Description	2016	2015
Supplementary income	12 590 861	16 371 663
Inventory gains	3 871	13 312
Remaining financial assets	3 620 550	2 846 087
Non-financial investments	3 500	19 893 912
Other	23 471 975	32 951 405
Total	**39 690 757**	**72 076 379**

There was a decrease of the heading of other incomes in 2016, mainly due to the following elements:

- Lack of positive impact accounted for in 2015, following the transaction of capital increase in kind carried out by CP in CP Carga, which promoted the recognition of capital gains in approximately 19.3 million Euros, and of incomes of investment grants in approximately 20.9 million Euros;
- Reduction of energy invoicing to Medway (former CP Carga) arising from the conclusion of a new agreement which provides the issuance of invoicing from the energy supplier directly to mentioned company (as per note 35).

Other Expenses (Note 39)

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

(amounts in Euros)

Description	2016	2015
Taxes	(144 680)	(157 894)
Bad debt	-	(34 450)
Inventory losses	(18 753)	(27 302)
Non-financial investments	(4 593 655)	(530 358)
Other	(4 666 280)	(2 644 677)
Total	**(9 423 368)**	**(3 394 681)**

There was an increase of the heading of other expenses in 2016, mainly due to the following elements:

- Decommissioning of the Terreiro do Paço Terminal, following the publication of Order no. 10759-A/2016, from the Offices of the Deputy Secretary of State of Treasury and Finance and of the Deputy Secretary of State of Infrastructure, with a negative impact of around 2 million Euros in the company's accounts;
- Decommissioning of rolling stock with a negative impact in the accounts of about 2.6 million Euros;

Fair Value Increases/Decreases (Note 40)

The heading of fair value increases/decreases is analysed as follows:

(amounts in Euros)

Description	2016	2015
Gains		
Financial instruments	1 291 916	2 411 650
Total	**1 291 916**	**2 411 650**

The gain recognised in 2016 related to the fair value of derivative financial instruments was caused by the release of the portfolio of derivatives, in April 2016, with the expiration of the last financial risk management instrument that CP held in its portfolio, along with the amortisation of the Eurofima loan that served as base for said derivative. The assessment of these derivatives was ensured by an external company. As previously mentioned, the company has no derivative financial instruments at the end of 2016, so this movement results from the expiration of the last transaction.

Expenses/Reversals of Depreciations and Amortisation (Note 41)

The heading of expenses/reversals of depreciation presents the following amounts:

(amounts in Euros)

Description	2016	2015
Expenses		
Fixed tangible assets	(55 361 905)	(58 882 428)
Reversals		
Fixed tangible assets	-	15
Total	**(55 361 905)**	**(58 882 413)**

The expenses that were accounted for are the result of depreciation/amortisation of the assets in accordance with their established useful lives and particulars presented in note 4. The expected useful lives of the assets are revised annually, in order to verify if they are adjusted to reality.

Impairment of Depreciable and Amortisable Investments (Note 42)

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

(amounts in Euros)

Description	2016	2015
Losses		
Fixed tangible assets	-	(260 427)
Reversals		
Fixed tangible assets	855 533	1 418 491
Total	**855 533**	**1 158 064**

The variation of the heading of impairment reversions is due to the conclusion of repairs of damaged rolling stock.

Interest and Similar Income Gained (Note 43)

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

(amounts in Euros)

Description	31/12/2016	31/12/2015
Interest gained	1 047 594	4 436 572
Total	**1 047 594**	**4 436 572**

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

Payable Interest and Similar Expenses (Note 44)

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

(amounts in Euros)

Description	2016	2015
Payable interest	(82 656 759)	(96 507 801)
Other expenses and losses	(5 673 912)	(10 937 530)
Total	**(88 330 671)**	**(107 445 331)**

In the financial year of 2016, there was a decrease of approximately 19.1 million Euros in the heading of payable interest and similar expenses following the decrease of financial debt and financing interest rates.

Related Parties Disclosure (Note 45)

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

Referring to December 31st, 2016, the shareholder structure of the Company (Direct holdings), is presented in the following table:

(Holdings %)

Holdings	31/12/2016	31/12/2015
EMEF, SA	100%	100%
CP CARGA, SA *	5%	100%
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, having CP kept this holding on short term

CP also has indirect holding and control over 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	2016	2015
Sales and service provisions		
Subsidiaries		
EMEF, SA	5 511 354	5 629 681
CP CARGA, SA	-	24 530 289
FERNAVE, SA	340 633	197 642
SAROS,Lda	418 502	8 838
ECOSAÚDE, SA	27 005	53 787
Associated companies		
TIP, ACE	3 953 898	4 069 037
OTLIS, ACE	4 217 819	3 934 366
Indirect holding companies		
EMEF / SIEMENS, ACE	636 139	119 273
Total	**15 105 350**	**38 542 913**
Expenses		
Subsidiaries		
EMEF, SA (*)	(30 123 212)	(29 807 697)
CP CARGA, SA	-	(902 960)
FERNAVE, SA	(862 966)	(645 977)
SAROS,Lda	(19 618)	-
ECOSAÚDE, SA	(861 436)	(770 779)
Associated companies		
TIP, ACE	(664 877)	(620 157)
OTLIS, ACE	(216 237)	(142 527)
Indirect holding companies		
EMEF / SIEMENS, ACE	(5 061 583)	(8 473 762)
Total	**(37 809 929)**	**(41 363 859)**
Investment		
Subsidiaries		
EMEF, SA (*)	9 213 022	7 255 138
FERNAVE, SA	-	311 449
Associated companies		
OTLIS, ACE	-	5 520
Total	**9 213 022**	**7 572 107**

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

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

(amounts in Euros)

Description	31/12/2016	31/12/2015
Assets		
Investment		
Subsidiaries		
EMEF, SA	18 713 382	20 411 958
FERNAVE, SA	2 600 000	2 600 000
ECOSAÚDE, SA	300 000	300 000
Customers and other accounts receivable		
Subsidiaries		
EMEF, SA	-	14 154
CP CARGA, SA	-	14 352 829
FERNAVE, SA	250 080	39 850
SAROS,Lda	613	1 041
ECOSAÚDE, SA	2 083	5 707
Associadas		
TIP, ACE	178 916	501 639
OTLIS, ACE	-	123 245
Indirect holding companies		
EMEF / SIEMENS, ACE	196 695	33 628
Liabilities		
Suppliers and other accounts payable		
Subsidiaries		
EMEF, SA	(287 160)	(2 346 495)
CP CARGA, SA	-	(223 923)
FERNAVE, SA	69	-
ECOSAÚDE, SA	(90 103)	(74 136)
Associated companies		
TIP, ACE	(971 541)	(583 757)
OTLIS, ACE	(416 319)	(119 273)
Indirect holding companies		
EMEF / SIEMENS, ACE	(469 435)	(454 898)
Total Assets + Liabilities	**20 007 280**	**34 581 569**

Guarantees and Sureties (Note 46)

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

(amounts in Euros)

Company	Amount
EMEF (letter of intent)	8 048 627
EMEF (Surety)	2 187 500
Fernave (Guarantee)	6 051

* Includes unused credit lines (BPI) of 4,987M€ on the 31.12.2016

Guarantees provided in favour of CP:

(amounts in Euros)

Company	Amount
Guarantees and sureties provided to CP by the Government	678 834 063
Guarantees and bank sureties provided to CP by bank entities in favour of third parties	140 042

Relevant Events After the Balance Sheet Date (Note 47)

There were no relevant events after the balance sheet date to report.

Proposal for Application of Results (Note 48)

In accordance with the provisions in force, it is proposed that the Net Results of the Financial Year, a deficit of 144,564,817 Euros, are transferred to the account of Results brought forward.