

A close-up photograph of a red train carriage with a white 'CP' logo. The carriage is part of a train, and the background shows other carriages and a station platform. A large green semi-circular graphic is overlaid on the bottom left of the image.

# Consolidated Report and Accounts of the CP Group 2019



COMBOIOS DE PORTUGAL

# TECHNICAL INFORMATION

CP – Comboios de Portugal, E. P. E.

Calçada do Duque, nº 20

1249-109 Lisbon

Corporate Taxpayer number: 500 498 601

Registered in the Commercial Registry Office of Lisbon under the no. 109

Statutory Capital € 3 959 489 351.01 (as of December 31<sup>st</sup>, 2019)

Design and Coordination:

Department of Planning, Control and Management Information

Financial Management

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

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**SUMMARY OF THE YEAR**



| Operating Indicators of the Group       | 2019      | 2018      | Change  |       |
|---|-----------|-----------|---------|-------|
|   |           |           | Amount  | %     |
| <b>Demand</b>                           |           |           |         |       |
| Passengers (10 <sup>3</sup> )           | 144 894   | 126 275   | 18 619  | 14,7% |
| Passengers Kilometre (10 <sup>3</sup> ) | 4 436 079 | 4 104 131 | 331 948 | 8,1%  |
| <b>Supply</b>                           |           |           |         |       |
| Trains (103)                            | 434       | 431       | 3       | 0,7%  |
| Train-km (10)                           | 29 094    | 28 531    | 563     | 2,0%  |
| <b>Human Resources</b>                  |           |           |         |       |
| CP                                      | 2 646     | 2 658     | -12     | -0,5% |
| EMEF                                    | 1 009     | 1 031     | -22     | -2,1% |
| Fernave                                 | 9         | 9         | 0       | 0%    |
| Ecosaúde                                | 26        | 27        | -1      | -3,7% |
| Saros                                   | 1         | 1         | 0       | 0,0%  |
| Final Effective Staff                   | 3 691     | 3 726     | -35     | -0,9% |
| <b>Fleet - Active Fleet</b>             |           |           |         |       |
| Railcars                                | 240       | 237       | 3       | 1%    |
| Locomotives                             | 32        | 32        | 0       | 0%    |
| Carriages                               | 104       | 104       | 0       | 0%    |

| Financial Indicators of the Group<br>(Amounts in 10 <sup>3</sup> €) | 2019       | 2018       | Change   |        |
|---|------------|------------|----------|--------|
|   |            |            | Amount   | %      |
| <b>Income Statement</b>   |            |            |          |        |
| Operating Income (1)  | 4 513      | -36 805    | 41 318   | 112%   |
| Net Result  | -52 502    | -106 249   | 53 747   | 51%    |
| EBITDA (2)  | 58 763     | 18 328     | 40 435   | 221%   |
| <b>Balance Sheet</b>  |            |            |          |        |
| Asset   | 595 927    | 589 808    | 6 119    | 1%     |
| Equity  | -1 776 515 | -2 271 614 | 495 099  | 22%    |
| Liability   | 2 372 442  | 2 861 422  | -488 980 | -17%   |
| Loans Obtained  | 2 066 901  | 2 587 478  | -520 576 | -20,1% |

(1) A reclassification of the unfavourable exchange differences of 2019 from the heading "Interest and Similar Expenses Incurred" to "other Expenses" was carried out, in the amount of 2,708.21 euros.

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

**CP GROUP**



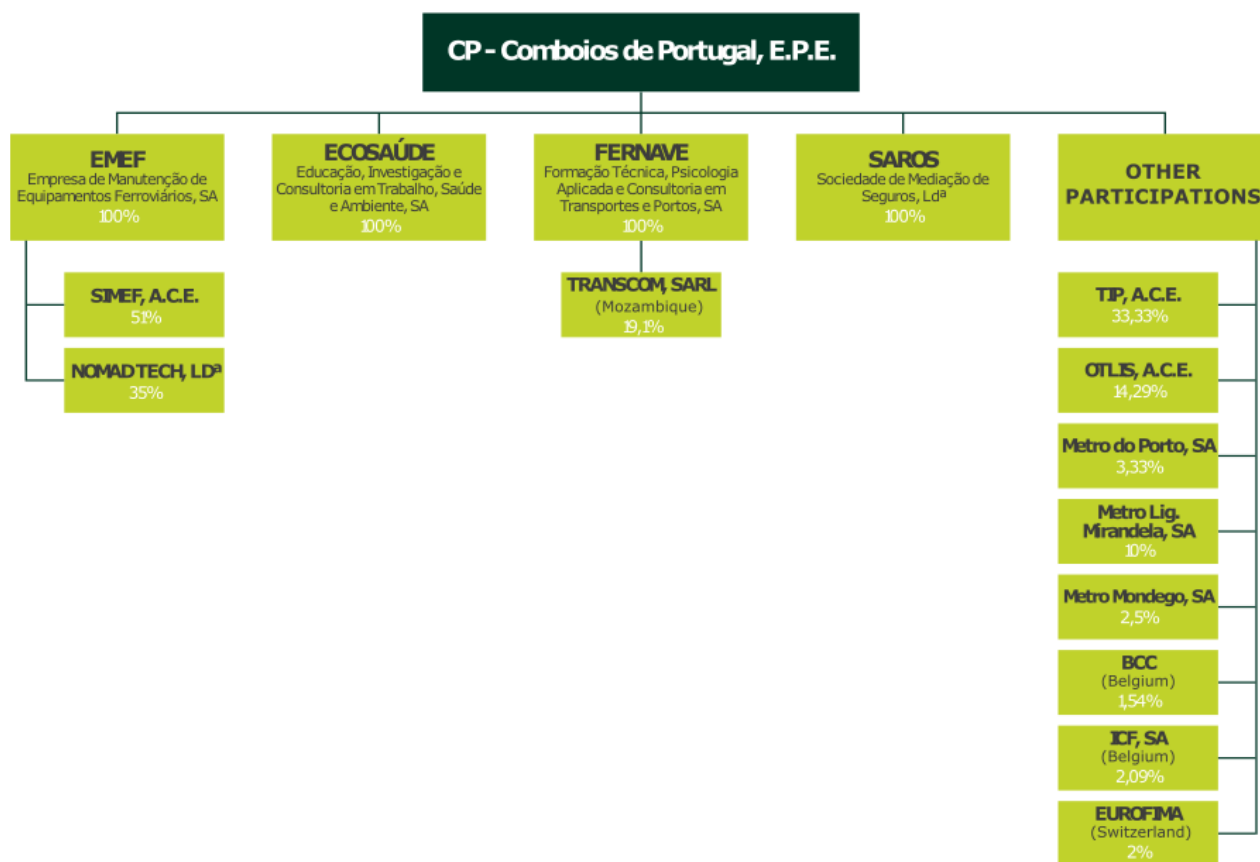
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CP

## SCOPE OF THE GROUP

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

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



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

## ACTIVITY SECTORS

### CP – COMBOIOS DE PORTUGAL, E.P.E.

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

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

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

### SIMEF, A.C.E

SIMEF carries out the maintenance of 'LE 5600' and 'LE 4700' locomotives.

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

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

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

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

### SAROS – Sociedade de Mediação de Seguros, Lda.

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

### TIP, A.C.E.

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

## OTLIS, A.C.E.

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

## INTRA-GROUP RELATIONS

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

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



# FRAMEWORK



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## CONTEXT

The CP presents its consolidated financial statements in accordance with the international financial reporting standards, as provided for in Regulation 1606/2002 of the European Parliament and of the Council of July 19. These statements express the financial position and results of operations of the group as if they were a single entity and are intended to show the results of operations that the group companies have carried out with third parties.

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

## Non-Financial Reporting

As to the 2019 Non-Financial Reporting, CP draws up its Sustainability Report since 2008 and publishes it in its *website* on a date following the publication of the Report & Accounts or Annual Management Report. For the financial year under review, CP will act accordingly, pursuant to Article 3 of Decree-Law no. 89/2017, of the 28th of July.

## MACROECONOMIC FRAMEWORK

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

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

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

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

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

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

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

## GOVERNANCE MODEL

During 2019 new corporate bodies were appointed, with a change in the governance model, and the Board of Directors of CP is now composed of five members.

As of July 17, the CP's Board of Directors was composed as follows:

**President** - Dr. Carlos Gomes Nogueira

**Voting Member** - Dr. Ana Maria dos Santos Malhó

**Voting Member** – Eng. Sérgio Abrantes Machado

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

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

**Caption:**

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

**Nomad Tech, Lda**

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

**FMNF** - Fundação do Museu Nacional Ferroviário Armando Ginestal Machado

**B.o.D.** - Board of Directors

As of July 19, the CP's Board of Directors is composed as follows:

**President** – Eng. Nuno Pinho da Cruz Leite de Freitas

**Vice-President** – Eng. Pedro Miguel Sousa Pereira Guedes Moreira

**Voting Member** - Dr. Ana Maria dos Santos Malhó

**Voting Member** – Dr. Maria Isabel de Magalhães Ribeiro

**Voting Member** – Eng. Pedro Manuel Franco Ribeiro

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

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

**Caption:**

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

**Nomad Tech, Lda**

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

**B.o.D.** - Board of Directors

The Affiliates Fernave and Ecosaúde have a Sole Director appointed by CP. Saros have two Managers, being one appointed by CP.



**GROUP ACTIVITY**

  
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## CP

### EXECUTIVE SUMMARY

2019 is marked by three important events for the Company and the Group: The signature of the Public Service Contract between CP and the Portuguese State, the tender for the acquisition of 22 railcars and the decision of merger by incorporation of EMEF in CP, with effect on January 1, 2020.

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

In financial terms, CP maintained a positive recurrent EBITDA of 48 million euros, representing an improvement of approximately 39 million euros compared to 2018.

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

### ACTIVITY IN 2019

#### Signature of the Public Service Contract

CP and the State signed the Public Service Contract for a 10-year period, with the possibility of extension for a further five years, establishing the public service obligations to which CP is bound, the corresponding financial compensation and measurable operational indicators of the service provided.

#### Tender for the Purchase of 22 Railcars

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

### CP - EMEF Merger

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

### Electrification of Douro and Minho Lines

The electrification of the Douro Line between Caíde and Marco de Canavezes was completed, and the electric trains started to provide commercial services from Oporto to Marco de Canavezes. The electrification works of the Minho Line between Nine and Viana do Castelo were also completed, improving the travel times and providing the Intercidades Service in Viana do Castelo.

### Summer Timetable

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

### Tariff Update

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

### Tariff Reduction Support Program (PART)

The new transport tariffs in the Lisbon (AML) and Oporto (AMP) Metropolitan Areas were implemented in April, with single prices of 30 or 40 euros, depending on the type of travel, which allow travelling on all public transports within the corresponding metropolitan areas. Children can travel free of charge and students and pensioners are entitled to discounts. In August the family passes were created. Also within the scope of this program, agreements were established with several Inter-municipal Communities, through the application of discounts on the tariff charged to passengers by the Passes.

### Expansion of the Andante Zoning to the whole Oporto Metropolitan Area

The Andante Intermodal System was extended to the entire territory of the 17 municipalities of the Oporto Metropolitan Area (AMP). Thus, these passes became valid on the Oporto Urban Trains, between Oporto S. Bento and Vila das Aves, Paredes and Paramos.

## Yield Management

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

## New Portable Sale and Control Equipment

Replaced 650 portable sales and control devices with new devices consisting of a smartphone with Android operating system and a payment terminal (TPA), with printer features (vouchers, receipts and tickets), contactless transport card reader and ATM card payments.

## New POS and Operating System in Ticket Offices

Replaced the operating system and the automatic payment terminals (TPA) associated with the ticket office sales system. The new equipment contains additional features, representing an increase in transaction security.

## New VIVA GO: Mobility in Post-paid

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

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

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

## Improvement of the Operational Dormitory in Viana do Castelo

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

## Construction Works in the Santa Apolónia Rolling Stock Fleet

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

### Construction Works in the Warehouses and Waste Yard of Entroncamento

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

## RESOURCE MANAGEMENT

### HUMAN RESOURCES

The company closed 2019 with 2 669 effective staff members, i.e. 14 employees less than at the end of the previous year. Effective staff at the end of 2019 was of 2,646 employees.

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

Absenteeism and overtime rates increased slightly compared to the previous year, with a particular focus on operational categories, standing in 2019 at 7.2% and 14.1% respectively.

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

A total of 451 professional training programmes were carried out - an average of 20.25 hours of training per employee - most of them conducted by Fernave, a company belonging to the CP Group.

### Fleet

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

| Type of Material     | 2019       | 2018       | 2017       | Δ 19-18  |
|----------------------|------------|------------|------------|----------|
| Electric railcars    | 189        | 189        | 189        | 0        |
| Diesel railcars      | 51         | 48         | 50         | 3        |
| Electric locomotives | 24         | 24         | 24         | 0        |
| Diesel locomotives   | 8          | 8          | 7          | 0        |
| Carriages            | 104        | 104        | 104        | 0        |
| <b>Total</b>         | <b>376</b> | <b>373</b> | <b>374</b> | <b>3</b> |

The active fleet has 23 *diesel* railcars, series 592 and 592.2, which are rented from RENFE. The maintenance of most of the rolling stock is carried out by EMEF, an affiliate company of CP. The maintenance of the series of locomotives 5600 is provided by SIMEF, ACE, a railway company held by EMEF, in 51%, and by Siemens, in 49%.

## DEMAND AND SUPPLY

In 2019, 145 million passengers were transported by CP, corresponding to a 14.7% increase regarding 2018 and representing, in absolute terms, an increase of approximately 19 million transported passengers. The Lisbon Urban Service and the Oporto Urban Service – with an increase of 18.4% and 7.7% respectively – were the main contributors to this growth.

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

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

In 2019, CP's supply - evaluated in Trains\*Kilometres - was of 29,094 thousand CK. It was 2% higher than in the previous year, a development essentially explained due to the existence of labour conflicts in 2018 that led to the suppression of more than 8000 trains. On the other hand, it is noted the electrification of Minho and Douro Lines sections in 2019.

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

## Income

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

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

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

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

## Investments

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

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

## NET RESULT

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

The Net Result of 2019 showed an improvement of 51% compared with the previous year (54 million euros), going from -105,6 million euros in 2018, to -51.6 million euros in 2019.

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

In 2019, the recurrent *EBITDA* of the transport activity amounted to 48 million euros, representing an increase of 38.5 million euros compared with the previous year. The Operating Income in 2019 was positive by 4.4 million euros, representing an improvement of 41.3 million euros, comparing with the previous year (-36.9 million euros).

Increase in External Services and Supplies by 11.8 million euros, essentially due to the increase in expenses regarding the maintenance and repair of rolling stock (+11.8 million euros) and to the charges for the use of infrastructures (+1.6 million euros);

Personnel Expenses (without compensations for termination of employment) increased by 3.2 million euros as a result of the following factors:

- (i) implementation of company's agreements, signed in December 2019, with Organisations Representing Employees;
- (ii) progressions arising from evaluation processes in accordance with the Careers Regulation (period from 01-07-2018 to 30-06-2019 for Technicians and University Graduates and General RC and 2019 for SMAQ).
- (iii) increase in insurance charges, particularly against work accidents and health;
- (iv) increase in training expenses;
- (v) decrease in the effective staff.

Decrease in Provisions by 2.8 million euros, mainly due to FERNAVE's capital recomposition operation – which took place at the end of the year – with the reversal of the provision constituted to cover accumulated losses.

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



## EMEF

### EXECUTIVE SUMMARY

EMEF registered in 2019 a Net Result of 10.7 million Euros, representing an improvement of 4.3 million Euros, comparing with the previous year. EBITDA stood at 13.9 million euros. Services provided increased by 6%.

2019 was marked by the following events:

- Resolution of the Council of Ministers no. 110/2019, of June 27<sup>th</sup> – the Council of Ministers approved a set of measures for the recovery - in the short term - of the railway service levels for the development and sustainability of the sector, in the medium and long term. Among the measures listed, the following stand out:
  - the promotion of studies and other necessary steps, in accordance with the law, leading to the merger by incorporation of EMEF into CP;
  - authorisation for the hiring - by open competition - of 67 employees, with a view to strengthening the workshop capacity of the company;
  - authorisation for the recruitment of employees needed to replace - for the same position - those who leave the employment relationship for reasons not attributable to the employer and perform tasks corresponding to permanent needs;
  - Negotiation of company's agreements with Organisations Representing Employees;
- Appointment of a new Board of Directors – started in July 2019.
- Reorganisation of the company to improving its activity and preparing the merger by incorporation into CP – the Board of Directors carried out in August a reorganisation of the company's organic structure in order to facilitate the flow of information in a period of great demand and crucial to CP Group. It is also important to mention the beginning of the works with a view to the physical reopening of the workshop – at the Workshop Yard of Guifões – that will be dedicated to the recovery of inoperative CP's rolling stock.
- Revision of the Company Agreement – the collective negotiation with Organisations Representing Employees was concluded, culminating in the revision of the respective Company Agreement, published in the Labour and Employment Bulletin, no. 1, of January 8<sup>th</sup>, 2020.

- Merger by incorporation of EMEF into CP – approved by Decree-law no. 174-B/2019 of December 26<sup>th</sup>, with effect from January 1<sup>st</sup>, 2020.

## OPERATION

### REPAIR AND MODERNISATION

In 2019, this activity mainly included scheduled repairs on passenger tractive and hauled stock (type R repairs), equipment (general repairs - RG and intermediate repairs - RI) and CP rotables. In addition, it integrates other repairs due to unforeseen causes or accidents on the CP's railway vehicles (repairs due to malfunction – RAV, and repairs due to accident – RAC), as well as the repair interventions on the Eurotram vehicles of the Porto Metro fleet.

The half-life intervention - R1 to CPA4000 continued, with deliveries of the seventh and eighth units taking place. At the end of the year, the ninth unit of the fleet was being deployed.

As to repairs to tractive and hauled passenger stock, 14 major repair interventions (R) to the fleet of the Customer, CP, have been completed (8 in electric railcars and 6 diesel railcars), 2 Rs to railcars 592 for the Customer, RENFE.

In 2018, after the conclusion of the general inspection of the 960,000 km to 40 vehicles of the Eurotram fleet of Metro do Porto, the agreement entered into for the provision of services regarding the general inspection of the remaining vehicles of that fleet was initiated in 2019, with 14 interventions taking place.

In 2019 the repair segment allowed the Company to obtain income amounting to 39.281 thousand euros, corresponding to 53.3% of the amount of global income of the Company and an improvement of 17% when compared to 2018.

### MAINTENANCE

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

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

As a whole, in 2019 this segment generated income amounting to 34.375 thousand euros, corresponding to 46.7% of the amount of global income of the Company, representing a decrease of 3% compared to the previous year.

## ENGINEERING, INNOVATION AND DEVELOPMENT

In 2019, the following activities developed at Engineering are highlighted:

- Study of the prototype and award of the purchase of 110 lifting platforms that will allow universal access to the service in the fifty-five 2240 electric railcars;
- Study project and design of adaptable skids for movement of units in the workshop.

## HUMAN RESOURCES

By the end of 2019 (December 31<sup>st</sup>), EMEF had 1,009 staff members, which represents a 2% decrease regarding the end of 2018 (1,031).

Absenteeism stood at 8%, much lower than in 2018 (9.6%). The main cause for absenteeism continued to be 'disease'.

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

## Investments

In 2019, investments amounted to around 942 thousand euros (+28% than in 2018). Of the investments made, the following should be highlighted:

- Purchase of computer licenses – 200 thousand euros;
- Purchase of test and measurement equipment – 255 thousand euros;
- Purchase of equipment essential to production – 287 thousand euros.

## Income

In 2019, EMEF's turnover has registered an increase of approximately 6% in relation to the previous year, to which contributed the significant increase in the volume of repair interventions for CP customers.

| Income<br>(Amounts in euros) | 2019              | 2018              | Change           |           |
|------------------------------|-------------------|-------------------|------------------|-----------|
|                              |                   |                   | Amount           | %         |
| Repair*                      | 39 281 275        | 33 675 331        | 5 605 944        | 16,6%     |
| Maintenance*                 | 34 374 895        | 35 594 259        | -1 219 364       | -3,4%     |
| <b>TOTAL</b>                 | <b>73 656 170</b> | <b>69 269 590</b> | <b>4 386 580</b> | <b>6%</b> |

\* Sales + Provided Services

Analysing the evolution of turnover per customer, it can be seen that CP and Metro do Porto represented - as a whole - 87.6% of the services provided by the company.

| Customer<br>(Amounts in euros) | 2019              | 2018              | % of the Total<br>Invoicing in<br>2019 |
|--------------------------------|-------------------|-------------------|--|
| CP                             | 52 488 549        | 42 100 431        | 71,3%                                  |
| MEDWAY                         | 4 045 220         | 8 090 045         | 5,5%                                   |
| METRO DO PORTO                 | 12 019 351        | 12 838 449        | 16,3%                                  |
| EMEF / SIEMENS ACE             | 2 718 225         | 3 214 414         | 3,7%                                   |
| RENFE                          | 1 531 948         | 1 270 133         | 2,1%                                   |
| INFRAESTRUTURAS DE<br>PORTUGAL | 455 199           | 783 765           | 0,6%                                   |
| Other                          | 397 679           | 972 354           | 0,5%                                   |
| <b>TOTAL</b>                   | <b>73 656 170</b> | <b>69 269 590</b> |  |

## NET RESULT

| INCOME AND EXPENSES<br>(amounts in euros)                                | PERIODS           |                  | Change 2019/2018 |              |
|--|-------------------|------------------|------------------|--------------|
|  | 31-12-2019        | 31-12-2018       | Amount           | %            |
| Provided sales and services  | 73 656 170        | 69 269 590       | 4 386 580        | 6,3%         |
| Operating subsidiaries   | 4 472             | 7 571            | - 3 100          | -40,9%       |
| Gains/losses attributed to subsidiaries, assoc. comp. and joint ventures | 749 753           | 559 477          | 190 276          | 34,0%        |
| Changes in production inventories  | - 103 741         | - 56 931         | - 46 811         | -82,2%       |
| Own work capitalised   | -                 | -                | -                | -            |
| Sold commodities and consumed materials costs                            | - 20 138 200      | - 18 853 255     | - 1 284 945      | -6,8%        |
| External services and supplies   | - 16 914 441      | - 15 714 518     | - 1 199 922      | -7,6%        |
| Personnel expenses   | - 28 439 846      | - 28 121 351     | - 318 495        | -1,1%        |
| Inventory impairment (losses/reversals)                                  | 4 324 572         | - 412 397        | 4 736 969        | 1148,6%      |
| Impairment of receivables (losses/reversals)                             | - 467 300         | - 66 769         | - 400 531        | -599,9%      |
| Provisions (increases/decreases)   | - 1 141 161       | - 30 806         | - 1 110 355      | -3604,3%     |
| Other income and gains   | 3 860 081         | 4 590 738        | - 730 657        | -15,9%       |
| Other expenses and losses  | - 1 535 739       | - 1 931 023      | 395 284          | 20,5%        |
| <b>Result before depreciations, financing expenses and taxes</b>         | <b>13 854 620</b> | <b>9 240 326</b> | <b>4 614 294</b> | <b>49,9%</b> |
| Expenses/reversals of depreciation and amortisation                      | - 951 864         | - 847 480        | - 104 384        | -12,3%       |
| <b>Operating income (before financing expenses and taxes)</b>            | <b>12 902 756</b> | <b>8 392 845</b> | <b>4 509 910</b> | <b>53,7%</b> |
| Interest and similar expenses incurred                                   | - 252 664         | - 331 022        | 78 358           | 23,7%        |
| <b>Income before taxes</b>   | <b>12 650 092</b> | <b>8 061 824</b> | <b>4 588 268</b> | <b>56,9%</b> |
| Income tax for the period  | - 1 986 174       | - 1 698 592      | - 287 583        | -16,9%       |
| <b>Net result of the period</b>  | <b>10 663 918</b> | <b>6 363 232</b> | <b>4 300 686</b> | <b>67,6%</b> |

EMEF achieved a positive Operating Income of 12.9 million euros in 2019, corresponding to an improvement of 4.5 million euros comparing with the previous year. In addition, the Net Profit improved by 4.3 million euros compared to the previous year, standing at 10.7 million euros. This development is justified by the increase in the provision of services, although partially offset by the increase in operating expenses (CMVMC and ESS), following the evolution of activity.

The accumulated impairment of inventories varied favourably by 4.7 million euros in relation to 2018, justified by the fact that, in the materials with application in the CP rolling stock series and, considering the merger between the two companies with effect from January 1<sup>st</sup>, 2020, the calculation of the estimate of impairment of materials became dependent on the expected life of the series where they will be applied. Provisions registered an unfavourable variation 1.1 million euros, as a result of the reinforcement of the provision for ongoing legal proceedings.

## FERNAVE

### EXECUTIVE SUMMARY

In 2019 and after two years of thorough internal restructuring, Fernave registered the consolidation of the operational balance and financial recovery.

The Net Result reached 365.2 thousand euros, the EBITDA was 494.7 thousand euros and the Operating Income amounted 493.7 thousand euros.

At the end of 2019, the Ministries approved the recomposition of the Company's capital, through the coverage of losses from the conversion of shareholder loans, in the amount of 2.6 million euros and part of the debt, in the amount of 438 thousand euros. Fernave thus ended the year 2019 with positive Equity.

### OPERATION

#### Training Services

This area registered a positive development compared to the previous year:

- Number of training courses: increase of 64%
- Hours of training: increase of 21%
- Number of participants: increase of 71%.

CP continued to be the company's main client, highlighting among the various actions developed, the initial training of Inspection and Sale Operators, Commercial Assistants and Shunter and the technical and behavioural training courses, especially for commercial functions, specialisation in rolling stock and within the safety management system.

In 2019, Fernave concluded in the 5<sup>th</sup> edition of the Initial Training Course for Train Drivers, having been trained and subsequently approved in an examination carried out by the regulatory entity IMT, twenty-two new professionals, who were fully integrated in CP.

In partnership with Medway, Fernave held the 1<sup>st</sup> Edition of the Course for Train Monitoring Agents, approved by IMT. In September, due to market demand and needs, the 2<sup>nd</sup> edition of this course started.

Medway also awarded Fernave the training of a group of train drivers to enable/certify them on the different types of equipment used by tha3 company (locomotives of the 1400, 1900, 1960, 5600 and 4700 series), making management more flexible.

As part of the integration of new employees in the Department of Transport Equipment and Infrastructures, IMT has awarded Fernave a programme designed in accordance with the European benchmark for training in railway regulatory and safety bodies. It has integrated twelve modules with themes that have gone through European Railway Policy, Models of Regulation and Organisation of the Sector, Infrastructure, Rolling Stock, Railway Operation, Licensing and Safety Management Systems, as well as Railway Regulation.

The 1<sup>st</sup> edition of the Rolling Stock course was held: Certification, Availability and Reliability, for the market. The course integrated trainees belonging to companies and organisations such as EMEF, GPIAAF and Medway. It was intended that the trainees should be able to understand the purpose of the certification system of maintenance companies and its importance for the availability and reliability of rolling stock, distinguishing the various types of maintenance possible to use, among other technical issues relating to systems/equipment and constituent parts of the material.

The 5<sup>th</sup> edition of the Specialisation Course in Port Management took place in the last quarter of the year, with participants from the Port of Luanda, the Ministry of Finance of Cape Verde and the Port of Sines. Structured in 5 thematic areas, it had the participation of a group of teachers of recognised merit, with knowledge, experience and notoriety in the sector.

Continuing the project 'CP - Commitment to People', Fernave and the consultant MyChange developed the 'Sharing the Experience' program, which, as the name indicates, included the sharing of knowledge and experience of several CP employees.

## Psychology

This area registered a 49% growth in comparison with the previous year, essentially derived from psychological evaluation services within the scope of the following actions:

- Recruitment of Commercial Assistants, Inspection and Sales Operators, and Train Drivers for CP;
- Periodic control of Train Drivers to assess psychological skills, at the level of their perceptive-cognitive, psychomotor and personality level, for the performance of the railway driving function, required by law. These examinations required for the issue of the European train driver's licence by the IMT have a validity defined in law which is reflected in the competence management and safety systems of the railway undertakings.

## Consultancy

Fernave has started a partnership with Cascais City Council, for specialised support in the scope of the new professional course in Transport Management Technician, held at the Ibn Mucana School Grouping, in Alcabideche, which seeks to respond to the mobility and sustainability needs of the cities of the future.

It is also important to mention Fernave's contribution to the implementation of the Tua Mobility System, supporting the instruction of the process for obtaining an operator's licence and the corresponding safety certificate and authorisation.

## Income

In 2019, FERNAVE registered an increase of 29% in Income across its main activity segments:

| Income<br>(Amounts in euros) | 2019             | 2018             | Change         |            |
|------------------------------|------------------|------------------|----------------|------------|
|                              |                  |                  | Amount         | %          |
| Training                     | 1 252 317        | 994 641          | 257 676        | 25,9%      |
| Psychology                   | 97 974           | 48 367           | 49 607         | 102,6%     |
| Consultancy                  | 17 412           | 16 075           | 1 337          | 8,3%       |
| Other Services               | 0                | 50               | -50            | -100,0%    |
| <b>TOTAL</b>                 | <b>1 367 703</b> | <b>1 059 133</b> | <b>308 570</b> | <b>29%</b> |

## HUMAN RESOURCES

At the end of the 2019 financial year, Fernave had 9 employees, the same number as the previous year.



## NET RESULT

| INCOME AND EXPENSES<br>(amounts in euros)                                  | PERIODS        |                | Change 2019/2018 |             |
|--|----------------|----------------|------------------|-------------|
|  | 31-12-2019     | 31-12-2018     | Amount           | %           |
| Provided sales and services  | 1 367 702      | 1 059 133      | 308 569          | 29%         |
| External services and supplies   | - 510 487      | - 400 856      | - 109 631        | -27%        |
| Personnel expenses   | - 361 644      | - 509 289      | 147 645          | 29%         |
| Impairment of receivables (losses/reversals)                               | 3 824          | 413            | 3 411            | 826%        |
| Impairment of non-deprec. / non-amortisable investm.<br>(losses/reversals) | 4 140          | 36 905         | - 32 765         | -89%        |
| Other income and gains   | 17 407         | 34 933         | - 17 526         | -50%        |
| Other expenses and losses  | - 26 245       | - 52 476       | 26 231           | 50%         |
| <b>Result before depreciations, financing expenses and taxes</b>           | <b>494 697</b> | <b>168 763</b> | <b>325 934</b>   | <b>193%</b> |
| Expenses/reversals of depreciation and amortisation                        | - 1 010        | - 4 237        | 3 227            | 76%         |
| <b>Operating income (before financing expenses and taxes)</b>              | <b>493 687</b> | <b>164 526</b> | <b>329 161</b>   | <b>200%</b> |
| Interest and similar expenses incurred                                     | - 94 943       | - 95 698       | 755              | 1%          |
| <b>Income before taxes</b>   | <b>398 744</b> | <b>68 828</b>  | <b>329 916</b>   | <b>479%</b> |
| Income tax for the period  | - 33 544       | - 4 785        | - 28 759         | -601%       |
| <b>Net result of the period</b>  | <b>365 200</b> | <b>64 043</b>  | <b>301 157</b>   | <b>470%</b> |

FERNAVE closed the 2019 financial year with a positive Net Profit of 365.2 thousand euros, 301.2 thousand euros better than in 2018, mainly due to the growth in the value of services rendered (+29%).

The Operating Income was at 493.7 thousand euros and EBITDA was at 494.7 thousand euros.

Registration for the increase of Supplies and External Services - about 27% - following the increase in activity.

Personnel Expenses fell by 29%, justified by the amount of severance payments in 2018.

## ECOSAÚDE

### EXECUTIVE SUMMARY

In 2019, the commercial effort and rigorous operational management enabled Ecosaúde to increase the volume of services provided by 6%. This increase in the level of activity allowed, in turn, to recover a positive Operating Income and thus return the company to economic balance.

However, the company continued to face a shortage of medical and nursing labour in the area of occupational health, which led to increased spending on these employees on a service provision basis.

### OPERATION

Ecosaúde develops its activity in several areas:

#### Occupational Health

Through the monitoring and supervision of the Occupational Medicine Specialist Physicians, Occupational Nurses and other Healthcare Workers, Ecosaúde establishes risk prevention measures for the worker's health, as well as measures for occupational disease mitigation.

In 2019, 11,666 medical interventions were performed, corresponding to an increase of 2% over the previous year. It should also be noted that in the second half of 2019, Ecosaúde recovered two important customers, the Municipality of Cascais and the Municipality of Mafra.

#### OCCUPATIONAL SAFETY

The occupational safety auditing and safety consultancy activities enable the Customers to improve working conditions, as well as to prevent work accidents and incidents, by mitigating the negative human and material consequences of such events. In 2019, 1,609 interventions were carried out within the scope of this subject, 12% more than in the previous year.

#### PREVENTION AND CONTROL OF ADDICTIONS

With the inhibition of the negative influence of alcohol and drug consumption in the workplace, and supporting the assistance to workers affected by excessive consumptions of these substances as main objectives, 10,232 control interventions were carried out throughout 2019, which represented an increase of 6% compared to 2018.

#### ACCIDENT MANAGEMENT

Within the scope of Accident Management, 647 medical interventions for the monitoring and treatment of work accidents, as well as accidents involving CP passengers, have been performed, 5% less than the previous year.

## MEDICAL SPECIALTIES

In order to complement the occupational health activity, the company supports organisations and their employees by providing healthcare services in several medical specialties, by creating the conditions for preventing, detecting and treating each event. In 2019, 4.193 measures of this kind were conducted, less 1% face to 2018.

## Training

The training activity within the Health and Safety fields aims to stimulate the health and safety culture, as well as to develop working conditions. Ecosaúde provides inter-company training services within the scope of the subject matters and contents which are common to all the organisations and business sectors. Ecosaúde further provides intra-company training in line with the specific needs of each organisation. In 2019, 34 training courses were carried out, corresponding to a total of 3,621 training hours, provided to a total of 313 trainees.

## SUMMARY OF THE ACTIVITY

| Activity indicators<br>(Units)                                       | 2019   | 2018   | Change<br>% |
|--|--------|--------|-------------|
| Occupational health (medical interventions)                          | 11 666 | 11 455 | 2%          |
| Occupational safety (working conditions interventions)               | 1 609  | 1 435  | 12%         |
| Prevention and control of addictions (tests conducted in workplaces) | 10 232 | 9 646  | 6%          |
| Medical and nursing specialties                                      | 4 193  | 4 233  | -1%         |
| Accidents management (appointments and treatments of OAs)            | 647    | 679    | -5%         |
| Training - Amount of training hours                                  | 3 621  | 6 535  | -45%        |
| Training - No. of training sessions                                  | 34     | 78     | -56%        |
| Training - No. of trainees   | 313    | 723    | -57%        |

## HUMAN RESOURCES

At the end of the 2019 financial year, Ecosaúde had 26 employees, 1 less than the previous year.

## NET RESULT

| INCOME AND EXPENSES<br>(amounts in euros)                        | PERIODS         |                 | Change 2019/2018 |               |
|--|-----------------|-----------------|------------------|---------------|
|  | 31-12-2019      | 31-12-2018      | Amount           | %             |
| Provided sales and services                                      | 2 251 525       | 2 131 194       | 120 331          | 5,6%          |
| External services and supplies                                   | - 1 496 252     | - 1 337 325     | - 158 927        | -11,9%        |
| Personnel expenses   | - 704 849       | - 754 455       | 49 606           | 6,6%          |
| Impairment of receivables (losses/reversals)                     | - 2 661         | - 10 865        | 8 204            | 75,5%         |
| Provisions (increases/decreases)                                 | -               | -               | -                | -             |
| Other income and gains   | 4 128           | 1 516           | 2 612            | 172,3%        |
| Other expenses and losses  | - 22 633        | - 24 249        | 1 616            | 6,7%          |
| <b>Result before depreciations, financing expenses and taxes</b> | <b>29 258</b>   | <b>5 816</b>    | <b>23 442</b>    | <b>403,1%</b> |
| Expenses/reversals of depreciation and amortisation              | - 27 433        | - 63 191        | 35 758           | 56,6%         |
| <b>Operating income (before financing expenses and taxes)</b>    | <b>1 825</b>    | <b>- 57 375</b> | <b>59 200</b>    | <b>103,2%</b> |
| Interest and similar expenses incurred                           | - 13 151        | - 12 245        | - 906            | -7,4%         |
| <b>Income before taxes</b>                                       | <b>- 11 326</b> | <b>- 69 620</b> | <b>58 294</b>    | <b>83,7%</b>  |
| Income tax for the financial year                                | - 6 932         | - 7 360         | 428              | 5,8%          |
| <b>Net result of the period</b>                                  | <b>- 18 258</b> | <b>- 76 980</b> | <b>58 722</b>    | <b>76,3%</b>  |

In 2019 the indicators of Ecosaúde improved favourably compared to the previous year, with the company registering a positive EBITDA of 29.3 thousand euros, a positive Operating Income of 1.8 thousand euros and a negative Net Result of 18.3 thousand euros.

The increase in the volume of services provided by 6% in comparison with the previous year contributed fundamentally to this evolution, with the business areas of occupational health and medical specialties standing out, with growth of 8% (+77 thousand Euros) and 18% (+49 thousand Euros) respectively. It should also be mentioned the reduction in Personnel Expenses.

External Services and Supplies registered an increase of 11.9% due to the increase in medical and nursing labour costs in the area of occupational health, on a service provision basis.

Payable Interest and Similar Expenses also registered an increase of 7.4%, which penalised the Net Result.

## SAROS

### EXECUTIVE SUMMARY

In 2019, SAROS accounted for a 0.6% growth in Provided Sales and Services when compared to the previous year and a positive EBITDA amounting to 499 thousand euros, an amount higher than that of 2018 (495 thousand euros).

The company closed 2019 with a positive Net Result of 405 thousand euros, 0.7% higher than the previous year.

### OPERATION

The company continued to focus its activity on the following principles:

- Assistance to CP group companies in contracting new insurance, in particular with regard to the preparation and technical revision of tender documents (tender specifications and programmes);
- Provision of permanent technical support - this support has proved to be fundamental in clarifying issues that arise in the day-to-day life of companies;
- Support in the execution and management of insurance contracts of the CP Group;
- Support in risk analysis and search for solutions that best meet the needs of companies.

### Income

In 2019, the Sales and Services Provided by SAROS amounted to 485 thousand euros, representing a 0,6% increase when compared to 2018.

| Branches<br>(Amounts in thousands of euros) | 2019       | 2018       | Change   |             |
|---|------------|------------|----------|-------------|
|   |            |            | Amount   | %           |
| Occupational Accidents                      | 234        | 230        | 4        | 1,7%        |
| Health                                      | 158        | 162        | -4       | -2,2%       |
| Civil Liability                             | 67         | 67         | 0        | 0,2%        |
| Multi-Risk Companies                        | 20         | 17         | 4        | 21,4%       |
| Other                                       | 6          | 7          | -1       | -14,3%      |
| <b>TOTAL</b>                                | <b>485</b> | <b>482</b> | <b>3</b> | <b>0,6%</b> |

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

## HUMAN RESOURCES

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

## NET RESULT

| INCOME AND EXPENSES<br>(amounts in euros)                 | PERIODS    |            | Change 2019/2018 |        |
|---|------------|------------|------------------|--------|
|   | 31-12-2019 | 31-12-2018 | Amount           | %      |
| Provided sales and services                               | 485 493    | 482 452    | 3 041            | 0,6%   |
| External services and supplies                            | - 11 061   | - 10 168   | - 893            | -8,8%  |
| Personnel expenses  | - 51 461   | - 51 169   | - 292            | -0,6%  |
| Other income  | 85 942     | 84 576     | 1 366            | 1,6%   |
| Other expenses  | - 10 353   | - 10 352   | - 1              | -0,01% |
| Result before depreciations, financing expenses and taxes | 498 560    | 495 339    | 3 221            | 0,7%   |
| Expenses/reversals of depreciations and amortisation      | - 965      | - 1 158    | 193              | 16,7%  |
| Operating income (before financing expenses and taxes)    | 497 595    | 494 181    | 3 414            | 0,7%   |
| Interest and similar income gained                        | -          | -          | -                | -      |
| Income before taxes                                       | 497 595    | 494 181    | 3 414            | 0,7%   |
| Income tax for the financial year                         | - 92 538   | - 92 080   | - 458            | -0,5%  |
| Net result of the period                                  | 405 057    | 402 101    | 2 956            | 0,7%   |

The company's Net Result amounted to 405 thousand euros, which represents an upward variation of 0.7% when compared to the previous year. The Provided Sales and Services heading was the main contributor to this result, with an upward variation of 0.6% regarding the previous year.

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# FINANCIAL AND ECONOMIC ANALYSIS

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## Net Result of the Group

| INCOME AND EXPENSES<br>(amounts in thousand of euros)   | PERIODS          |                  | Change 2019/2018 |             |
|---|------------------|------------------|------------------|-------------|
|   | 31-12-2019       | 31-12-2018       | Amount           | %           |
| Provided sales and services   | 304 383          | 298 053          | 6 330            | 2%          |
| Operating subsidies   | 40 008           | 8                | 40 000           | 500000%     |
| Own work capitalised  | 11 264           | 9 014            | 2 250            | 25%         |
| Other income  | 18 540           | 19 156           | - 616            | -3%         |
|   | <b>374 195</b>   | <b>326 231</b>   | <b>47 964</b>    | <b>15%</b>  |
| Changes in production inventories   | - 104            | - 57             | - 47             | -82%        |
| Sold commodities and consumed materials costs   | - 26 426         | - 24 735         | - 1 691          | -7%         |
| External services and supplies  | - 148 318        | - 145 143        | - 3 175          | -2%         |
| Personnel expenses (w/o Compensation)   | - 135 672        | - 132 037        | - 3 635          | -3%         |
| Other expenses  | - 4 912          | - 5 931          | 1 019            | 17%         |
|   | <b>- 315 432</b> | <b>- 307 903</b> | <b>- 7 529</b>   | <b>-2%</b>  |
| <b>Operating income of the core activity (EBITDA) (1)</b>   | <b>58 763</b>    | <b>18 328</b>    | <b>40 435</b>    | <b>221%</b> |
| Expenses/reversals of depreciation and amortisation   | - 55 610         | - 54 654         | - 956            | -2%         |
| Impairment of depreciable/amortisable investments (losses/reversals)                                  | 814              | 722              | 92               | 13%         |
| Compensations for termination of employment   | - 1 189          | - 1 638          | 449              | 27%         |
| Gains/losses attributed to subsidiaries, ass. comp. and joint ventures                                | 1 591            | 1 303            | 288              | 22%         |
| Inventory impairment (losses/reversals)   | 4 201            | - 652            | 4 853            | 744%        |
| Impairment of receivables (losses/reversals)  | - 1 096          | 337              | - 1 433          | -425%       |
| Provisions (increases/decreases)  | - 2 527          | - 1 101          | - 1 426          | -130%       |
| Impairment of non-deprec. and non-amort. investments (losses/reversals)                               | - 461            | 1 610            | - 2 071          | -129%       |
| Exchange differences (increase/decreases)   | - 1 411          | - 1 364          | - 47             | -3%         |
| Other income (compensatory interest/interest on arrears - legal actions)                              | 1 185            | -                | 1 185            | s/s         |
| Other income (sale of immovable properties, non-operational basic eq., scrap...)                      | 489              | 2 461            | - 1 972          | -80%        |
| Other expenses (sale of various assets: immovable properties, other decommissioning of rolling stock) | - 236            | - 2 157          | 1 921            | 89%         |
| <b>Operating income (2)</b>   | <b>4 513</b>     | <b>- 36 805</b>  | <b>41 318</b>    | <b>112%</b> |
| Interest and similar income gained  | 192              | 39               | 153              | 392%        |
| Interest and similar expenses incurred  | - 56 104         | - 68 332         | 12 228           | 18%         |
| <b>Financial income</b>   | <b>- 55 912</b>  | <b>- 68 293</b>  | <b>12 381</b>    | <b>18%</b>  |
| <b>Income before taxes</b>  | <b>- 51 399</b>  | <b>- 105 098</b> | <b>53 699</b>    | <b>51%</b>  |
| Income tax for the period   | - 1 103          | - 1 151          | 48               | 4%          |
| <b>Net result of the period</b>   | <b>- 52 502</b>  | <b>- 106 249</b> | <b>53 747</b>    | <b>51%</b>  |

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

(2) A reclassification of unfavorable exchange rate differences of 2019 from the heading 'Interest and Similar Expenses Incurred' to 'Other Expenses' was carried out, in the amount of 2,708.21 euros.

The Net Result of 2019 showed an improvement of 51% compared with the previous year (53.7 million euros), going from -106.2 million euros, in 2018, to -52.5 million euros in 2019.

This variation is primarily due to the receipt of compensatory allowances amounting to 40 million euros, to the growth in Provided Sales and Services (+6.3 million euros) and to the improvement of the Financial Income (+12.4 million euros), even if partially offset by the increase in expenses with Personnel (+3.6 million euros) and with External Services and Supplies (+3.2 million euros).

## OPERATING INCOME OF THE *Core* ACTIVITY (EBITDA)

In 2019, the recurrent EBITDA of the Group activity amounted to 58.8 million euros, representing an increase of 40.4 million euros compared with the previous year. This growth was essentially due to the following facts:

- Receipt of Operating Subsidies amounting to 40 million euros;
- Provided Sales and Services increase by 6.3 million euros, arising from the growth found in revenue regarding passenger transportation;
- 2.3 million increase in Own Work Capitalised, resulting in particular from R-type interventions in rolling stock;
- Decrease in Other Expenses by 1 million euros, essentially due to the celebration of an agreement with IP in 2018 for the allocation of energy expenditure in shared spaces, involving the correction of income and expenses of previous financial years of similar value;
- An increase of 3.2 million euros in External Services and Supplies, increase in expenses related to charges for the use of infrastructures (+1.6 million euros), sub-agreement – surveillance (+0.5 million euros), leasing of rolling stock (+0.5 million euros) and the maintenance and repair of buildings (+0.4 million euros);
- Increase in Personnel Expenses (without compensation for termination of employment) in 3.6 million euros as a result of:
  - (i) implementation of company's agreements, signed in December 2019, with Organisations Representing Employees;
  - (ii) progress arising from the evaluation processes;
  - (iii) increase in insurance charges, particularly against work accidents and health;
  - (iv) increase in training expenses;

- Increase in Sold Commodities and Consumed Materials Costs by 1.7 million euros, especially due to the increase in rolling stock repair activity;
- Decrease in Other Income by 0.6 million euros, mainly due to the aforementioned celebration of an agreement with IP in 2018 for the allocation of energy expenditure in shared spaces.

## Operating Income

The Operating Income of the Group in 2019 was positive by 4.5 million euros, representing an improvement of 41.3 million euros, comparing with the previous year (-36.8 million euros). Apart from the aforementioned reasons for the recurrent EBITDA, the following were the main factors which contributed to this evolution:

- Favourable variation in Inventory Impairments of 4.9 million euros, due to the adjustment of the estimated impairment of inventories to the expected useful life of the materials where these inventories can be applied;
- Decrease in *Other Expenses* (sale of several assets: immovable properties, other rolling stock not affected to the operation) by 1.9 million euros, resulting from the decrease in the value of write-off of rolling stock not related to transport activity;
- Increase in Other Income, related to the receipt of interest from a judicial process, by 1.2 million euros, due to a decision taken in favour of the company;
- Unfavourable variation of Impairments of Non-Depreciable and Non-Amortisable Investments by 2,1 million euros, mainly due to the impairment reversal taking place in 2018, as a result of the write-off of rolling stock not related to transport activity. In 2019, there was an impairment reversal of 0.2 million euros, due to the sale of rolling stock not related to commercial activity. On the other hand, considering the fair value of the immovable properties held for sale, there was a need to reinforce the impairments by 0.7 million euros;
- Decrease in Other Income regarding the sale of assets not related to the activity by 2 million euros. In 2018, an immovable property was sold with an income of about 2.5 million euros. Scrap was also sold with an income of approximately 0.5 million euros. In 2019, although an immovable property and rolling stock not related to the commercial activity was also sold, the associated income was lower than in the previous year.
- Increase in Provisions by 1.4 million euros, as a result, in particular, of the need to increase the provisions made for ongoing legal actions and for work accidents and diseases, calculated on the basis of an actuarial valuation made by an external entity, relating to work accidents pensions occurring until December 31<sup>st</sup>, 1999;
- Unfavourable variation of Impairment of Receivables by 1,4 million euros, mainly due to a significant impairment reversal of IP's debt in 2018.
- Increase of Depreciation and Amortisation Expenses by 1 million euros.

## FINANCIAL INCOME

The Financial Income of the Group in 2019 was negative at 55.9 million euros, with an improvement of about 12.4 million euros (+18%) when compared with 2018. The reduction in the company's remunerated debt contributed mainly to such evolution.

## Balance Sheet

| HEADINGS<br>(amounts in thousands of euros) | PERIODS            |                    | Change 2019/2018 |             |
|---|--------------------|--------------------|------------------|-------------|
|   | 31/12/2019         | 31/12/2018         | Amount           | %           |
| <b>ASSET</b>                                |                    |                    |                  |             |
| Non-current Asset                           | 482 345            | 503 625            | - 21 280         | -4%         |
| Current Asset                               | 113 582            | 86 183             | 27 399           | 32%         |
| <b>Total Asset</b>                          | <b>595 927</b>     | <b>589 808</b>     | <b>6 119</b>     | <b>1%</b>   |
| <b>EQUITY AND LIABILITY</b>                 |                    |                    |                  |             |
| Equity including:                           | - 1 776 515        | - 2 271 614        | 495 099          | 22%         |
| Net result of the period                    | - 52 502           | - 106 249          | 53 747           | 51%         |
| <b>Total Equity</b>                         | <b>- 1 776 515</b> | <b>- 2 271 614</b> | <b>495 099</b>   | <b>22%</b>  |
| <b>LIABILITY</b>                            |                    |                    |                  |             |
| Non-current Liability                       | 812 687            | 1 318 546          | - 505 859        | -38%        |
| Current Liability                           | 1 559 755          | 1 542 876          | 16 879           | 1%          |
| <b>Total Liability</b>                      | <b>2 372 442</b>   | <b>2 861 422</b>   | <b>- 488 980</b> | <b>-17%</b> |
| <b>Total Equity + Liability</b>             | <b>595 927</b>     | <b>589 808</b>     | <b>6 119</b>     | <b>1%</b>   |

## Asset

In 2019, the Assets of the CP Group have increased by 6.1 million euros, whereby the following impacts are the most significant:

- Decrease in Fixed Tangible Assets by approximately 35.2 million euros, mainly resulting from the fact that the depreciations were not offset by investment;
- Recognition of Rights of Use Assets (IFRS 16), amounting 12.6 million euros relating to leasing agreements that meet the requirements established in the standard;
- Financial holdings – Equity Method (MEP) increased by 1.1 million euros, namely arising from the application of MEP to the accounts from affiliates of the Group (TIP, SIMEF, NOMAD, TECH and OTLIS);
- Increase in the balance of Inventories by 7.3 million euros to meet planned interventions;
- The balance of the State and other Public Entities increased by 1.3 million euros mainly as a result of the increase in the VAT value to be recovered and the requested refunds;

- The balance of Customers and Other Credits Receivable increased by 1,5 million euros. It should be noted that several diligences have been undertaken with different entities to ensure the receipt of debts;
- The Non-Current Assets Held for Sale decreased by 1.1 million euros, resulting from the disposal of the assets classified in this category (immovable property and locomotive not related to commercial activity) and the reinforcement of the constituted impairments;
- The balance of Cash and Bank Deposits increased by 18.7 million euros.

## Capital

The capital increases carried out in cash by the Portuguese State throughout 2019 amounted to 28.5 million euros. Increases of capital were approved by joint orders from the Secretary of State of Treasury and the Secretary of State of Infrastructures, as follows:

- In April, 10 million euros fully paid in the respective month;
- In September, 18,5 million euros fully paid in the respective month;

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

## Liability

The Liability of the CP Group has decreased by 489 million euros in 2019, whereas the following impacts are the most significant:

- The decrease in the Loans Obtained, amounting to approximately 520.6 million euros, arises from the partial amortisation of EIB loans and of the bond loan of 500 million euros.
- Recognition of Lease Liabilities, in accordance with IFRS 16, in the amount of 12.8 million euros;
- Increase in the balance of Suppliers and Other Debts Payable by 20.4 million euros, mainly due to accrual of expenses with interest payable and external services and supplies and charge for the use of infrastructures, which have not yet been invoiced;
- Increase in the balance of Provisions by 1.8 million euros, as a result, in particular, of the need to increase the provisions made for ongoing legal actions and for work accidents and occupational illnesses, calculated on the basis of an actuarial valuation made by an external entity;
- Decrease in Deferrals by around 2.1 million euros, due to the recognition of received investment grants as income for the financial year on a systematic and rational basis during the asset's useful life;

## Financing

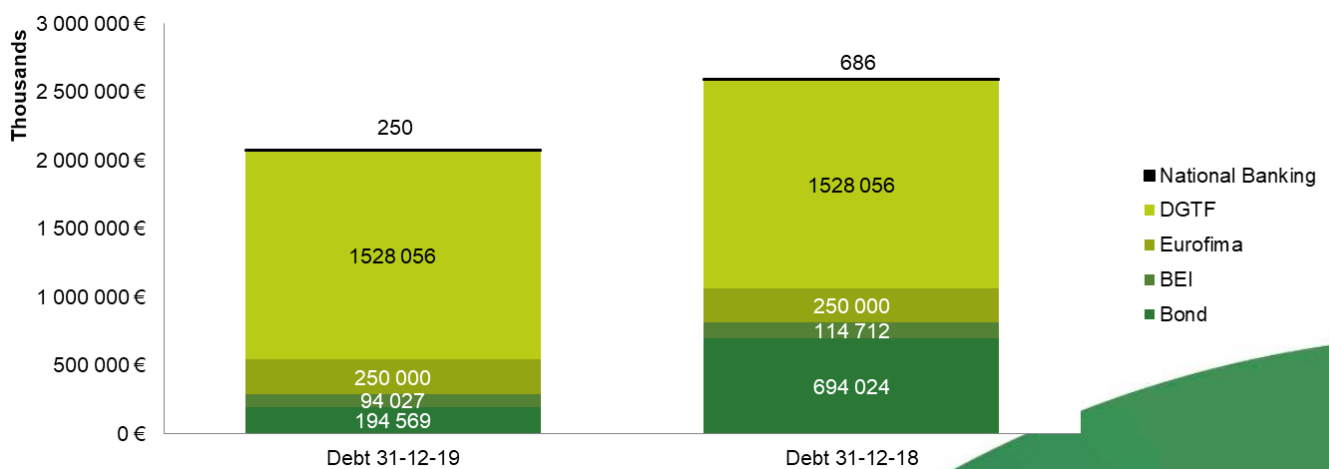
With the integration of CP in the consolidation perimeter of the State Budget in 2015, the company was able to stop relying on financing from credit institutions. This way, its financing needs were satisfied by loans from the Portuguese State, in accordance with the laws in force for Reclassified Public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

The capital increases carried out in cash by the Portuguese State throughout 2019 amounted to 28.5 million euros (details in the section on variation in capital). A capital injection operation in cash was also carried out by the Portuguese State - amounting to 518.6 million euros - to cover results carried forward. This amount was exclusively used to repay the bond loan due in October and the corresponding financial costs.

## Remunerated Debt

The CP Group's remunerated debt at December 31<sup>st</sup>, 2019 showed a decrease of approximately 520.6 million euros in relation to the previous year, following a reduction in debt to the National Bank of 436 thousand euros, the partial repayment of EIB loans (20.7 million euros) and the total repayment of the bond loan of 500 million euros.

At the end of 2019, the debt amounted to approximately 2.067 billion euros, with the following particulars by financing sources:



The short-term debt represents about 62% of the total debt. This situation results from the authorisation by the Ministry of the extension of the maturity of State loans from November 2019 to May 2020.

## State Treasury Unit Principle

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

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

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

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



The background features large, stylized, light green letters 'D' and 'B' on a darker green background. The 'D' is on the left and the 'B' is on the right, both rendered in a rounded, sans-serif font. The 'D' has a vertical stem and a rounded top and bottom. The 'B' has a rounded top and a circular bowl at the bottom. The letters are semi-transparent, allowing the darker green background to show through.

**PERSPECTIVES FOR 2020**



## Preliminary Note

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

The following text sets out the outlook at the closing date of the balance sheets of the Group companies.

The merger by incorporation of EMEF into CP shall be considered approved by Decree-law no. 174-B/2019 of December 26<sup>th</sup>, with effect from January 1<sup>st</sup>, 2020.

## CP

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

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

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

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

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

The established strategic option breaks down in 12 goals:

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

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

- Completion of CP/EMEF merger;
- Open up the northern main building of the Guifões complex;
- Implement the restructuring of the rolling stock management function in accordance with the Commission Regulation 445/2011 of May 10, 2011 (ECM – Entity in Charge of Maintenance);
- Optimisation of the schedules of the operating staff in accordance with the sector's best practices;
- Promotion of the use of urban and regional trains with lower occupancy rates, through a pricing policy that encourages the use of off-peak trains.
- Reformulation of the commercial service of Minho and Douro lines after electrification;
- Restoring the level of service at Alfa Pendular, by reformulating the offer and optimising movement and parking times;
- Completion of R1 of Alfa Pendular rolling stock;
- Recovery and modernisation of the carriage fleet that allows a speed of 200km/h;
- Recovery of fixed rolling stock;
- Optimisation of rolling stock movement;
- Construction of push-pull trains through the modernisation of forty Sorefame carriages and vans with pilot cabin;
- Implementation of the R1 project of UDD 450;

- Study on the techno-economic feasibility of modernising four UTD600 with the same technology as the new UDD 450;
- Study on the techno-economic feasibility of the remote monitoring of rolling stock fleets;
- Installation of a remote monitoring system in the rolling stock fleets;
- Conclusion of the rolling stock purchase agreement for the regional service;
- Study on the acquisition of narrow-gauge and second-hand rolling stock for the Vouga Line;
- Tender launch for the acquisition of rolling stock for the Cascais Line;
- Tender launch for the acquisition of rolling stock for the long-distance;
- Study and negotiate the participation in the assembly of new trains in CP's facilities;
- Opening of the Railway Competence Centre in Guifões;
- Study of the opening of UPTEC Ferrovia in the old training centre of Guifões;
- Design of the Portuguese Train based on a adaptable standard platform;
- Identification of a financing opportunity for the recovery of historical rolling stock;
- Transfer to Guifões of historical rolling stock with commercial potential and its recovery;
- Recovery campaign of rolling stock exterior cleaning;
- Cleaning and replacement campaign of seat covers;
- Prevention campaign against graffiti and vandalism;
- Conclusion of the implementation of the CRM - Customer Relationship Management project;
- Change to the ticket office concept (CP Shop);
- Improvement of the sale systems: EPVC, Ticket Vending Machines, Viva Kiosks, Agents network, site, App;
- Study the possibility to practice different prices by sale channel;
- Partnerships with other transport operators to find integrated mobility solutions - Mobility as a Service (MaaS);
- Provide the company with appropriate operational systems.

## FERNAVE

Continuing the defined strategic line, towards the maintenance of the activity and the operational balance, based on a model of operation based on variable costs, are objectives of the next financial year:

- Maintenance of the type of services provided by the company (according to its corporate purpose), as well as its technical guarantees, maintaining and/or increasing the level of activity;
- To be an active partner that contributes value in its business area and to the transport sector, namely by making available, its know-how and experience in the Technology Centre to be developed;
- Keep the company endowed with knowledge (internal and external), resources and skills to ensure a quality service;
- To invest in new areas of knowledge, reinforcing the training aspect of rolling stock maintenance, following the qualification and certification needs of its shareholder;
- Stimulate Fernave's intervention in international markets, particularly in Europe and Africa;

- Strengthen the commercial focus and notoriety of the company in order to be the first option for customers;
- To continue the process of technological modernisation started in 2019, providing the company with the educational resources and technological means, essential to the activity;
- Improve working conditions, including the enhancement of remuneration status;
- Improve work processes and invest in skills development of its staff.

## ECOSAÚDE

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

The immediate and future goal of the company lies in the elaboration - in articulation with its sole shareholder - of a restructuring project that will allow its renewal in terms of human resources, capitalisation and professional stability necessary to pursue its objectives as a reference company in the area of working conditions.

The focus of the year 2020 will be on operational efficiency, mitigating the recessive effects on the business and on the company's resilience, maintaining the unit.

Achieving an adequate level of return on investment will continue to be a goal, but it will become a long-term goal.

## SAROS

For 2020, Saros is expected to maintain its strategic positioning as a captive mediator of the insurance policies of the CP Group companies.

The defined goal will be the continuity of Saros' potential profitability, maintaining an optimised cost structure and maximising the results obtained.

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**RECOMMENDATIONS FROM THE  
SHAREHOLDER ISSUED WHEN THE 2018  
ACCOUNTS WERE APPROVED**



2

Classe



FREE WI-FI

2

Classe



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71-



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

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



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



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

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

June 17<sup>th</sup>, 2020

### The Board of Directors

**President:** Nuno Pinho da Cruz Leite de Freitas

**Vice-president:** Pedro Miguel Sousa Pereira Guedes Moreira

**Voting Member:** Ana Maria dos Santos Malhó

**Voting Member:** Maria Isabel de Magalhães Ribeiro

**Voting Member:** Pedro Manuel Franco Ribeiro

The background of the page features a large, stylized number '2020' in a light green color, centered horizontally and vertically. The digits are thick and rounded, with a slight shadow effect. The entire page has a dark green background.

# **FINANCIAL STATEMENTS**

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Consolidated Statement of Financial Position as at the 31st December, 2019 (amounts in euros)

| HEADINGS                            | NOTES | PERIODS                |                        |
|-------------------------------------|-------|------------------------|------------------------|
|                                     |       | 31/12/2019             | 31/12/2018             |
| <b>ASSET</b>                        |       |                        |                        |
| Non-current asset                   |       |                        |                        |
| Fixed tangible assets               | 7     | 437 881 515            | 473 069 536            |
| Intangible assets                   | 8     | 224 044                | 122 647                |
| Asset right-of-use (IFRS 16)        | 9     | 12 642 325             | -                      |
| Financial holdings - equity method  | 10    | 3 479 232              | 2 353 741              |
| Other financial investments         | 11    | 28 117 549             | 28 078 847             |
|                                     |       | 482 344 665            | 503 624 771            |
| Current asset                       |       |                        |                        |
| Inventories                         | 13    | 34 136 869             | 26 801 955             |
| Customers                           | 14    | 12 818 431             | 13 705 395             |
| State and other public entities     | 15    | 9 174 533              | 7 881 455              |
| Other receivables                   | 16    | 11 104 702             | 8 682 720              |
| Deferrals                           | 17    | 1 448 315              | 1 744 257              |
| Financial assets held for trading   | 18    | 4 445 005              | 5 583 434              |
| Cash and bank deposits              | 4     | 40 454 689             | 21 783 443             |
|                                     |       | 113 582 544            | 86 182 659             |
| <b>Total asset</b>                  |       | <b>595 927 209</b>     | <b>589 807 430</b>     |
| <b>EQUITY AND LIABILITY</b>         |       |                        |                        |
| Equity                              |       |                        |                        |
| Subscribed capital                  | 19    | 3 959 489 351          | 3 931 000 000          |
| Legal reserves                      | 20    | 24 703                 | 24 703                 |
| Other reserves                      | 21    | 1 306 650              | 1 306 650              |
| Results carried forward             | 22    | (5 776 323 289)        | (6 189 186 647)        |
| Adjustments/other changes in equity | 23    | 91 490 008             | 91 490 008             |
| Net result of the period            |       | (52 501 954)           | (106 249 189)          |
| <b>Total equity</b>                 |       | <b>(1 776 514 531)</b> | <b>(2 271 614 475)</b> |
| Liability                           |       |                        |                        |
| Non-current liability               |       |                        |                        |
| Provisions                          | 24    | 16 068 245             | 14 286 998             |
| Loans obtained                      | 25    | 785 416 398            | 1 304 258 630          |
| Lease liability (IFRS 16)           | 9     | 11 202 675             | -                      |
|                                     |       | 812 687 318            | 1 318 545 628          |
| Current liability                   |       |                        |                        |
| Suppliers                           | 27    | 10 358 441             | 12 988 150             |
| Advance payments from customers     | 28    | 374 000                | 374 000                |
| State and other public entities     | 15    | 2 576 024              | 3 841 187              |
| Loans obtained                      | 25    | 1 281 484 985          | 1 283 218 910          |
| Lease liability (IFRS 16)           | 9     | 1 571 557              | -                      |
| Other debts payable                 | 26    | 159 017 606            | 135 969 058            |
| Deferrals                           | 17    | 104 371 809            | 106 484 972            |
|                                     |       | 1 559 754 422          | 1 542 876 277          |
| <b>Total liability</b>              |       | <b>2 372 441 740</b>   | <b>2 861 421 905</b>   |
| <b>Total equity and liability</b>   |       | <b>595 927 209</b>     | <b>589 807 430</b>     |

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

Certified Accountant - Dr. Ana Coelho

President - Eng.º Nuno Pinho da Cruz de Freitas

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

Director - Dr. Ana Maria dos Santos Malhó

Director - Dr. Maria Isabel de Magalhães Ribeiro

Director - Eng.º Pedro Manuel Franco Ribeiro



Consolidated income statement and statement of other comprehensive income

Period ended on the 31st December, 2019

(amounts in euros)

| INCOME AND EXPENSES  | Notes | PERIODS              |                       |
|--|-------|----------------------|-----------------------|
|  |       | 2019                 | 2018                  |
| Provided sales and services  | 29    | 304 383 282          | 298 053 160           |
| Operating subsidies  | 30    | 40 008 015           | 7 571                 |
| Gains/losses attributed to subsidiaries, associated companies and joint ventures | 31    | 1 591 428            | 1 302 650             |
| Changes in production inventories  | 32    | ( 103 741)           | ( 56 931)             |
| Own work capitalised   | 33    | 11 263 629           | 9 014 150             |
| Sold commodities and consumed materials costs                                    | 34    | ( 26 425 843)        | ( 24 734 713)         |
| External services and supplies   | 35    | ( 148 318 210)       | ( 145 143 187)        |
| Personnel expenses   | 36    | ( 136 861 597)       | ( 133 674 810)        |
| Inventory impairment (losses/reversals)  | 13    | 4 201 490            | ( 651 860)            |
| Impairment of receivables (losses/reversals)                                     | 14/16 | ( 1 095 590)         | 336 636               |
| Provisions (increases/decreases)   | 24    | ( 2 526 524)         | ( 1 101 420)          |
| Impairment of non-depreciable and non-amortisable investments (losses/reversals) | 37    | ( 461 249)           | 1 609 616             |
| Other income   | 38    | 22 060 954           | 23 600 574            |
| Other expenses   | 39    | ( 8 405 596)         | ( 11 434 587)         |
| <b>Result before depreciations, financing expenses and taxes</b>                 |       | <b>59 310 448</b>    | <b>17 126 849</b>     |
| Expenses/reversals of depreciation and amortisation                              | 40    | ( 55 610 009)        | ( 54 653 747)         |
| Impairment of depreciable/amortisable investments (losses/reversals)             | 41    | 814 416              | 721 647               |
| <b>Operating income (before financing expenses and taxes)</b>                    |       | <b>4 514 855</b>     | <b>( 36 805 251)</b>  |
| Interest and similar income gained   | 42    | 192 287              | 39 341                |
| Interest and similar expenses incurred   | 43    | ( 56 106 580)        | ( 68 332 038)         |
| <b>Income before taxes</b>   |       | <b>( 51 399 438)</b> | <b>( 105 097 948)</b> |
| Income tax of the period   | 12    | ( 1 102 516)         | ( 1 151 241)          |
| <b>Net and comprehensive result of the period</b>                                |       | <b>( 52 501 954)</b> | <b>( 106 249 189)</b> |

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

Certified Accountant - Dr. Ana Coelho

President - Eng.º Nuno Pinho da Cruz de Freitas

Vice-President - Eng.º Pedro Miguel Sousa Pereira Guedes

Director - Dr. Ana Maria dos Santos Malhó

Director - Dr. Maria Isabel de Magalhães Ribeiro

Director - Eng.º Pedro Manuel Franco Ribeiro



| DESCRIPTION  | NOTES       | Equity granted to capital owners of the parent company |                |                |                         |                     |                                      | Total         | Non-controlling interests | Total Equity    |
|--|-------------|--|----------------|----------------|-------------------------|---------------------|--------------------------------------|---------------|---------------------------|-----------------|
|  |             | Subscribed Capital                                     | Legal reserves | Other reserves | Results carried forward | Revaluation surplus | Adjustments/ Other changes in equity |               |                           |                 |
| Position at the beginning of the 2018 period         | 1           | 3 850 091 940  | 24 703         | 1 306 650      | 6 078 119 710           | -                   | 91 490 008                           | (111 066 936) | (2 246 273 345)           | (2 246 273 345) |
| Changes in the period                                |             | -  | -              | -              | -                       | -                   | -                                    | -             | -                         | -               |
| First implementation of the new accounting framework |             | -  | -              | -              | -                       | -                   | -                                    | -             | -                         | -               |
| Changes in accounting policies                       | 5           | -  | -              | -              | -                       | -                   | -                                    | -             | -                         | -               |
| Translation differences of financial statements      |             | -  | -              | -              | -                       | -                   | -                                    | -             | -                         | -               |
| Realisation of revaluation surplus                   |             | -  | -              | -              | -                       | -                   | -                                    | -             | -                         | -               |
| Revaluation surplus                                  |             | -  | -              | -              | -                       | -                   | -                                    | -             | -                         | -               |
| Adjustments by deferred taxes                        |             | -  | -              | -              | -                       | -                   | -                                    | -             | -                         | -               |
| Other changes recognised in equity                   | 23          | -  | -              | -              | -                       | -                   | -                                    | -             | -                         | -               |
|  | 2           | -  | -              | -              | -                       | -                   | -                                    | -             | -                         | -               |
| Net result of the period                             | 3           | -  | -              | -              | -                       | -                   | -                                    | (106 249 189) | (106 249 189)             | (106 249 189)   |
| Comprehensive result                                 | 4 = 2 + 3   | -  | -              | -              | -                       | -                   | -                                    | (106 249 189) | (106 249 189)             | (106 249 189)   |
| Operations with capital owners in the period         |             | -  | -              | -              | -                       | -                   | -                                    | -             | -                         | -               |
| Capital subscriptions                                |             | 80 908 060   | -              | -              | -                       | -                   | -                                    | -             | -                         | -               |
| Share premium subscriptions                          |             | -  | -              | -              | -                       | -                   | -                                    | -             | -                         | -               |
| Distributions  |             | -  | -              | -              | -                       | -                   | -                                    | -             | -                         | -               |
| Down payments to cover losses                        |             | -  | -              | -              | -                       | -                   | -                                    | -             | -                         | -               |
| Other operations                                     |             | -  | -              | -              | (11 066 937)            | -                   | -                                    | 111 066 936   | 111 066 936               | 111 951 646     |
|  | 5           | 80 908 060   | -              | -              | (11 066 937)            | -                   | -                                    | 111 066 936   | 80 908 059                | 80 908 059      |
| Position at the end of the 2018 period               | 6 = 1+2+3+5 | 3 931 000 000  | 24 703         | 1 306 650      | (6 189 186 647)         | -                   | 91 490 008                           | (106 249 189) | (2 271 614 475)           | (2 271 614 475) |

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

Certified Accountant - Dr. Ana Coelho

President - Eng.º Nuno Henriques Cruz de Freitas

Vice-President - Eng.º Paulo Miguel Sousa Pereira Guedes Moreira

Director - Dr. Ana Maria dos Santos Melo

Director - Dr. Maria Isabel de Magalhães Ribeiro

Director - Eng.º Pedro Manuel Franco Ribeiro



Consolidated statement of changes in equity in the 2019 period

| DESCRIPTION  | NOTES         | Equity granted to capital owners of the parent company |                |                |                         |                     | Total | Non-controlling interests | Total Equity  |                                       |                          |   |                 |
|--|---------------|--|----------------|----------------|-------------------------|---------------------|-------|---------------------------|---------------|---------------------------------------|--------------------------|---|-----------------|
|  |               | Subscribed Capital                                     | Legal reserves | Other reserves | Results brought forward | Revaluation surplus |       |                           |               | Adjustments / Other changes in equity | Net result of the period |   |                 |
| Position at the beginning of the 2019 period         | 1             | 19 to 25   | 3,931,000,000  | 24,703         | 1,306,630               | (6,189,186,647)     | -     | 91,400,008                | (106,249,189) | (2,271,614,473)                       | (2,271,614,473)          | - | -               |
| Changes in the period                                |               |  | -              | -              | -                       | -                   | -     | -                         | -             | -                                     | -                        | - | -               |
| First implementation of the new accounting framework |               |  | -              | -              | -                       | -                   | -     | -                         | -             | -                                     | -                        | - | -               |
| Changes in accounting policies                       | 5             |  | -              | -              | -                       | -                   | -     | -                         | -             | -                                     | -                        | - | -               |
| Translation differences of financial statements      |               |  | -              | -              | -                       | -                   | -     | -                         | -             | -                                     | -                        | - | -               |
| Realisation of revaluation surplus                   |               |  | -              | -              | -                       | -                   | -     | -                         | -             | -                                     | -                        | - | -               |
| Revaluation surplus                                  |               |  | -              | -              | -                       | -                   | -     | -                         | -             | -                                     | -                        | - | -               |
| Adjustments by defined bases                         |               |  | -              | -              | -                       | -                   | -     | -                         | -             | -                                     | -                        | - | -               |
| Other changes recognised in equity                   | 23            |  | -              | -              | -                       | -                   | -     | -                         | -             | -                                     | -                        | - | -               |
|  | 2             |  | -              | -              | -                       | -                   | -     | -                         | -             | -                                     | -                        | - | -               |
| Net result of the period                             | 3             |  | -              | -              | -                       | -                   | -     | -                         | (52,501,954)  | (52,501,954)                          | (52,501,954)             | - | (52,501,954)    |
| Comprehensive result                                 | 4 = 2 + 3     |  | -              | -              | -                       | -                   | -     | -                         | (52,501,954)  | (52,501,954)                          | (52,501,954)             | - | (52,501,954)    |
| Operations with capital owners in the period         |               |  | -              | -              | -                       | -                   | -     | -                         | -             | -                                     | -                        | - | -               |
| Capital subscriptions                                |               |  | 28,489,351     | -              | -                       | -                   | -     | -                         | -             | -                                     | 28,489,351               | - | 28,489,351      |
| Share premium subscriptions                          |               |  | -              | -              | -                       | -                   | -     | -                         | -             | -                                     | -                        | - | -               |
| Distributions  |               |  | -              | -              | -                       | -                   | -     | -                         | -             | -                                     | -                        | - | -               |
| Down payments to cover losses                        |               |  | -              | -              | -                       | 518,616,538         | -     | -                         | -             | 518,616,538                           | -                        | - | 518,616,538     |
| Other operations                                     |               |  | -              | -              | -                       | (105,753,180)       | -     | -                         | -             | 106,249,189                           | 496,009                  | - | 496,009         |
|  | 5             |  | 28,489,351     | -              | -                       | 412,863,358         | -     | -                         | -             | 106,249,189                           | 547,601,836              | - | 547,601,836     |
| Position at the end of the 2019 period               | 6 = 1+2+3+4+5 |  | 3,959,489,351  | 24,703         | 1,306,630               | (5,776,323,289)     | -     | 91,400,008                | (52,501,954)  | (1,776,814,531)                       | (1,776,814,531)          | - | (1,776,814,531) |

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

Certified Accountant - Dr. Ana Coelho

President - Esp.º Paulo Pinto da Costa de Fátima

Vice-President - Esp.º Paulo Miguel Sousa e Henriques da Mota

Director - Dr. Ana Maria da Silva Almeida

Director - Dr. Maria Isabel de Menezes Ribeiro

Director - Esp.º Nelson Manuel Francisco Ribeiro

Consolidated cash flow statement on 31st December, 2019

Period ended on the 31st December, 2019

(amounts in euros)

| <b>CASH FLOW STATEMENT</b>                               | <b>31/12/2019</b> | <b>31/12/2018</b> |
|--|-------------------|-------------------|
| Cash flows from operating activities - direct method     |                   |                   |
| Collections from customers                               | 371 105 184       | 332 808 167       |
| Payments to suppliers                                    | ( 188 545 762)    | ( 215 317 975)    |
| Payments to employees                                    | ( 140 424 048)    | ( 138 880 651)    |
| Cash generated by the operations                         | 42 135 374        | ( 21 390 459)     |
| Payment/receipt of income tax                            | ( 791 078)        | ( 704 996)        |
| Other receivables/payments                               | ( 12 011 028)     | 14 320 590        |
| Cash flows from operating activities (1)                 | 29 333 268        | ( 7 774 865)      |
| Cash flows from investment activities                    |                   |                   |
| Payments regarding:                                      |                   |                   |
| Fixed tangible assets                                    | ( 6 367 955)      | ( 5 701 516)      |
| Intangible assets  | ( 127 387)        | ( 48 011)         |
| Financial investments                                    | -                 | -                 |
| Other assets   | ( 13 000 000)     | ( 154 000 000)    |
| Receivables from:  |                   |                   |
| Fixed tangible assets                                    | 1 282 539         | 5 128 349         |
| Intangible assets  | -                 | -                 |
| Financial investment                                     | -                 | 119 573           |
| Other assets   | 13 000 000        | 154 000 000       |
| Investment grants  | 6 554 917         | 1 800 000         |
| Interest and similar income                              | -                 | 11                |
| Dividends  | 648 710           | 454 342           |
| Cash flows from investment activities (2)                | 1 990 824         | 1 752 748         |
| Cash flows from financing activities                     |                   |                   |
| Receivables from:  |                   |                   |
| Loans obtained   | -                 | -                 |
| Realisation of capital and other equity instruments      | 28 489 351        | 80 908 060        |
| Coverage of losses                                       | 518 616 538       | -                 |
| Donations  | -                 | -                 |
| Other financing operations                               | -                 | -                 |
| Payments regarding:                                      |                   |                   |
| Loans obtained   | ( 521 122 500)    | ( 28 942 209)     |
| Interest and similar expenses                            | ( 38 637 131)     | ( 38 686 594)     |
| Dividends  | -                 | -                 |
| Capital reduction and other equity instruments           | -                 | -                 |
| Other financing operations                               | -                 | -                 |
| Cash flows from financing activities (3)                 | ( 12 653 742)     | 13 279 257        |
| Changes in cash and cash equivalents (1+2+3)             | 18 670 350        | 7 257 140         |
| Effect of exchange rate differences                      | ( 265)            | 201               |
| Cash and cash equivalents at the beginning of the period | 21 534 952        | 14 277 611        |
| Cash and cash equivalents at the end of the period       | 40 205 037        | 21 534 952        |

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

Certified Accountant - Dr. Ana Coelho

President - Eng.º Nuno Pinho da Cruz de Freitas

Vice-President - Eng.º Pedro Miguel Sousa Pereira Guedes More

Director - Dr. Ana Maria dos Santos Malhó

Director - Dr. Maria Isabel de Magalhães Ribeiro

Director - Eng.º Pedro Manuel Franco Ribeiro

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**NOTES TO THE FINANCIAL STATEMENTS**



## IDENTIFICATION OF THE ENTITY AND OPERABILITY NOTES (NOTE 1)

### Identification

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

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 shall become, part of the national railway network, as well as the international transportation of passengers.

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

Through its subsidiaries and associated companies, the CP Group has carried out the following activities in 2019:

- Manufacture, rehabilitation, major repair and maintenance of railway equipment and vehicles (EMEF, S.A.);
- Insurance mediation (Saros, Lda.);
- Synergy and optimisation of the activities concerning the maintenance of locomotives type 'LE 5600' and 'LE 4700' (SIMEF, A.C.E.);
- Training and development of skills, recruitment and psychological assessment, business consulting and human resources of transport systems (Fernave, S.A.);
- Provision of medical services and occupational safety and hygiene (Ecosaúde, S.A.);
- Implementation and management of a common and exclusive ticketing system of the Grouping (CP, STCP and Metro do Porto) in the Greater Oporto area, as well as establishing the common and exclusive intermodal tariff for public means of transportation of passengers that are operated either directly or indirectly by the Grouping entities (TIP, A.C.E.);
- Ensuring the development of the tele-ticketing project in association with other international partners, in accordance with the commitments assumed by the companies comprising the grouping within the scope of the overall proposal of the aforementioned project (OTLIS, A.C.E).
- EMEF, S.A.'s 35% holding in NOMAD TECH, Lda., and Fernave's 19.1% holding in TRANSCOM - Sociedade de Formação, Consultoria e Auditoria em Transportes e Comunicações, S.A.R.L., should also be noted. (Mozambican).

With regard to relevant facts, it should be noted that on July 5<sup>th</sup>, 2019 the Resolution of the Council of Ministers No. 110/2019 was published in the Official Gazette, which among other measures aimed at safeguarding the public rail transport service, requires that all necessary steps be taken with a view to the merger by incorporation of EMEF, S. A., into CP. This fact was confirmed by Decree-Law no. 174/2019-B of December 26<sup>th</sup>, 2019, where the merger is decreed with effect from January 1<sup>st</sup>, 2020.

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

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

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

## Accounting Framework of Preparation of Financial Statements (note 2)

### Accounting Framework

The consolidated financial statements of the CP Group have been prepared on the assumption of continuity of operations, from the accounting records of the companies included in the consolidation perimeter, in accordance with the international financial reporting standards, as implemented by the European Union (EU), in force as at December 31<sup>st</sup>, 2019.

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

Such financial statements, which are expressed in Euros, have been examined by the Board of Directors in a meeting held on June 17<sup>th</sup>, 2020, having decided to submit such statements to the responsible Ministry for approval.

The accounting policies set forth in note 3 were used in the consolidated financial statements for the period ended on December 31<sup>st</sup>, 2019, as well as in the comparative financial information set forth in these financial statements for the period ended on December 31<sup>st</sup>, 2018.

## DEROGATIONS TO THE IFRS

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

## COMPARATIVE VALUES

No changes were made to the accounting policies, and no errors which materially affect the comparison of values between financial years have been detected. However, the entry into force on January 1<sup>st</sup>, 2019 of the new IFRS16 - Leases, led to the need to perform an in-depth analysis of all Group leases, recording in the consolidated statement of financial position through the recognition of a right to use the asset and a lease liability corresponding to the present value of future payments, all leases that meet the requirements identified in the standard:

- identifiable asset worth more than 5,000€;
- underlying asset;
- existence of a right of control over such asset; and,
- rental contract is not short-term ( $\leq$  to 1 year).

Based on these assumptions, the following contracts were identified as fulfilling the requirements:

- rental contract of railcars 592 to Renfe;
- Workshop in Oeiras; and,
- 3 light passenger vehicles.

The following identifies the impacts on the respective financial statements that affect the comparability analysis:



| HEADINGS                     | VEHICLES                      | ROLLING STOCK                | WORKSHOP                       | TOTAL      |
|------------------------------|-------------------------------|------------------------------|--------------------------------|------------|
|                              | 3 passenger vehicles/CP Fleet | Leasing of RENFE locomotives | Leasing of the Oeiras workshop |            |
| ASSET                        |                               |                              |                                |            |
| Non-current Asset            |                               |                              |                                |            |
| Asset right-of-use (IFRS 16) | 34 769                        | 3 546 787                    | 9 060 769                      | 12 642 325 |
| Current Asset                |                               |                              |                                |            |
| EQUITY                       |                               |                              |                                |            |
| Net result of the period     | -                             | ( 39 037)                    | ( 92 870)                      | ( 131 907) |
| LIABILITY                    |                               |                              |                                |            |
| Non-current Liability        |                               |                              |                                |            |
| Lease liability (IFRS 16)    | 23 179                        | 2 416 960                    | 8 762 536                      | 11 202 675 |
| Current Liability            |                               |                              |                                |            |
| Lease liability (IFRS 16)    | 11 590                        | 1 168 864                    | 391 103                        | 1 571 557  |

| INCOME AND EXPENSES                                       | VEHICLES                      | ROLLING STOCK                | WORKSHOP                       | TOTAL        |
|---|-------------------------------|------------------------------|--------------------------------|--------------|
|   | 3 passenger vehicles/CP Fleet | Leasing of RENFE locomotives | Leasing of the Oeiras workshop |              |
| External services and supplies *                          | ( 16 630)                     | ( 1 236 624)                 | ( 588 693)                     | ( 1 841 947) |
| Result before depreciations, financing expenses and taxes |                               |                              |                                |              |
| Expenses/reversals of depreciation and amortisation       | 11 590                        | 1 182 262                    | 476 882                        | 1 670 734    |
| Operating income (before financing expenses and taxes)    |                               |                              |                                |              |
| Interest and similar expenses incurred                    | 5 040                         | 93 399                       | 204 681                        | 303 120      |
| Income before taxes                                       |                               |                              |                                |              |
| Net result of the period                                  | -                             | ( 39 037)                    | ( 92 870)                      | ( 131 907)   |

\* components initially recorded in External Services and Supplies concerning IUC, maintenance, etc. are not reclassified

## Main Accounting Policies (note 3)

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

## Bases of Measurement

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

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

The matters requiring a larger index of judgment or complexity, or for which the assumptions and estimates are considered significant, are presented in the following headings: 'Value judgments', 'Main assumptions concerning the future' and 'Main sources for uncertain estimates', which are set forth in this note.

## Consolidation

### Introduction

CP presents its consolidated financial statements in accordance with the international financial reporting standards, as provided for in Regulation 1606/2002 of the European Parliament and of the Council of July 19<sup>th</sup>. These statements express the financial position and results of operations of the group as if they were a single entity, and are intended to show the results of operations that the group companies have carried out with third parties.

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

## The Group and the Company

### General Remarks

Throughout 2019, CP continued its purpose of developing a sustainable Group strategy, by structuring its existing shareholdings and by developing a culture of efficiency and added value, focused on its core business.

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

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

## CP

CP – Comboios de Portugal E.P.E. is, from July 2009, a corporate public entity, which is 100% held by the Portuguese State. CP is responsible for the provision of services related to national and international passenger railway transportation. CP has a nationwide activity, providing essential services for the Country's development and for the social and territorial cohesion thereof.

## Affiliate Companies

CP's financial holdings as of December 31<sup>st</sup>, 2019, are as follows:

### Subsidiaries

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

CP's shareholding – 100%

Subscribed Capital – 8,100,000 euros

EMEF, SA was incorporated in 1992, and its purpose is the manufacture, reconditioning, major repair and maintenance of equipment and railway vehicles. Thus, this company is of utmost importance for the national market.

SAROS – Sociedade de Mediação de Seguros, Lda.

CP's shareholding – 100%

Subscribed Capital – 5,000 euros

The company's purpose is the insurance mediation activity.

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

CP's shareholding – 100%

Subscribed Capital – 50,000 euros

Having started its activity in 1992, it aims to provide services in the fields of training and skills development, recruitment and psychological evaluation, business consulting and human resources of transport systems.

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

CP's shareholding – 100%

Subscribed Capital – 50,000 euros

The company was founded in 1995 and its main activity is to provide medical services and health and safety at work.

### Jointly controlled entities

SIMEF, A.C.E.

EMEF's shareholding – 51%

Capital – none

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

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

CP's shareholding – 33.33%

Subscribed Capital – 30,000 euros

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

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

CP's shareholding – 14.29%

Subscribed Capital – 392,832.02 euros

OTLIS is a complementary company grouping incorporated in 1996, whose corporate purpose is to ensure the development of the tele-ticketing project in association with other international partners, in accordance with the

commitments assumed by the companies comprising the grouping within the scope of the overall proposal of the aforementioned project.

### Associated companies

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

Shareholding via Fernave – 19.1%

Share Capital – 74,025,000 meticaís

The company was incorporated in 1998, and its corporate purpose is higher university teaching, as well as scientific research, namely within the scope of technology, management, logistics, distribution, transportation, communications and computer science for companies and other organisations, especially those related to transportation, communications and computer science.

NOMAD TECH, Lda.

Shareholding via EMEF - 35%

Subscribed Capital – 160,000 euros

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

### Other Shareholdings

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

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

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

CP's shareholding – 5%

Subscribed Capital – 121,312,810 euros

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

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

The share capital was fully owned by CP until 2015, and sold in 2016 to Mediterranean Shipping Company Rail (Portugal) - Operadores Ferroviários, S.A. As of December 31<sup>st</sup>, 2019, CP still holds a 5% interest, which is temporary, and awaits the conclusion of some procedures foreseen in the reference sale agreement.

#### Metro do Porto, S.A.

CP's shareholding – 3,33%

Share Capital – 7,500,000 Euros

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

#### Metropolitano Ligeiro de Mirandela, S.A.

CP's shareholding – 10%

Share Capital – 125,000 Euros

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

#### Metro Mondego, S.A.

CP's shareholding – 2,5%

Share Capital – 1,075,000 Euros

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

#### ICF – Intercontainer – Interfrigo, S.A. (Belgian)

CP's shareholding – 2,09%

Share Capital – 18,300,000 Euros

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

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

CP's shareholding – 2%

Share Capital – 2,600,000,000 CHF

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

#### BCC – Bureau Central de Clearing (Belgian)

CP's shareholding – 1,54%

Share Capital – 110,250 Euros

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

## Consolidation Method

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

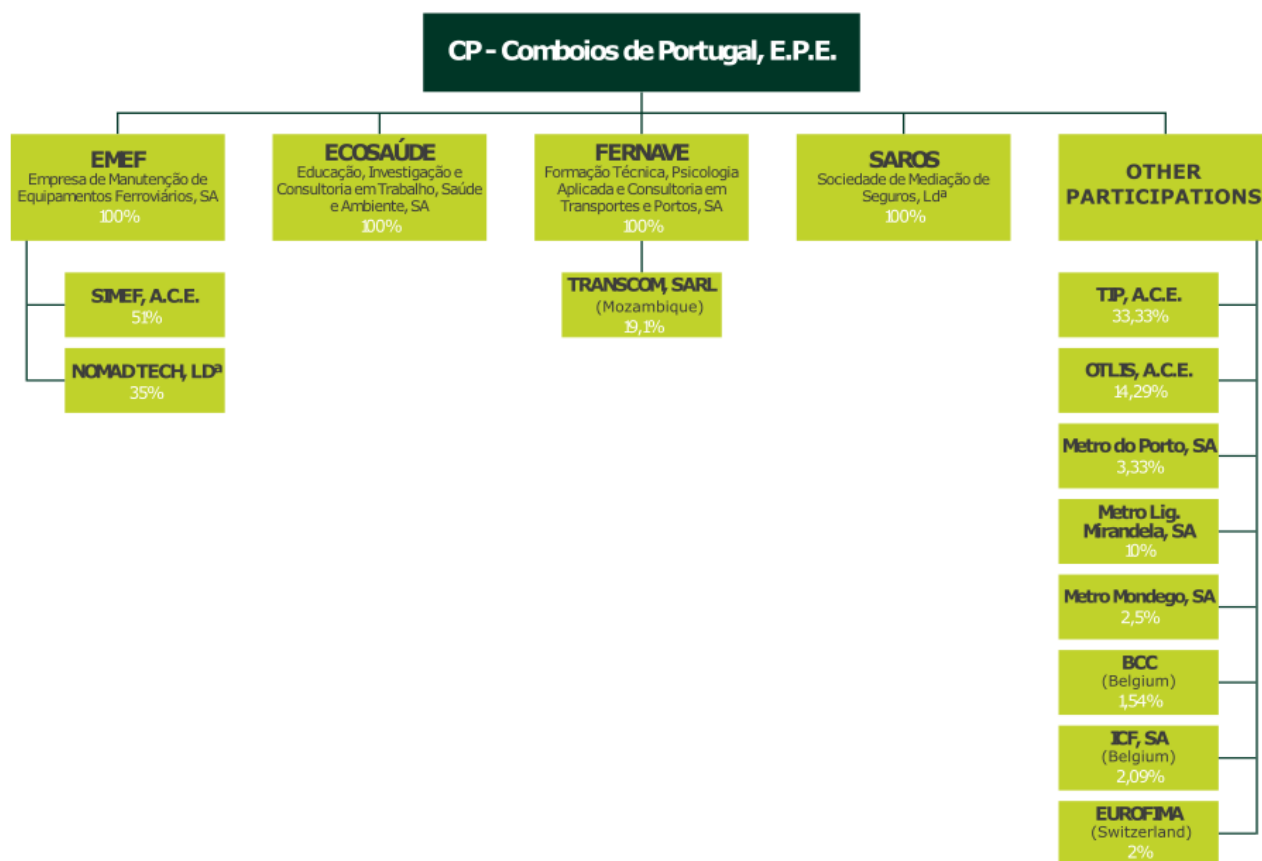
Thus, based on the specifications set forth in the IFRS 10, the financial statements have been prepared by grouping identical elements of assets, liabilities, equities, income and expenses, on a line-by-line basis.

The consolidation procedures have further involved the elimination of the parent company's investment in each subsidiary against equity, as well as the elimination of balances, transactions, intra-group income and gains, and expenses and losses.

Concerning joint ventures, the equity method was applied from January 2013, replacing the proportionate consolidation, in accordance with the provisions set forth in the IFRS 11.

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

## Consolidation Perimeter



The share capital of CP Carga - Logística e Transportes Ferroviários de Mercadorias, S.A, was disposed in 2016 to Mediterranean Shipping Company Rail (Portugal)- Operadores Ferroviários, S.A. As at December 31<sup>st</sup>, 2019, CP still has a 5%



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

#### Companies included in the consolidation under the full consolidation method

The companies included in the consolidation under the full consolidation method, their registered offices and the proportion of the capital, which is directly and indirectly held by the Group, as at December 31<sup>st</sup>, 2019, are the following:

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

#### Associated companies accounted for under the equity method

The companies included in the consolidation under the equity method, their registered offices and the proportion of the capital held, as of December 31<sup>st</sup>, 2019, are the following:

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

#### Other Shareholdings

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

## Relevant Accounting Policies

### Fixed Tangible Assets

#### Recognition and valuation

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

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

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

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

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

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

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

## Maintenance and Repair Expenses

### Rolling stock for passenger transportation:

- Expenses incurred with routine maintenance during the useful life of the rolling stock are recognised as operating expenses;
- Expenses incurred with major and multiannual repairs that are essential to ensure the continuity of the asset's operation are recognised in fixed tangible assets as specific components of rolling stock and depreciated by their estimated useful life in a separate section from the main component. Once each major repair is carried out, its cost is recognised in the carrying amount of the item of the fixed tangible asset as replacement, provided that the recognition criteria are met. Any remaining carrying amount of the cost of the previous major repair is derecognised; and
- Expenses incurred at the end of the useful life of the main component, which include the transformation and modernisation thereof, are recognised as fixed tangible assets and depreciated by the lengthening of its expected useful life.

### Buildings and fixed facilities:

- The routine maintenance and repair expenses (maintenance agreements, technical inspections, etc.) are recognised as operating expenses;
- Expenses incurred with multiannual scheduled maintenance plans are recognised in fixed tangible assets, through the partial or full replacement of the replaced component; and
- Maintenance and repair costs are accounted for in results of the period in which they are incurred, in accordance with the accruals principle.

## Depreciation

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

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

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

No residual amounts were considered when determining the depreciated amounts.

### Government Grants

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

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

### Capitalisation of Costs with Loans and Other Directly Attributable Costs

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

### Impairment of rolling stock for passenger transportation

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

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

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

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

### Recognition of impairment in the remaining assets of the Group

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

## Leases

As of December 31<sup>st</sup>, 2018, the companies of the Group classify the leasing transactions as financial or operating leases, depending on their substance and not on their legal form. The transactions classified as financial leases are those where the risks and advantages inherent to the ownership of an asset are substantially transferred to the lessee. All remaining leasing transactions are classified as operating leases.

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

Financial lease agreements are accounted for at the date such agreements take effect, in assets and in liabilities, at the lower between the fair value of the leased property, or the current value of the due rents of the lease. The rents were charged to results by the reduction of outstanding liabilities. Financial costs are recognised as expenses throughout the lease period, in order to produce a constant periodic interest rate on the remaining balance of the liability in each period. Assets acquired through financial lease are depreciated in accordance with the policy established for fixed tangible assets.

As referred to above, in the section on 'comparative values' in note 2, with the entry into force on January 1<sup>st</sup>, 2019 of IFRS 16 - Leases, the Group reviewed the criteria for recognition and accounting of leases, proceeding as follows:

### Identification of leases

On the start date of each contract, the Group assesses whether the scope of the contract corresponds to a lease or contains a lease. A lease is defined as a contract, or part of a contract, whereby the right to control the use of an identifiable asset for a certain period of time is assigned in exchange for a compensation. To assess whether a contract assigns the right to control the use of an identifiable asset for a certain period of time, the Group evaluates whether, during the period of use of the asset, it has cumulatively:

- The right to obtain substantially all economic benefits derived from the use of the identifiable asset; and
- The right to direct the use of identifiable assets.

### Recognition

The Group recognizes a right to use an asset and a lease liability on the effective date of the contract. The right to use an asset is initially measured at cost, which comprises the initial value of the lease liability adjusted for any lease payments made on or before the start date, any initial direct costs incurred, as well as an estimate of the costs of decommissioning and removal of the underlying asset (if applicable), less any incentive granted.

The right to use an asset is depreciated by twelfths using the straight-line method over its estimated useful life or the lease term, whichever is the lower.

The right to use an asset is periodically subject to impairment tests and any losses detected are immediately recorded in the consolidated income statement.

The lease liability is initially recognised at the present value of the unpaid rentals at the date of entry into force of the contract, discounted at the interest rate implicit in the lease, or, if this rate cannot be determined, at the incremental interest rate of the respective invested company.

The lease payments included in the measurement of the lease liability include the following components:

- flat-rate payments, less any incentives already received;
- variable payments, dependent only on a certain rate or index;
- amounts due under a guarantee on the residual value of the asset;
- the purchase option exercise price if it is reasonably certain that the lessee will exercise the option; and
- penalty payments for termination of contract, if it is reasonably certain that the tenant will cancel the contract.

The lease liability is subsequently measured at amortised cost using the effective interest rate method and is remeasured when it occurs:

- (i) variations in future payments derived from a variation in a rate or index specified in the contract;
- (ii) variations in the Group's estimate of the amount to be paid as collateral on the residual value of an asset, or
- (iii) if the Group changes its assessment about the exercise of a call option, or about its extension or termination.

When the lease liability is remeasured, the right to use an asset is adjusted by an equal amount, unless the carrying amount of the right to use is reduced to zero, in which case a gain is recorded in the consolidated income statement for the year.

### Intangible assets

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

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

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

### Other Financial Assets/Liabilities

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

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

### Financial assets at fair value through results

This category includes:

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

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

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

### Held-to-maturity financial assets

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



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

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

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

### Loans and accounts receivable

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

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

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

- I. Default analysis;
- II. Default for more than 6 months;
- III. Financial difficulties of the debtor;
- IV. Likelihood of the debtor's bankruptcy.

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

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

### Financial assets available for sale

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

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

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

### Subsequent measurement of financial assets/liabilities

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

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

- a. Granted loans and accounts receivable, which are measured at amortised cost by using the effective interest method;
- b. Held-to-maturity investments, which are measured at amortised cost by using the effective interest method; and
- c. Investments in equity instruments which do not have a market price quoted in an active market and whose fair value cannot be obtained in a reliable manner, as well as agreements linked to such instruments which, if concluded, result in the delivery of such instruments, which shall be measured at cost less impairment losses.

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

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

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

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

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

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

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

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

## Impairment

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

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

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

## Inventories

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

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

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

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

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

## Raw, auxiliary and consumable materials

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

Raw, auxiliary and consumable materials are adjusted based on the assets' movement, obsolescence, nature and useful life. The amount of any adjustment in inventories to the net realisable value is recognised as expense in the period when the loss takes place. When the circumstances that previously resulted in an adjustment to the value of inventories cease to take

effect, or when there is an increase in the net realisable value due to the variation in the economic circumstances, the amount of the adjustments is reversed, and such reversal shall be limited to the amount of the original adjustment.

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

### Ongoing products and works

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

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

### Finished Products

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

### Cash and Cash Equivalents

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

### Loans and Bank Overdrafts

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

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

- If it is expected that such amounts shall be settled during the entity's regular operating cycle;
- If such amounts are held primarily for the purpose of trade;
- They must be settled within twelve months of the date of the statement of financial position;

- If the entity does not hold an unconditional right to defer the settlement of the liability for at least twelve months following the statement of financial position

All remaining loans are classified as non-current liability.

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

### Non-Current Assets Held for Sale and Discontinuing Operations

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

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

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

### Foreign currency transactions

#### Functional and Presentation Currency

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

#### Transactions and Balances

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

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

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

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

## Revenue recognition

### Passenger Transportation

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

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

### Maintenance of Rolling Stock

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

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

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

#### Remaining Activity Segments

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

- If the amount of revenue may be reliably measured;
- If it is likely that the economic benefits associated with the transaction revert to the entity;
- The stage of completion of the transaction at the statement of financial position date can be reliably measured;
- If the costs incurred with the transaction and those incurred with the completion of the transaction may be reliably measured.

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

#### Recognition of Expenses and Income

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

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

Accrual-based accounting is carried out by using the other accounts receivable and payable heading, as well as the deferrals heading.



## Provisions

Provisions are recognised when:

- (i) there is a present, legal or constructive obligation arising from a past event;
- (ii) an outflow of resources is likely to occur in order to settle the obligation and;
- (iii) when a reliable estimate of the amount of such obligation may be performed.

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

## Interest and similar Income obtained and Interest and similar Expenses incurred

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

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

## Profit Tax

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

The CP Group did not account for deferred tax assets associated with the reporting of tax losses, as well as temporary impairments and provisions which have not been accepted for tax purposes, because the Group considers that there are no expectations that the aforementioned group of companies – which is under the special taxation scheme – will obtain future taxable profits enabling the use of CP's accumulated tax losses. At the end of 2018, the total tax-deductible losses of the CP Group amount to approximately Euro 286 million, which can be used between 2018 and 2028. Similarly, deferred tax liabilities connected with reassessed fixed tangible assets (rolling stock) have not been accounted for in previous periods, since it is considered that there is no expectation of significant variations to the form of financing of the public transportation service and to the economic conditions that may result in a tax base that is enough to create assessment and, as a result, that gives rise to income tax payments.

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

## Contingent Assets and Liabilities

### Contingent Assets

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

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

### Contingent Liabilities

A contingent liability occurs when there is:

- A possible obligation resulting from past events and whose existence will only be confirmed by the occurrence, or otherwise, of one or more uncertain future events which are not entirely under the entity's control; or
- A current obligation of past events but which is not recognised because
  - i. it is unlikely there will be a need for an outflow of resources incorporating economic benefits 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 notes attached to the corresponding statements, unless there is a remote possibility of an outflow of resources incorporating future economic benefits.

## Subsequent Events

The financial statements set forth herein reflect the subsequent events occurred until June 17<sup>th</sup>, 2020. The Management Board has approved such financial statements on the aforementioned date, as referred to in note 2.

Events occurring after the statement of financial position date over conditions that existed at the statement of financial position date are considered in the preparation of the financial statements. Material non-adjusting events after the statement of financial position date are disclosed in note 46.

## Value Judgements

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

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

- Provisions – the established provisions are accounted for by the best estimate of the expenditure required to settle the liability as at the statement of financial position;
- Recoverability of debit balances of customers and other debtors – impairment losses relating to debit balances of customers and other debtors are based on the assessment of the likelihood of recovery of balances of accounts receivable, ageing of receivables, debt cancellation and other factors deemed relevant. There are certain circumstances and facts that could change the estimate of impairment losses of receivable balances face to 2018, the considered assumptions. These variations may arise out of the economic environment, sectorial trends, the deterioration of the credit situation of main customers and significant defaults. This assessment process is subject to several estimates and judgements. Variations in these estimates may imply the establishment of different impairment levels, thus resulting in different impacts in results;
- Revenue recognition – upon the recognition of revenue it is assessed whether the necessary conditions to consider a transaction outcome as reliably estimated are met, allowing the application of the percentage of completion method. The percentage of completion method applied to the provision of services considers the total estimated costs, an amount assessed by the operating part, by taking the work to be carried out and past experience in similar works into account. When the conditions necessary for considering a reliably estimated transaction outcome are not met, the extent to which the recognised expenses are recoverable is assessed. If there are no indicators showing a likelihood of recoverability of the costs incurred, revenue is not recognised and costs incurred are recognised as expense;
- Impairment losses – inventories – when determining the impairment losses of inventories, different criteria are applied depending on the state, ageing, nature/purpose of the inventories, whereas such criteria reflect the loss in value of inventories;
- Profit taxes – there are several transactions and calculations for which the determination of the final amount of tax to be paid is uncertain during the ordinary business cycle. Other interpretations and estimates could result in a different level of profit taxes recognised in the period, whether current or deferred. In Portugal, the Tax Authorities are responsible for reviewing the calculation of the taxable amount, over a period of four years, in case of tax losses carried forward. This way, corrections to the taxable amount could occur, mainly

resulting from differences in the interpretation of tax legislation. However, it is believed that there will be no significant corrections to profit taxes accounted for in the financial statements;

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

### Main assumptions concerning the future

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

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

- The operating situation of CP and of the companies of the Group shows sustainability, which suggests there are factors of future sustainability;
- The signature of the public service contract of rail transportation of passengers concluded with the Portuguese State on November 28<sup>th</sup>, 2019;
- The State has guaranteed all its support, particularly concerning the necessary support to CP's financing, aiming to ensure the debt service and the needs of operation and investment;
- It is also important to mention the importance of the service CP Group provides nowadays to the Portuguese economy, particularly regarding the transportation of passengers, which is a factor of vital importance for the functioning of the economic activity, reinforcing the need of the State to ensure, in possible adverse situations, the necessary support for the continuity of the CP Group.

### Key sources of estimation uncertainty

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

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

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

#### Useful Life of Fixed Tangible Assets

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

#### Fair Value of the Financial Instruments

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

#### Doubtful Collections

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

#### Provisions

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

### Non-Current assets held for sale

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

## Amendments to standards with effect as of January 1<sup>st</sup>, 2019

The amendments to the standards with effect as of January 1<sup>st</sup>, 2019 that may have an impact on the CP Group are as follows:

### IFRS 16 - Leases

IFRS 16 replaces IAS 17 – Leases, and the associated interpretations, with significant impact on the accounting made by lessees that are required to recognize for all lease contracts, the lease liability corresponding to future lease payments and an asset under right of use.

Exemptions from this accounting treatment are provided for short-term leases (< 12 months) and for low value assets (< USD 5,000 or equivalent). The definition of a lease has also been revised and is based on the right to control the use of an identified asset.

Regarding the transitional regime, IFRS 16 may be applied retrospectively or a simplified retrospective approach may be followed.

The impacts of the amendment of this IFRS 16 on the CP Group were identified and quantified as detailed in the 'comparative values' of note 2.

### Variations to IFRS 9 - Financial Instruments - Elements of prepayment with negative compensation

Last year, IFRS 9 replaced IAS 39 - Financial Instruments: recognition and measurement, and in 2019, introduces changes regarding:

- i. allows the classification/measurement of financial assets at amortized cost even if they include conditions that allow the prepayment for a consideration below the nominal value ('negative compensation'), being an exemption to the requirements of IFRS 9 for the classification of financial assets at amortized cost.
- ii. it is clarified that when there is a variation in the conditions of a financial liability that does not give rise to derecognition, the measurement difference must be recorded immediately in the profit and loss account.

There were no impacts arising from the amendment to this IFRS in the CP Group.

### IAS 19 – Variations, reductions and settlements of defined benefit plans

This amendment to IAS 19 requires an entity to use updated assumptions to determine the current service cost and net interest for the remaining period after the variation, reduction or liquidation of the plan; and to recognise in profit or loss, as part of the cost of past service or as a gain or loss on liquidation, any reduction in the excess coverage, even if the excess coverage has not previously been recognised because of the impact of the asset ceiling.

The impact on the asset ceiling is always recorded in the Other comprehensive income and cannot be recycled as a result of the year.

There were no impacts arising from the amendment to this IAS 19 in the CP Group.

### IAS 28 – Investments in associated companies and joint ventures

This variation clarifies that long-term investments in associates and joint ventures (investments without a defined payment date and whose occurrence is not estimated in the near future), which are not being measured through the equity method, are accounted for in accordance with IFRS 9. This clarification determines that long-term investments in associates and joint ventures are subject to the impairment rules of IFRS 9 (3 phase model of expected losses), before being added, for impairment testing purposes, to the overall investment in an associate or joint venture, when there are indicators of impairment.

There were no impacts arising from the amendment to this IAS 18 in the CP Group.

### Improvements to standards on January 1<sup>st</sup>, 2019

There were no impacts arising from these improvements in the CP Group.

#### IAS 23 - Borrowing Costs

This improvement clarifies that in determining the weighted average rate of the costs of generic borrowings, for capitalization on qualifying assets, the costs of borrowings specifically to finance qualifying assets should be included when the specific assets are already in the intended condition of use.

#### IAS 12 - Income Tax

This improvement clarifies that the tax impact of the distribution of dividends should be recognised at the date the responsibility to pay is recorded and should be recognised against the income statement, other comprehensive income or equity depending on the item where the entity originally recorded the transaction or event that gave rise to the dividends.

#### IFRS 3 - Business combinations and IFRS 11 - Joint Agreements

This improvement clarifies that: i) in obtaining control over a business that is a joint operation, interests previously held by the investor are remeasured at fair value; (ii) an investor in a joint operation (not exercising joint control) who obtains joint control in a joint operation does not remeasure the previously held interest at fair value.

### New interpretations with effect as of January 1<sup>st</sup>, 2019

#### IFRIC 23 - Uncertainties regarding the treatment of income tax

IFRIC 23 corresponds to an interpretation of IAS 12 - Income Tax, referring to the measurement and recognition requirements to be applied when there are uncertainties as to the acceptance of a certain tax treatment by the tax authorities. In case of uncertainty about the position of the Tax Administration on a specific transaction, the entity should make its best estimate and record the income tax assets or liabilities, in the light of IAS 12, and not IAS 37 - Provisions, Liabilities and Contingent Assets, based on the estimate of expected or most likely value. The application of IFRIC 23 can be retrospective or retrospective modified.

There were no impacts arising from the amendment to IFRIC 23 in the CP Group.



## Cash Flow (note 4)

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

The Group classifies paid interest and dividends as financing activities and received interest and dividends as investment activities.

All cash and cash equivalents balances are available for use as of December 31<sup>st</sup>, 2019.

### Cash and Cash Equivalents Heading

The cash and cash equivalents heading comprises the following balances:

| Description         | (amounts in euros) |                   |
|---------------------|--------------------|-------------------|
|                     | 31/12/2019         | 31/12/2018        |
| Cash                | 491 320            | 445 074           |
| Bank deposits       | 39 963 369         | 21 338 369        |
| Subtotal            | 40 454 689         | 21 783 443        |
| Bank overdrafts (a) | ( 249 652)         | ( 248 491)        |
| <b>Total</b>        | <b>40 205 037</b>  | <b>21 534 952</b> |

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

## Accounting Policies, Variations in Accounting Estimates and Errors (note 5)

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

## RESULT COMPOSITION BY BUSINESS SEGMENT (NOTE 6)

The mode of business segmentation used by the CP Group is based on the nature of services provided. This is the mode in which the Board of Directors analyses and manages its business, and it is also the mode of organising and communicating information.

Considering that IFRS 8 defines quantitative levels from which the segments should be deemed as operating segments to be disclosed, the following segments to be disclosed within the scope of this note were identified:

- Suburban passenger transportation (includes suburban passenger transportation in the Lisbon and Oporto areas);
- Long-distance passenger transportation (connecting the main Portuguese cities, where customers mainly have a business or leisure motivation to travel), international (passenger transportation to Spain, or the border between Spain and France) and regional (medium and short-distance service for systematic regional or local travels, transporting passengers for commuting from home to work or school, as well as for the purpose of dealing with affairs/business); and
- Maintenance, repair and construction of rolling stock.
- In the aggregation of the operating segments, we sought to ensure that they had similar economic characteristics, in accordance with what was explained in IFRS 8.

In the aggregation of the operating segments we sought to ensure that they had similar economic characteristics, in accordance with what is defined in IFRS 8.

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

The financial information of the main business segments of the Group, relating to the periods ended on December 31<sup>st</sup>, 2018 and 2019, is detailed below:

|  | OPERATING CONSOLIDATED INCOME AND EXPENSES        |  |                                      |                 |   |                                     | (amounts in euros)                                  |  |  |
|--|---|--|--------------------------------------|-----------------|---|-------------------------------------|---|--|--|
|  | Transportation of passengers in Suburban services | Transportation of passengers in long-distance, international and regional services | Rolling stock maintenance and upkeep | Remaining areas | Individual operating income statement of CP group | Intra-group decomm. and adjustments | Consolidated operating income statement of CP group |  |  |
| Operating result per business segment of the CP group 2018                                     |   |  |                                      |                 |   |                                     |   |  |  |
| Provided sales and services  | 120 072 112                                       | 142 136 145  | 69 269 590                           | 8 100 624       | 339 576 471                                       | (41 525 311)                        | 298 053 160   |  |  |
| * Provided sales and services - intra-group commitments  | 4   | 89   | (39 758 803)                         | (1 766 601)     |   |                                     |   |  |  |
| Operating subsidies  | -   | -  | 7 571                                | -               | 7 571   | -                                   | 7 571   |  |  |
| * Operating subsidies - intra-group commitments  | -   | -  | -                                    | -               | -   | -                                   | -   |  |  |
| Gains/losses attributed to subsidiaries, associated companies and joint ventures               | -   | -  | 559 477                              | 7 508 507       | 8 067 984   | (6 785 334)                         | 1 302 650   |  |  |
| * Gains/losses attributed to subs., as soc. comp. and joint ventures - intra-group commitments | -   | -  | -                                    | (6 765 334)     | -   | -                                   | -   |  |  |
| Changes in production inventories  | -   | -  | (56 931)                             | -               | (56 931)  | -                                   | (56 931)  |  |  |
| * Changes in production inventories - intra-group commitments                                  | -   | -  | -                                    | -               | -   | -                                   | -   |  |  |
| Own work capitalised   | -   | -  | -                                    | -               | -   | -                                   | 9 014 150   |  |  |
| * Own work capitalised - intra-group commitments   | -   | -  | 9 592 040                            | (577 880)       | -   | -                                   | 9 014 150   |  |  |
| Sold commodities and consumed materials costs  | ( 861 940)  | (4 692 648)  | (18 853 255)                         | (327 770)       | (24 734 713)                                      | -                                   | (24 734 713)  |  |  |
| * Sold commodities and consumed materials costs - intra-group commitments                      | -   | -  | -                                    | -               | -   | -                                   | -   |  |  |
| External services and supplies   | (60 728 885)                                      | (91 781 963)   | (15 714 518)                         | (12 666 969)    | (180 881 726)                                     | 35 748 539                          | (145 143 187)                                       |  |  |
| * External services and supplies - intra-group commitments                                     | 12 037 759  | 6 233 157  | 4 428 613                            | 13 049 010      | (135 049 800)                                     | 1 374 990                           | (133 674 810)                                       |  |  |
| Personnel expenses   | (35 086 035)                                      | (46 688 490)   | (28 121 351)                         | (23 153 924)    | (135 049 800)                                     | -                                   | (135 049 800)                                       |  |  |
| * Personnel expenses - intra-group commitments   | -   | -  | 92 788                               | 1 282 202       | -   | -                                   | -   |  |  |
| Inventory impairment (losses/revers)   | -   | -  | (412 397)                            | (239 463)       | ( 651 860)  | -                                   | ( 651 860)  |  |  |
| * Inventory impairment (losses/revers) - intra-group commitments                               | -   | -  | -                                    | -               | -   | -                                   | -   |  |  |
| Impairment of receivables (losses/reversals)   | ( 78 163)   | 497 590  | ( 66 769)                            | ( 16 002)       | 336 636   | -                                   | 336 636   |  |  |
| * Impairment of receivables (losses/reversals) - intra-group commitments                       | -   | -  | -                                    | -               | -   | -                                   | -   |  |  |
| Provisions (increases/decreases)   | -   | -  | ( 3 820)                             | (1 066 786)     | (1 097 592)                                       | ( 3 828)                            | (1 101 420)   |  |  |
| * Provisions (increases/decreases) - intra-group commitments                                   | -   | -  | -                                    | ( 3 820)        | -   | -                                   | -   |  |  |
| Impairm. of non-depr./non-amort. invest. (losses/reversals)                                    | -   | -  | -                                    | 1 609 616       | 1 609 616   | -                                   | 1 609 616   |  |  |
| * Impairm. of non-depr./non-amort. invest. (losses/reversals) - intra-group commitments        | -   | -  | -                                    | -               | -   | -                                   | -   |  |  |
| Other income and gains   | 10 547 186  | 4 255 211  | 4 590 738                            | 12 193 479      | 31 586 614  | (7 986 040)                         | 23 600 574  |  |  |
| * Other income and gains - intra-group commitments   | ( 47 747)   | ( 96 389)  | (1 565 694)                          | (6 276 210)     | -   | -                                   | -   |  |  |
| Other expenses and losses  | (1 692 837)                                       | (1 816 560)  | (1 931 023)                          | (7 236 290)     | (12 676 700)                                      | 1 242 113                           | (11 434 587)  |  |  |
| * Other expenses and losses - intra-group commitments  | -   | -  | 1 031 813                            | 210 300         | -   | -                                   | -   |  |  |
| Result before depreciations, financing expenses and taxes                                      | 32 172 316  | ( 90 115)  | 9 240 326                            | (15 294 959)    | 26 027 570  | (6 900 721)                         | 17 126 849  |  |  |
| * Result before depreciations, financing expenses and taxes - intra-group commitments          | 11 990 016  | 6 136 857  | (26 179 243)                         | ( 848 351)      | -   | -                                   | -   |  |  |
| Expenses/reversals of depreciation and amortisation  | (27 059 749)                                      | (19 016 396)   | (847 480)                            | (7 731 122)     | (54 653 747)                                      | -                                   | (54 653 747)  |  |  |
| Impairment of depreciable/amortisable investments (losses/reversals)                           | -   | ( 63 906)  | -                                    | 785 553         | 721 647   | -                                   | 721 647   |  |  |
| Operating income (before financing expenses and taxes)   | 17 103 565  | (13 033 560)   | (17 896 397)                         | (23 068 879)    | (27 904 530)                                      | (6 900 721)                         | (36 805 251)  |  |  |

| Operating result per business segment of the CP group 2019                                    | (amounts in euros)   |                                      |                 |   |   |
|---|--|--------------------------------------|-----------------|---|---|
|   | Transportation of passengers in suburban, long-distance, international and regional services | Rolling stock maintenance and upkeep | Remaining areas | Individual operating income statement of CP group | Consolidated operating income statement of CP group |
| <b>OPERATING CONSOLIDATED INCOME AND EXPENSES</b>   |  |                                      |                 |   |   |
| Provided sales and services   | 273 850 711  | 73 656 770                           | 10 973 737      | 388 480 618                                       | 304 383 282   |
| * Provided sales and services - intra-group commitments                                       | ( 742)   | (52 033 637)                         | (2 062 957)     |   |   |
| Operating subsidies   | 40 003 543   | 4 472                                | -               | 40 008 015  | 40 008 015  |
| * Operating subsidies - intra-group commitments   | -  | -                                    | -               | -   | -   |
| Gains/losses attributed to subsidiaries, associated companies and joint ventures              | -  | 749 752                              | 9 152 934       | 9 902 686   | 1 591 428   |
| * Gains/losses attributed to subs., assoc. comp. and joint ventures - intra-group commitments | -  | -                                    | (8 311 258)     |   |   |
| Changes in production inventories   | -  | ( 103 741)                           | -               | ( 103 741)  | ( 103 741)  |
| * Changes in production inventories - intra-group commitments                                 | -  | -                                    | -               | -   | -   |
| Capitalised production costs  | -  | -                                    | -               | -   | 11 263 629  |
| * Capitalised production costs - intra-group commitments                                      | -  | 11 263 629                           | -               | -   | 11 263 629  |
| Sold commodities and consumed materials costs   | (6 287 643)  | (20 138 200)                         | -               | (26 425 843)                                      | (26 425 843)  |
| * Sold commodities and consumed materials costs - intra-group commitments                     | -  | -                                    | -               | -   | -   |
| External services and supplies  | (175 203 466)  | (16 914 441)                         | (2 017 801)     | (194 135 728)                                     | (146 318 210)                                       |
| * External services and supplies - intra-group commitments                                    | 41 116 145   | 4 366 737                            | 314 636         |   |   |
| Personnel expenses  | (109 014 542)  | (28 439 846)                         | (1 117 954)     | (138 572 342)                                     | (138 861 597)                                       |
| * Personnel expenses - intra-group commitments  | 1 613 202  | 87 004                               | 539             |   |   |
| Inventory impairment (losses/reversal)  | -  | 4 324 572                            | ( 123 082)      | 4 201 490   | 4 201 490   |
| * Inventory impairment (losses/reversal) - intra-group commitments                            | -  | -                                    | -               | -   | -   |
| Impairment of receivables (losses/reversals)  | ( 629 453)   | ( 467 300)                           | 1 163           | (1 095 590)                                       | (1 095 590)   |
| * Impairment of receivables (losses/reversals) - intra-group commitments                      | -  | -                                    | -               | -   | -   |
| Provisions (increases/decreases)  | 1 720 715  | (1 141 161)                          | -               | 579 554   | (2 526 524)   |
| * Provisions (increases/decreases) - intra-group commitments                                  | (3 106 078)  | -                                    | -               |   |   |
| Impairm. of non-depr./non-amort. invest. (losses/reversals)                                   | ( 465 389)   | -                                    | 4 140           | ( 461 249)  | ( 461 249)  |
| * Impairm. of non-depr./non-amort. invest. (losses/reversals) - intra-group commitments       | -  | -                                    | -               | -   | -   |
| Other income and gains  | 24 059 953   | 3 860 081                            | 107 478         | 28 027 512  | 22 060 954  |
| * Other income and gains - intra-group commitments  | (4 209 068)  | (1 669 457)                          | (88 033)        |   |   |
| Other expenses  | (7 376 784)  | (1 535 739)                          | (59 232)        | (8 971 755)                                       | (8 405 596)   |
| Other expenses - intra-group commitments  | 220 987  | 345 172                              | -               |   |   |
| Result before depreciations, financing expenses and taxes                                     | 40 657 625   | 13 854 619                           | 16 921 383      | 71 433 627  | 59 310 448  |
| Result before depreciations, financing expenses and taxes - intra-group commitments           | 35 634 446   | (37 610 552)                         | (10 147 073)    | -   | -   |
| Expenses/reversals of depreciation and amortisation   | (52 569 003)   | ( 951 864)                           | ( 29 408)       | (53 939 275)                                      | (55 610 009)  |
| Impairment of depreciable/amortisable investments (losses/reversals)                          | 814 416  | -                                    | -               | 814 416   | 814 416   |
| Operating result (before financing expenses and taxes)  | 24 148 484   | (24 707 797)                         | 6 744 902       | 18 308 768  | 4 514 855   |
| Operating result (before financing expenses and taxes) - intra-group commitments              | -  | -                                    | -               | -   | -   |

The Financial Income is not shown per segment, since operating decisions are made based on operating incomes per business segment, and it is not possible to allocate/assign the existing financing to all segments.

The assets and liabilities of these business segments have the following amounts on December 31<sup>st</sup>, 2018 and 2019:

Assets and liabilities per segments of the CP Group as at the 31st December, 2018

(amounts in euros)

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

Assets and liabilities per segments of the CP Group as at the 31st December, 2019

(amounts in euros)

|  | Transportation of passengers in suburban, long-distance, international and regional services | Rolling stock maintenance and upkeep | Remaining areas | Total reported by segments | Intra-group decomm. and adjustments | Total consolidated assets and liabilities 2019 |
|--|--|--------------------------------------|-----------------|----------------------------|-------------------------------------|--|
| Non-current asset of the reportable segments     | 513 303 540  | 6 896 466                            | 482 996         | 520 683 002                | ( 38 338 336)                       | 482 344 666                                    |
| Current asset of the reportable segments         | 60 744 058   | 57 750 128                           | 1 685 733       | 120 179 919                | ( 6 597 376)                        | 113 582 543                                    |
| Total asset of the reportable segments           | 574 047 598  | 64 646 594                           | 2 168 729       | 640 862 921                | ( 44 935 712)                       | 595 927 209                                    |
| Non-current liability of the reportable segments | 799 707 250  | 10 513 827                           | 230 985         | 810 452 062                | 2 235 256                           | 812 687 318                                    |
| Current liability of the reportable segments     | 1 447 013 874  | 19 804 792                           | 1 362 211       | 1 468 180 877              | 91 573 545                          | 1 559 754 422                                  |
| Total liability of the reportable segments       | 2 246 721 124  | 30 318 619                           | 1 593 196       | 2 278 632 939              | 93 808 801                          | 2 372 441 740                                  |

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

## Fixed Tangible Assets (note 7)

By the end of 2019, the CP Group had fixed tangible assets organised by fixed asset categories, as shown in the following table:

| Description   | (amounts in euros) |                    |
|---|--------------------|--------------------|
|   | 31/12/2019         | 31/12/2018         |
| Gross Amount:   |                    |                    |
| Land and natural resources                                | 20 617 518         | 20 617 518         |
| Buildings and other constructions                         | 95 295 840         | 94 107 108         |
| Basic equipment   | 1426 711 289       | 1415 589 032       |
| Transportation equipment                                  | 3 018 420          | 2 977 487          |
| Administrative equipment                                  | 26 547 252         | 25 601 764         |
| Other fixed tangible assets                               | 63 837 393         | 66 872 952         |
| Ongoing investments                                       | 1 476 695          | 988 181            |
| Advance payments on account of investments                | 196 138            | 23 187             |
| Subtotal  | 1 637 700 545      | 1 626 777 229      |
| Accumulated depreciation and impairment:                  |                    |                    |
| Depreciation of the period                                | 53 835 105         | 54 556 254         |
| Accumulated depreciation of previous periods              | 1 148 713 693      | 1 094 157 439      |
| Adjustments carried out against accumulated depreciations | (6 909 352)        |                    |
| Impairment losses of the period                           | ( 814 416)         | ( 721 647)         |
| Impairment losses of previous periods                     | 4 994 000          | 5 715 647          |
| Subtotal  | 1 199 819 030      | 1 153 707 693      |
| <b>Net book value</b>                                     | <b>437 881 515</b> | <b>473 069 536</b> |

The movements in the fixed tangible assets heading throughout 2019 are summarised in the following table:

| Description  | Opening balance    | Additions  | Disposals | Assets classified<br>as held for sale | Write-offs  | Transfers    | Other<br>settlements | Closing balance    | (amounts in euros) |
|--|--------------------|------------|-----------|---------------------------------------|-------------|--------------|----------------------|--------------------|--------------------|
|  |                    |            |           |                                       |             |              |                      |                    |                    |
| Gross amount:  |                    |            |           |                                       |             |              |                      |                    |                    |
| Land and natural resources                           | 20 617 518         | -          | -         | -                                     | -           | -            | -                    | 20 617 518         |                    |
| Buildings and other constructions                    | 94 107 108         | 16 632     | -         | -                                     | (164 297)   | 1 610 094    | (273 697)            | 95 295 840         |                    |
| Basic equipment                                      | 1 415 589 032      | 862 926    | (1 427)   | 473 742                               | (1 090 918) | 15 281 633   | (4 403 699)          | 1 426 711 289      |                    |
| Transportation equipment                             | 2 977 487          | 68 148     | -         | -                                     | (27 215)    | -            | -                    | 3 018 420          |                    |
| Administrative equipment                             | 25 601 764         | 605 166    | (5 112)   | -                                     | (911 705)   | 1 257 139    | -                    | 26 547 252         |                    |
| Other fixed tangible assets                          | 66 872 952         | 374 496    | -         | -                                     | (161 385)   | 674 405      | (3 923 075)          | 63 837 393         |                    |
| Ongoing investments                                  | 988 181            | 17 062 182 | -         | -                                     | -           | (16 573 668) | -                    | 1 476 695          |                    |
| Advance payments on account of investments           | 23 187             | 2 449 791  | -         | -                                     | -           | (2 249 603)  | (27 237)             | 196 138            |                    |
|  | 1 626 777 229      | 21 439 341 | (6 539)   | 473 742                               | (2 355 520) | -            | (8 627 708)          | 1 637 700 545      |                    |
| Accumulated depreciation and impairment:             |                    |            |           |                                       |             |              |                      |                    |                    |
| Buildings and other constructions                    | 47 283 028         | 2 484 240  | -         | -                                     | (164 297)   | -            | (273 697)            | 49 329 274         |                    |
| Basic equipment                                      | 1 022 809 722      | 47 881 092 | (1 427)   | 473 742                               | (1 090 918) | -            | (846 591)            | 1 069 225 620      |                    |
| Transportation equipment                             | 2 946 198          | 27 318     | -         | -                                     | (27 215)    | -            | -                    | 2 946 301          |                    |
| Administrative equipment                             | 23 466 695         | 1 161 173  | (4 508)   | -                                     | (911 705)   | -            | -                    | 23 711 655         |                    |
| Other fixed tangible assets                          | 52 208 051         | 2 281 282  | -         | -                                     | (139 661)   | -            | (3 923 075)          | 50 426 597         |                    |
| Fix. Tang. Assets-Acc. Impair. Losses - Basic Equip. | 4 993 999          | (814 416)  | -         | -                                     | -           | -            | -                    | 4 179 583          |                    |
|  | 1 153 707 693      | 53 020 689 | (5 935)   | 473 742                               | (2 333 796) | -            | (5 043 363)          | 1 199 819 030      |                    |
| <b>Total</b>   | <b>473 069 536</b> |            |           |                                       |             |              |                      | <b>437 681 515</b> |                    |

Tangible fixed assets of the CP Group are measured at cost and depreciated on a straight-line basis over the useful lives specified in note 3.

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

The most significant write-offs concern basic equipment (commercial equipment), already totally depreciated and not allocated to commercial activity, and investments made in diesel stations that have been deactivated.

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

The other regularisations reflect the adjustment of the net book value of assets (pieces of equipment and rolling stock) resulting from the revision of their useful life.

As of December 31<sup>st</sup>, 2019, the following tangible fixed assets were granted as collateral for loans obtained by CP from Eurofima:

|              | (amounts in euros) |
|--------------|--------------------|
| Description  | Book value         |
| Railcars     | 176 316 229        |
| <b>Total</b> | <b>176 316 229</b> |

## INTANGIBLE ASSETS (NOTE 8)

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



| Description                                  | (amounts in euros) |            |
|--|--------------------|------------|
|  | 31/12/2019         | 31/12/2018 |
| Gross Amount:                                |                    |            |
| Research and development expenses            | 42 672             | 42 672     |
| Computer programmes                          | 517 792            | 1 464 911  |
| Intangible assets under construction         | -                  | -          |
| Subtotal                                     | 560 464            | 1 507 583  |
| Accumulated amortisation and impairment:     |                    |            |
| Amortisation of the period                   | 104 170            | 97 492     |
| Reversals of the period                      | (1 152 686)        | -          |
| Accumulated amortisation of previous periods | 1 384 936          | 1 287 444  |
| Subtotal                                     | 336 420            | 1 384 936  |
| Net book value                               | 224 044            | 122 647    |

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

The variation in the heading of intangible assets throughout 2019 is analysed as follows:

| Description                                  | (amounts in euros) |           |                     |           |                      |             |           |                 |
|--|--------------------|-----------|---------------------|-----------|----------------------|-------------|-----------|-----------------|
|  | Opening balance    | Additions | Reval / Impairments | Disposals | Assets held for sale | Write-offs  | Transfers | Closing balance |
| Gross Amount:                                |                    |           |                     |           |                      |             |           |                 |
| Research and development expenses            | 42 672             | -         | -                   | -         | -                    | -           | -         | 42 672          |
| Computer programmes                          | 1 464 911          | 205 567   | -                   | -         | -                    | (1 152 686) | -         | 517 792         |
| Intangible assets under construction         | -                  | -         | -                   | -         | -                    | -           | -         | -               |
|  | 1 507 583          | 205 567   | -                   | -         | -                    | (1 152 686) | -         | 560 464         |
| Accumulated amortisation and impairment:     |                    |           |                     |           |                      |             |           |                 |
| Amortisation of the period                   | -                  | 104 170   | -                   | -         | -                    | -           | -         | 104 170         |
| Accumulated amortisation of previous periods | 1 384 936          | -         | -                   | -         | -                    | (1 152 686) | -         | 232 250         |
|  | 1 384 936          | 104 170   | -                   | -         | -                    | (1 152 686) | -         | 336 420         |
| Total  | 122 647            |           |                     |           |                      |             |           | 224 044         |

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

## Rights to Use Assets (note 9)

As described in note 2 ('comparative values'), under the new wording of IFRS16, it was recognized in the statement of financial position the right to use the assets for leases that met all the requirements listed in that standard.

| (amounts in euros)                           |                   |            |
|--|-------------------|------------|
| Description                                  | 31/12/2019        | 31/12/2018 |
| Gross Amount:                                |                   |            |
| Right-of-use (Finance Leases - IFRS16)       | 14 313 059        | -          |
| <b>Subtotal</b>                              | <b>14 313 059</b> | <b>-</b>   |
| Accumulated amortisation and impairment:     |                   |            |
| Amortisation of the period                   | 1 670 734         | -          |
| Accumulated amortisation of previous periods | -                 | -          |
| <b>Subtotal</b>                              | <b>1 670 734</b>  | <b>-</b>   |
| <b>Net Book Value</b>                        | <b>12 642 325</b> | <b>-</b>   |

As well as the respective responsibilities resulting from the financial leases:

| (amounts in euros)             |                   |            |
|--------------------------------|-------------------|------------|
| Description                    | 31/12/2019        | 31/12/2018 |
| Non-current                    |                   |            |
| Liabilities for finance leases | 11 202 675        | -          |
| Current                        |                   |            |
| Liabilities for finance leases | 1 571 557         | -          |
| <b>Total</b>                   | <b>12 774 232</b> | <b>-</b>   |

These rights of use relate mainly to buildings and rolling stock.

## Financial Holdings – Equity Method (note 10)

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

| (amounts in euros) |            |                  |            |                  |                  |            |                  |
|--------------------|------------|------------------|------------|------------------|------------------|------------|------------------|
| Description        | Type       | 31/12/2019       |            |                  | 31/12/2018       |            |                  |
|                    |            | Gross amount     | Impairment | Net amount       | Gross amount     | Impairment | Net amount       |
| SIMEF A.C.E.       | Investment | 387 775          | -          | 387 775          | 400 326          | -          | 400 326          |
| NOMAD TECH, LDA.   | Investment | 855 147          | -          | 855 147          | 493 170          | -          | 493 170          |
| OTLIS, ACE         | Investment | 529 613          | -          | 529 613          | 344 767          | -          | 344 767          |
| TIP, ACE           | Investment | 1 706 697        | -          | 1 706 697        | 1 115 478        | -          | 1 115 478        |
| <b>Total</b>       |            | <b>3 479 232</b> | <b>-</b>   | <b>3 479 232</b> | <b>2 353 741</b> | <b>-</b>   | <b>2 353 741</b> |

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

(amounts euros)

|                  | Opening balance  | Additions | Disposals | Equity Method    | Other changes     | Closing balance  |
|------------------|------------------|-----------|-----------|------------------|-------------------|------------------|
| Gross amount     |                  |           |           |                  |                   |                  |
| SIMEF A.C.E.     | 400 326          | -         | -         | 387 775          | ( 400 326)        | 387 775          |
| NOMAD TECH, LDA. | 493 170          | -         | -         | 361 977          | -                 | 855 147          |
| OTLIS A.C.E.     | 344 767          | -         | -         | 250 457          | ( 65 611)         | 529 613          |
| TIP, ACE         | 1 115 478        | -         | -         | 591 219          | -                 | 1 706 697        |
| Subtotal         | 2 353 741        | -         | -         | 1 591 428        | ( 465 937)        | 3 479 232        |
| Impairment       | -                | -         | -         | -                | -                 | -                |
| Subtotal         | -                | -         | -         | -                | -                 | -                |
| <b>Total</b>     | <b>2 353 741</b> | <b>-</b>  | <b>-</b>  | <b>1 591 428</b> | <b>( 465 937)</b> | <b>3 479 232</b> |

During 2019, the increase in the value of financial investments results from the positive results of associated companies.

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

(amounts in euros)

| Associated company | Holding % | Reference date | Assets     | Liabilities | Equity    | Income    | Net result |
|--------------------|-----------|----------------|------------|-------------|-----------|-----------|------------|
| SIMEF A.C.E.       | 51        | 31-dez-19      | 8 648 300  | 7 887 956   | 760 343   | -         | 760 343    |
| Nomad Tech Lda     | 35        | 31-dez-19      | 4 949 836  | 2 506 558   | 2 443 278 | -         | 158 170    |
| TIP, ACE           | 33        | 31-dez-19      | 16 491 581 | 11 319 776  | 5 171 805 | 7 772 986 | 2 447 374  |
| OTLIS, ACE         | 14        | 31-dez-19      | 7 708 565  | 4 001 264   | 3 707 301 | 7 667 689 | 1 822 076  |

\* This amount is the Net Result of the period from 01/07/2019 to 31/12/2019.

As previously mentioned, Nomad Tech closes its financial year on the 30th of June, every year.

## Other Financial Investments (note 11)

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

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

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

(amounts in euros)

| Description                   | Method           | 31/12/2019   |            |            | 31/12/2018   |            |            |
|-------------------------------|------------------|--------------|------------|------------|--------------|------------|------------|
|                               |                  | Gross amount | Impairment | Net amount | Gross amount | Impairment | Net amount |
| CP Carga, SA                  | Acquisition cost | 80 000       | ( 80 000)  | -          | 80 000       | ( 80 000)  | -          |
| MLM, SA                       | Acquisition cost | 12 721       | ( 12 721)  | -          | 12 721       | ( 12 721)  | -          |
| METRO DO PORTO, SA            | Acquisition cost | 249 399      | ( 249 399) | -          | 249 399      | ( 249 399) | -          |
| METRO-MONDEGO, SA             | Acquisition cost | 3 595        | -          | 3 595      | 3 595        | -          | 3 595      |
| ICF                           | Acquisition cost | 382 269      | ( 382 269) | -          | 382 269      | ( 382 269) | -          |
| EUROFIMA                      | Acquisition cost | 27 760 679   | -          | 27 760 679 | 27 760 679   | -          | 27 760 679 |
| BCC                           | Acquisition cost | 1 460        | -          | 1 460      | 1 460        | -          | 1 460      |
| FUNDAÇÃO MUSEU NAC. FERROVIÁR | Acquisition cost | 31 944       | ( 31 944)  | -          | 31 944       | ( 31 944)  | -          |
| INEGI                         | Acquisition cost | 2 500        | ( 2 500)   | -          | 2 500        | ( 2 500)   | -          |
| TRANSCOM, S.A.                | Acquisition cost | 388 280      | ( 120 179) | 268 101    | 388 280      | ( 124 319) | 263 961    |
| Work Compensation Fund        |                  | 83 714       | -          | 83 714     | 49 152       | -          | 49 152     |
|                               |                  | 28 996 561   | ( 879 012) | 28 117 549 | 28 961 999   | ( 883 152) | 28 078 847 |

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

The amount accounted for in the holding of Eurofima corresponds to a subscription of 52 thousand Swiss Francs at the date of initial capital subscription and subsequent capital increases. CP, as well as all the other shareholders of Eurofima, only paid 20% of that amount, and the remaining 41.6 thousand Swiss Francs are still payable. The shareholders can be called upon to realize at any time and unconditionally the amount that remains to be realized.

The movement of these financial holdings in 2019 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             |
| FUNDAÇÃO MUSEU NAC. FERROVIÁRIO | 31 944             | -             | -         | -          | -             | 31 944            |
| INEGI                           | 2 500              | -             | -         | -          | -             | 2 500             |
| TRANSCOM, S.A.                  | 388 280            | -             | -         | -          | -             | 388 280           |
| Work Compensation Fund          | 49 152             | 34 562        | -         | -          | -             | 83 714            |
|                                 | 28 961 999         | 34 562        | -         | -          | -             | 28 996 561        |
| Impairment                      |                    |               |           |            |               |                   |
| CP Carga, SA                    | ( 80 000)          | -             | -         | -          | -             | ( 80 000)         |
| MLM, SA                         | ( 12 721)          | -             | -         | -          | -             | ( 12 721)         |
| METRO DO PORTO, SA              | ( 249 399)         | -             | -         | -          | -             | ( 249 399)        |
| ICF                             | ( 382 269)         | -             | -         | -          | -             | ( 382 269)        |
| FUNDAÇÃO MUSEU NAC. FERROVIÁRIO | ( 31 944)          | -             | -         | -          | -             | ( 31 944)         |
| INEGI                           | ( 2 500)           | -             | -         | -          | -             | ( 2 500)          |
| TRANSCOM, S.A.                  | ( 124 319)         | -             | -         | -          | 4 140         | ( 120 179)        |
|                                 | ( 883 152)         | -             | -         | -          | 4 140         | ( 879 012)        |
| <b>Total</b>                    | <b>28 078 847</b>  | <b>34 562</b> | <b>-</b>  | <b>-</b>   | <b>4 140</b>  | <b>28 117 549</b> |

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

## Income Tax (note 12)

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

Although the public service contract was signed in 2019, which significantly changes the form of financing of the public transportation service, such contract is still under consideration by the Court of Auditors and the date on which it will be approved by such entity is unknown. This situation may have a significant impact on the compensation resulting from this contract and which should be considered for the purposes of determining the deferred tax assets/liabilities. For this reason, CP did not record deferred tax assets/liabilities related to temporary differences between the accounting recognition of expenses or income and their tax approval.

At the end of 2019, the total deductible tax losses of the CP Group amounted approximately to 242,6 million euros, which may be used between 2019 and 2028.

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

|                | (amounts in euros) |                    |
|----------------|--------------------|--------------------|
| <b>Company</b> | <b>31/12/2019</b>  | <b>31/12/2018</b>  |
| CP             | ( 740 864)         | ( 861 007)         |
| Fernave        | ( 7 943)           | ( 3 152)           |
| Ecosaúde       | ( 6 932)           | ( 7 360)           |
| Emef           | ( 340 608)         | ( 273 583)         |
| Saros          | ( 6 169)           | ( 6 139)           |
| <b>Total</b>   | <b>(1 102 516)</b> | <b>(1 151 241)</b> |

## Inventories (note 13)

As of December 31<sup>st</sup>, 2019, the CP Group has the following amounts of inventory, detailed by classification:

|  | (amounts in euros) |                   |
|--|--------------------|-------------------|
| <b>Description</b>                       | <b>31/12/2019</b>  | <b>31/12/2018</b> |
| Gross Amount:                            |                    |                   |
| Raw, auxiliary and consumable materials  | 44 154 805         | 41 456 489        |
| Finished and intermediate products       | 748 036            | 851 778           |
| Advance payments for purchasing purposes | 596 347            | 57 497            |
|  | 45 499 188         | 42 365 764        |
| Accumulated impairments                  |                    |                   |
| Impairments of the period                | 4 201 490          | ( 651 860)        |
| Impairments of previous periods          | (15 563 809)       | (14 911 949)      |
|  | ( 11 362 319)      | ( 15 563 809)     |
| <b>Net book value</b>                    | <b>34 136 869</b>  | <b>26 801 955</b> |

The raw, subsidiary and consumable materials heading suffered an increase when compared to the previous year. This is the result of the rise in the volume of purchases in comparison with the same period of the previous year and a consequent growth in the volume of stock in stock to meet planned interventions.

In line with the trend of purchases, there was also an increase in advance payments on account of purchases compared with the same period of the previous year, which stems from a contract for the supply of components, the settlement of which will occur as the components are delivered.

As reported in the previous year, it is important to highlight the fact that, under the maintenance contract signed with ViaPorto, and in order to allow the provision of services without loss of quality and continuity, this entity has made available to the Group spare parts for use, owned by Metro do Porto, through mandatory replacement at the end of the contract.

However, since the Group's inventory is not mentioned, the respective consumption only occurs when the customer's stock is replaced. In accordance with the principle of accrual, the estimated value of consumption of parts of this lot occurred in the period is specialized.

The recognition of inventory impairments had the following variations:

| (amounts in euros)                      |                     |          |                   |                  |                     |
|---|---------------------|----------|-------------------|------------------|---------------------|
| Description                             | Opening balance     | Uses     | Losses            | Reversal         | Closing balance     |
| Inventory impairment                    |                     |          |                   |                  |                     |
| Raw, auxiliary and consumable materials | (15 060 244)        | -        | ( 724 174)        | 4 633 857        | (11 150 561)        |
| Finished and intermediate products      | ( 503 565)          | -        | ( 13 062)         | 304 869          | ( 211 758)          |
| <b>Total</b>                            | <b>(15 563 809)</b> | <b>-</b> | <b>( 737 236)</b> | <b>4 938 726</b> | <b>(11 362 319)</b> |

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

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

Until 2011, the basic criterion for assessing the impairment of such materials was the non-movement for over 5 years, applied to all inventory in storage. In 2012, and by considering the durability of most of the parts used for repairs of rolling stock, the company opted to assess the impairment of this set of assets more thoroughly. In order to do so, the impairment of storage parts of rolling stock was calculated in accordance with the estimated useful life of the series of material with which the parts were associated. The criterion of non-movement for over 5 years was maintained for the remaining materials.

The total inventory impairments recognised in 2019 also results from the weight of the maintenance and repair segment.

The criteria adopted in determining impairment losses of inventories in the maintenance and repair segment make the value of impairment of materials in stock dependent on the duration of the service contracts entered into with each client and on the expected rotation/perspectives of consumption in that time horizon.

In the specific case of materials with application in the rolling stock series, the estimate of impairment of materials was revised, depending on the expected useful life of the series where they will be applied, resulting from the merger by incorporation of EMEF in CP from January 1<sup>st</sup>, 2020.

As for the variations in Production Inventories, the CP Group had the following amounts in 2019 and 2018:

| Description                          | (amounts in euros) |                  |
|--------------------------------------|--------------------|------------------|
|                                      | 31/12/2019         | 31/12/2018       |
| Variations in Production inventories |                    |                  |
| Finished and intermediate products   | ( 103 741)         | ( 56 931)        |
| <b>Total</b>                         | <b>( 103 741)</b>  | <b>( 56 931)</b> |

## Customers (note 14)

As of December 31<sup>st</sup>, 2019, the heading of customers had the following amounts:

| Description                           | (amounts in euros) |                   |
|---------------------------------------|--------------------|-------------------|
|                                       | 31/12/2019         | 31/12/2018        |
| Gross Amount:                         |                    |                   |
| Customers current account             |                    |                   |
| General                               | 12 682 509         | 13 519 498        |
| Customers - doubtful collection       | 3 105 689          | 2 490 983         |
| Subtotal                              | 15 788 198         | 16 010 481        |
| Accumulated impairment                |                    |                   |
| Impairment losses of the period       | ( 664 681)         | 350 601           |
| Impairment losses of previous periods | (2 305 086)        | (2 655 687)       |
| Subtotal                              | ( 2 969 767)       | ( 2 305 086)      |
| <b>Net book value</b>                 | <b>12 818 431</b>  | <b>13 705 395</b> |

The movements of impairment losses are analysed as follows:



(amounts in euros)

| Description       | Opening balance    | Losses            | Uses          | Reversals     | Closing balance    |
|-------------------|--------------------|-------------------|---------------|---------------|--------------------|
| Impairment losses |                    |                   |               |               |                    |
| General customers | (2 305 086)        | ( 796 293)        | 77 945        | 53 667        | (2 969 767)        |
| <b>Total</b>      | <b>(2 305 086)</b> | <b>( 796 293)</b> | <b>77 945</b> | <b>53 667</b> | <b>(2 969 767)</b> |

## State and Other Public Entities (note 15)

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

| Description                                      | (amounts in euros) |                  |
|--|--------------------|------------------|
|  | 31/12/2019         | 31/12/2018       |
| Asset  |                    |                  |
| Income tax                                       | 754 358            | 909 350          |
| VAT  | 8 377 280          | 6 971 651        |
| VAT receivable                                   | 7 191 038          | 6 192 008        |
| VAT requested refunds                            | 1 186 242          | 779 643          |
| Soc. Sec. Contributions National Pensions Centre | 42 841             | 454              |
| DGI-FCT  | 54                 | -                |
| <b>Total</b>                                     | <b>9 174 533</b>   | <b>7 881 455</b> |
| Liability  |                    |                  |
| Income tax                                       | 1 102 516          | 1 113 245        |
| Income tax withheld                              | 284 184            | 285 215          |
| VAT payable                                      | 626 953            | 1 881 312        |
| Social Security Contribution                     | 562 371            | 560 292          |
| Other taxes                                      | -                  | 1 123            |
| <b>Total</b>                                     | <b>2 576 024</b>   | <b>3 841 187</b> |

The variation in this heading is essentially due to the increase in the VAT receivable, as a result of the acceptance, at the end of 2019, of invoicing from IP - Infraestruturas de Portugal, relating to infrastructure use services.

## Other accounts receivable (note 16)

The heading Other accounts receivable is analysed as follows:

| Description   | (amounts in euros) |              |
|---|--------------------|--------------|
|   | 31/12/2019         | 31/12/2018   |
| Gross Amount:   |                    |              |
| Advance payments to suppliers                               | 1 652 132          | 128 391      |
| Other   | 501 830            | 105 834      |
| Other Debtors - personnel                                   | 111 636            | 133 305      |
| Sundry Debtors - current account                            | 9 167 905          | 9 235 152    |
| Debtors by income accruals                                  | 4 191 781          | 3 247 656    |
| Subtotal  | 15 625 284         | 12 850 338   |
| Accumulated impairment                                      |                    |              |
| Impairment of the period - Other debts from third parties   | ( 352 964)         | ( 10 872)    |
| Impairment of previous periods - O. Deb. from third parties | (4 167 618)        | (4 156 746)  |
| Subtotal  | ( 4 520 582)       | ( 4 167 618) |
| Net book value  | 11 104 702         | 8 682 720    |

The increase regarding 2019 is mainly found:

- Under the heading on advance payment to suppliers, which presents an increase of 1.5 million euros, mainly as a result of the signature of the two bogie repair contracts.
- Under the heading of debtors by income accruals, which shows an increase in the order of 0.9 million euros, as a result of the registration of contributions not yet received relating to social passes, which are expected to be received in 2020.

The movements of impairment losses are analysed as follows:

| Description                    | (amounts in euros) |            |     |           |                 |
|--------------------------------|--------------------|------------|-----|-----------|-----------------|
|                                | Opening balance    | Losses     | Use | Reversals | Closing balance |
| Impairment losses              |                    |            |     |           |                 |
| Other debts from third parties | (4 167 618)        | ( 502 687) | -   | 149 723   | (4 520 582)     |
| Total                          | (4 167 618)        | ( 502 687) | -   | 149 723   | (4 520 582)     |

## Deferrals (note 17)

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

| Description   | (amounts in euros) |                    |
|---|--------------------|--------------------|
|   | 31/12/2019         | 31/12/2018         |
| Asset   |                    |                    |
| Expenses to be recognised                                 |                    |                    |
| Defer. - exp. to be recogn. - other - miscellaneous       | 938 644            | 1 254 394          |
| Defer. - exp. to be recogn. - insurance                   | 498 177            | 480 419            |
| Defer. - exp. to be recogn. - rents                       | 11 494             | 9 444              |
| <b>Total</b>  | <b>1 448 315</b>   | <b>1 744 257</b>   |
| Liability   |                    |                    |
| Income to be recognised                                   |                    |                    |
| Defer. - inc. to be recogn. - invest. grants              | 103 745 416        | 106 456 194        |
| Def. - inc. to be reco. - invo. on acc. - work to be und. | 589 823            | -                  |
| Def. - inc. to be reco. - other def. - inc. to be recog.  | 36 570             | 28 778             |
| <b>Total</b>  | <b>104 371 809</b> | <b>106 484 972</b> |

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

|   | (amounts in euros)   |                      |
|---|----------------------|----------------------|
| Description   | 31/12/2019           | 31/12/2018           |
| 59300004 Reserves Grants - Rolling Stock                      | ( 384 295)           | ( 384 295)           |
| 59300100 FEDER-Sub Proj 12UQE                                 | (2 343 858)          | (3 217 792)          |
| 59300700 PIDDAC-Sub Proj 12+4UQE                              | (3 127 490)          | (3 474 986)          |
| 59300800 FEDER-Sub Proj 12+4UQE                               | (8 547 861)          | (9 497 606)          |
| 59301001 PIDDAC-Sub Proj 34UQE/UTE                            | (1 905 151)          | (2 222 677)          |
| 59301002 PIDDAC-Sub Proj 19UDD                                | ( 280 889)           | ( 331 757)           |
| 59301003 PIDDAC-Sub Proj 21ALLAN                              | ( 579 992)           | ( 620 963)           |
| 59301004 PIDDAC-Sub Proj 42UQE                                | ( 263 096)           | ( 303 000)           |
| 59301005 PIDDAC-Sub Proj 34UME                                | (14 579 110)         | (15 666 540)         |
| 59301006 PIDDAC-Sub Proj 57UTE Silicon                        | (12 358 928)         | (13 198 673)         |
| 59301009 PIDDAC-Sub Proj 57CORRAIL                            | ( 341 065)           | ( 404 925)           |
| 59301010 PIDDAC-Sub Proj 12Locomotives                        | ( 390 009)           | ( 390 009)           |
| 59301013 PIDDAC-Sub Proj Bilhet s/contacto                    | -                    | ( 134 792)           |
| 59301014 PIDDAC-Improv Interface Branch Line Lousã            | ( 106 904)           | ( 23 039)            |
| 59301015 PIDDAC-Sub Proj. Aq. 10 Locs 4700                    | -                    | ( 347 009)           |
| 59301024 PIDDAC-SubProj Change Max Veloc. 45 Modern. Carriag. | ( 4 152)             | ( 890 313)           |
| 59301025 PIDDAC-Repl. Wheelset Transmission Boxes UDD's450    | ( 309 099)           | ( 267 222)           |
| 59301027 PIDDAC-Modernisation of 4 railcars 3500              | ( 785 313)           | ( 262 654)           |
| 59301028 PIDDAC-Large Repair R2 - 453                         | -                    | ( 201 951)           |
| 59301029 PIDDAC-Large Repair R2 - 2334                        | ( 239 815)           | ( 10 887)            |
| 59301030 PIDDAC-Large Repair R2 - 2340                        | ( 235 247)           | ( 49 021)            |
| 59301031 PIDDAC-Large Repair R2 - 2326                        | ( 181 756)           | ( 165 044)           |
| 59301032 PIDDAC-Large Repair R3 - 9635                        | -                    | ( 380 429)           |
| 59301033 PIDDAC-Large Repair R2 - 464                         | -                    | ( 3 747)             |
| 59301034 PIDDAC-Large Repair R2 - 2197010                     | ( 30 045)            | ( 268 026)           |
| 59301035 PIDDAC-Large Repair R2 - 2403                        | ( 148 676)           | -                    |
| 59301036 PIDDAC-Large Repair R2 - 2404                        | ( 343 613)           | ( 101 328)           |
| 59301037 PIDDAC-Large Repair R2 - 360                         | -                    | ( 8 379)             |
| 59301039 PIDDAC-Large Repair R2 - 2405                        | ( 243 474)           | ( 20 949)            |
| 59301040 PIDDAC-Large Repair R2 - 468                         | -                    | ( 15 712)            |
| 59301041 PIDDAC-Large Repair R2 - 2197025                     | ( 85 115)            | ( 78 569)            |
| 59301042 PIDDAC-Large Repair R2 - 463                         | -                    | ( 101 705)           |
| 59301043 PIDDAC-Large Repair -Gr R-R2 461                     | -                    | ( 61 717)            |
| 59301044 PIDDAC-Large Repair R2 469                           | -                    | ( 101 705)           |
| 59301045 PIDDAC-Large Repair R2 2197012                       | ( 67 855)            | ( 40 857)            |
| 59301046 PIDDAC-Large Repair R2 2197034                       | ( 87 836)            | ( 61 285)            |
| 59301047 PIDDAC-Large Repair R2 2197011                       | ( 53 395)            | ( 139 190)           |
| 59301048 PIDDAC-Large Repair R2 2197020                       | ( 87 836)            | ( 102 861)           |
| 59301049 PIDDAC-Large Repair R2 8597004                       | ( 35 285)            | ( 50 919)            |
| 59301050 PIDDAC-Large Repair R2 8597007                       | ( 52 928)            | ( 119 042)           |
| 59301051 PIDDAC-Large Repair R2 1415                          | ( 127 428)           | ( 56 561)            |
| 59301052 PIDDAC-Large Repair R2 2197028                       | ( 88 992)            | ( 119 042)           |
| 59301053 PIDDAC-Large Repair R2 1997008                       | ( 44 053)            | ( 117 446)           |
| 59301054 PIDDAC-Large Repair R2 2197019                       | ( 105 173)           | ( 306 432)           |
| 59301055 PIDDAC-Large Repair R2 0451                          | ( 18 854)            | ( 76 974)            |
| 59301056 PIDDAC-Large Repair R2 2197027                       | ( 105 173)           | ( 119 042)           |
| 59301057 PIDDAC-Large Repair R2 1997002                       | ( 101 959)           | ( 243 217)           |
| 59301058 PIDDAC-Large Repair R2 3154                          | ( 282 240)           | ( 153 086)           |
| 59301059 PIDDAC-Large Repair R2 9634                          | ( 54 981)            | ( 52 617)            |
| 59301060 PIDDAC-Large Repair R2 2197007                       | ( 105 173)           | ( 78 579)            |
| 59301061 PIDDAC-Large Repair R2 3266                          | ( 224 388)           | ( 50 312)            |
| 59301062 PIDDAC-Large Repair R2 0458                          | ( 85 048)            | ( 79 016)            |
| 59301063 PIDDAC-Large Repair R2 0457                          | ( 27 361)            | ( 53 763)            |
| 59301064 PIDDAC-Large Repair R2 1997004                       | ( 69 243)            | ( 80 121)            |
| 59301065 PIDDAC-Large Repair R2 1997009                       | ( 44 087)            | ( 103 903)           |
| 59301066 PIDDAC-Large Repair R2 2197015                       | ( 70 474)            | ( 52 538)            |
| 59301067 PIDDAC-Large Repair R2 2197016                       | ( 48 104)            | (1 546 888)          |
| 59301068 PIDDAC-Large Repair R2 2197001                       | ( 71 761)            | ( 135 753)           |
| 59301069 PIDDAC-Large Repair R2 1413                          | ( 96 061)            | ( 237 164)           |
| 59301070 PIDDAC-Large Repair R2 3260                          | ( 48 573)            | ( 233 500)           |
| 59301071 PIDDAC-R1 CPA's 4000                                 | (1 474 835)          | ( 132 596)           |
| 59301072 BQ-PID-R2 0462                                       | ( 97 868)            | -                    |
| 59301073 BQ-PID-R2 0362                                       | ( 158 109)           | -                    |
| 59301074 BQ-PID-R2 3256                                       | ( 217 489)           | -                    |
| 59301075 BQ-PID-R2 464  | ( 94 711)            | -                    |
| 59301101 FEDER-Sub Proj 19UDD                                 | ( 580 622)           | ( 685 774)           |
| 59301102 FEDER-Sub Proj 21ALLAN                               | (1 133 029)          | (1 213 066)          |
| 59301103 FEDER-Sub Proj 34UME                                 | (25 976 509)         | (27 910 856)         |
| 59301104 FEDER-Sub Proj 57UTE Silicon                         | (15 775 381)         | (16 888 050)         |
| 59301107 FEDER-Sub Proj 57CORRAIL                             | ( 683 888)           | ( 811 937)           |
| 59301108 FEDER-Sub Proj 12Locomotives                         | ( 903 371)           | ( 903 370)           |
| 59301700 FEDER-Improv Interfaces Branch Line Lousã            | ( 232 393)           | ( 293 016)           |
| 59321000 FundAmb-12AutB e10EI                                 | (4 565 785)          | -                    |
| 59322000 InvTranf-CPA 4005_07                                 | (1 832 212)          | -                    |
| <b>Total</b>  | <b>(103 745 416)</b> | <b>(106 456 194)</b> |

## Non-Current Assets Held for Sale (note 18)

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

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

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

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

After the establishment of these impairments, the value of the rolling stock classified in the class of non-current assets held for sale was adjusted to zero in the company's accounts, considering the amount of the subsidies to be recognised and the scrap value, as detailed in the table below with reference to December 31<sup>st</sup>, 2019:

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

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

| (amounts in euros)                |                  |                  |
|-----------------------------------|------------------|------------------|
| Description                       | 31/12/2019       | 31/12/2018       |
| Assets                            |                  |                  |
| Land and natural resources        | 84 031           | 168 826          |
| Buildings and other constructions | 175 369          | 409 130          |
| Basic equipment                   | 4 185 605        | 5 005 478        |
| <b>Total</b>                      | <b>4 445 005</b> | <b>5 583 434</b> |

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

## Subscribed Capital (note 19)

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

In 2015, 2016, 2017 and 2018, it was determined by joint orders from the Financial and Sectorial Ministries to increase by 683.483 million euros (in 2015), by 654.913 million euros (in 2016), by 516.4 million euros (in 2017) and by 80.9 million euros (in 2018), the subscribed capital of CP, EPE, which were realized during the corresponding years.

In 2019, and in accordance with the law in force, it was equally determined, by joint orders from the Sector and Financial Ministries, to increase the subscribed capital of CP, EPE, by 28.5 million euros as follows:

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

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

Thus, at the end of 2019, the company has a subscribed capital of 3,959,489,351 euros, which is fully subscribed by the Portuguese State.

## Legal Reserves (note 20)

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 12<sup>th</sup>, amended by Decree-Law no. 59/2012 from March 14<sup>th</sup> that defines CP's Statutes, the company must have reserves and funds deemed necessary, and the constitution of legal reserve in the amount of 5% of the profits of each financial year is mandatory. The legal reserve may be used in the hedging of losses of the financial year.

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

## Other Reserves (note 21)

This heading accounts for the statutory reserve corresponding to the amount of the Amortisation and Renovation of Rolling Stock Fund as of December 31<sup>st</sup>, 1974.

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

## Results Carried Forward (note 22)

The variation in the results carried forward concerns mainly:

- The Portuguese State - through joint orders of the Sector and Financial Ministries - carried out a capital injection operation in cash, amounting to 518.6 million euros, to cover negative results carried forward.
- The transfer of the previous year's net result to results carried forward.

However, the movements set forth in the following table also contribute to this variation:

(amounts in euros)

| <b>Reconciliation of the consolidated result carried forward</b> |                 |                 |
|--|-----------------|-----------------|
| Results carried forward in 2019                                  |                 | (5 776 323 289) |
| Results carried forward in 2018                                  | (6 189 186 647) |                 |
| + Net result of the 2018 period                                  | ( 106 249 189)  | (6 295 435 837) |
| Movements of 2019 directly into Results carried forward:         |                 | 519 112 548     |
| Differences of consolidation related to:                         |                 |                 |
| Coverage of accumulated losses                                   |                 | 518 616 538     |
| Other (balances and transactions)                                |                 | 496 010         |

## Adjustments/Other Variations In Equity (note 23)

The particulars of this heading are analysed as follows:

| Description              | (amounts in euros) |                   |
|--------------------------|--------------------|-------------------|
|                          | 31/12/2019         | 31/12/2018        |
| Financial restructuring  | 91 357 368         | 91 357 368        |
| Transitional adjustments | 132 640            | 132 640           |
| <b>Total</b>             | <b>91 490 008</b>  | <b>91 490 008</b> |

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

## Provisions (note 24)

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

| Description  | (amounts in euros) |                  |                |                |                   |
|--|--------------------|------------------|----------------|----------------|-------------------|
|  | Opening balance    | Additions        | Uses           | Reversals      | Closing balance   |
| Ongoing legal actions                                      | 1 227 476          | 126 151          |                | 100 408        | 1 253 219         |
| Railway accidents  | 2 837 409          | 198 686          |                |                | 3 036 095         |
| Occupational accidents and illnesses, and other provisions | 10 222 113         | 2 302 095        | 745 277        |                | 11 778 931        |
| <b>Total</b>   | <b>14 286 998</b>  | <b>2 626 932</b> | <b>745 277</b> | <b>100 408</b> | <b>16 068 245</b> |

Consolidated provisions show an increase of around 1.8 million euros, for which highlights the reinforcement (i) of liabilities for accidents at work and occupational illnesses and (ii) of other provisions, as a result of the increase in the provision for the the lawsuit filed against Millennium BCP and others, relating to the assignment of future credits.

Liabilities for work accidents and illnesses were calculated based on the actuarial assessment of the liabilities of the company as of December 31<sup>st</sup>, 2019, with pensions for work accidents occurred until December 31<sup>st</sup>, 1999. This calculation was carried out by a third party (CGD PENSÕES).

The increases or decreases in liabilities arising from variations to the granted benefits are recognised as expenses or income in the period in which they occur.



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

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

**Discount rate:** 1,00%;

**Pensions' Growth rate:** 1,0%;

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

**Period for payment of work accident pensions:** Life annuities.

**Effective date of the calculations:** December 31<sup>st</sup>, 2019.

## Loans Obtained (note 25)

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

| Description                                 | (amounts in euros)   |                      |
|---|----------------------|----------------------|
|   | 31/12/2019           | 31/12/2018           |
| Non-current                                 |                      |                      |
| Credit institutions and financial companies |                      |                      |
| Bank loans                                  | 56 333 334           | 94 026 667           |
| Bond loans                                  | 200 000 000          | 200 000 000          |
| Applic. of Effective Rate Bond Loans        | (5 430 936)          | (5 796 037)          |
| Other funders                               | 523 311 325          | 1 016 028 000        |
| Finance leases                              | 11 202 675           | -                    |
| <b>Total</b>                                | <b>785 416 398</b>   | <b>1 304 258 630</b> |
| Current                                     |                      |                      |
| Credit institutions and financial companies |                      |                      |
| Bank loans                                  | 37 693 333           | 21 122 500           |
| Bond loans                                  | -                    | 500 000 000          |
| Applic. of Effective Rate Bond Loans        | -                    | ( 180 080)           |
| Bank overdrafts                             | 249 652              | 248 490              |
| Other funders                               | 1 241 970 443        | 762 028 000          |
| Finance leases                              | 1 571 557            | -                    |
| <b>Total</b>                                | <b>1 281 484 985</b> | <b>1 283 218 910</b> |

Excluding the impact of the application of IFRS16 already explained in note 2, and as per note 19, the capital increases allowed the Group to cover the payments resulting from historic debt (amortisations and financial costs), representing a decrease in the loans obtained heading.

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

| Description                                 | (amounts in euros)   |                      |
|---|----------------------|----------------------|
|   | 31/12/2019           | 31/12/2018           |
| Credit institutions and financial companies |                      |                      |
| Bank loans                                  |                      |                      |
| Up to 1 year                                | 37 693 333           | 21 122 500           |
| From 1 to 5 years                           | 56 333 334           | 86 426 667           |
| Over 5 years                                | -                    | 7 600 000            |
| Bank overdrafts                             |                      |                      |
| Up to 1 year                                | 249 652              | 248 490              |
| Bond loans                                  |                      |                      |
| From 1 to 5 years                           | -                    | 500 000 000          |
| Applic. of Effective Rate Bond Loans        | -                    | ( 180 080)           |
| Over 5 years                                | 200 000 000          | 200 000 000          |
| Applic. of Effective Rate Bond Loans        | (5 430 936)          | (5 796 037)          |
| Other funders                               |                      |                      |
| Up to 1 year                                | 1 243 542 000        | 762 028 000          |
| From 1 to 5 years                           | 534 514 000          | 1 015 028 000        |
| Over 5 years                                | -                    | 1 000 000            |
| <b>Total</b>                                | <b>2 066 901 383</b> | <b>2 587 477 540</b> |

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

(Amounts in euros)

| Financing                             | Bank loans   | Bond loans    | Other funders | Bank overdrafts | Total         |
|---------------------------------------|--------------|---------------|---------------|-----------------|---------------|
| Balance on the 31st of December, 2018 | 115 149 167  | 694 023 883   | 1 778 056 000 | 248 490         | 2 587 477 540 |
| Cash flows:                           |              |               |               |                 |               |
| Amortisations in cash 2019            | (21 122 500) | (500 000 000) |               |                 | (521 122 500) |
| New financing 2019                    |              |               |               |                 | -             |
| Amortisations in kind 2019            |              |               |               |                 | -             |
| Application of effective rate         |              | 545 181       |               |                 | 545 181       |
| Other changes                         |              |               |               | 1 162           | 1 162         |
| Balance on the 31st of December, 2019 | 94 026 667   | 194 569 064   | 1 778 056 000 | 249 652         | 2 066 901 383 |

## Other debts payable (note 26)

The heading of other accounts payable is analysed as follows:

| Description                            | (amounts in euros) |                    |
|--|--------------------|--------------------|
|  | 31/12/2019         | 31/12/2018         |
| Non-current                            |                    |                    |
| Creditors by expenditure accruals      | -                  | -                  |
| <b>Total</b>                           | <b>-</b>           | <b>-</b>           |
| Current                                |                    |                    |
| Investment providers                   | 972 135            | 958 246            |
| Creditors by outstanding subscriptions | 38 254 752         | 36 843 299         |
| Other debtors and creditors            | 12 466 911         | 7 766 110          |
| Creditors by expenditure accruals      | 107 323 808        | 90 401 403         |
| <b>Total</b>                           | <b>159 017 606</b> | <b>135 969 058</b> |

As far as current liabilities are concerned, the increase in creditors due to accrued expenses is mainly the result of the increase in specialised amounts relating to interest to be paid, infrastructure usage charges and other external services and supplies not invoiced. In the heading of other debtors and creditors, the increase in invoicing received at the end of the year that could not be settled is also worth mentioning.

## Suppliers (note 27)

The heading of suppliers shows the following particulars:

| Description                            | (amounts in euros) |            |
|--|--------------------|------------|
|  | 31/12/2019         | 31/12/2018 |
| Suppliers current account              |                    |            |
| General                                | 10 091 252         | 12 530 210 |
| Invoices received and pending approval | 267 189            | 457 940    |
|  | 10 358 441         | 12 988 150 |

As of December 31<sup>st</sup>, 2019, and compared with the same period in the previous year, there is a slight decrease in the overall balance of the heading of suppliers.

## Advance payments from customers (note 28)

This heading has the following amounts:

| Description                     | (amounts in euros) |            |
|---------------------------------|--------------------|------------|
|                                 | 31/12/2019         | 31/12/2018 |
| Advance payments from customers |                    |            |
| Fernave Customers               | 374 000            | 374 000    |
|                                 | 374 000            | 374 000    |

The contract, signed in 2014, for the purchase and sale of the DUAT [Right to Use and Benefit from the Land] of the building called 'Talhão n.º 262' in Mozambique held by Fernave, for which a down payment amounting to 374,000 euros was received, remains active.

## Provided Sales and Services (note 29)

Provided sales and services have the following particulars:

| Description       | (amounts in euros) |             |
|-------------------|--------------------|-------------|
|                   | 2019               | 2018        |
| Provided services |                    |             |
| Passengers        | 273 849 969        | 262 208 350 |
| Other             | 30 533 313         | 35 844 810  |
| Total             | 304 383 282        | 298 053 160 |

The heading of provided sales and services increased by approximately 6.3 million euros, as a result of the growth in passenger services, namely in ticket sales, presenting an accumulated growth of 11.6 million euros, when compared to the same period in the previous year.

As for other services, this shows a decrease of around 5.3 million euros, with a special impact on the maintenance segment, where the discontinuation of the diesel locomotive maintenance business for Medway customers can be highlighted.

## Operating Subsidies (note 30)

Operating Subsidies recognised as income in the financial years of 2019 and 2018 are identified in the following table:

| Description                | (amounts in euros) |              |
|----------------------------|--------------------|--------------|
|                            | 2019               | 2018         |
| Operating subsidies:       |                    |              |
| Compensatory allowances    | 40 000 000         | -            |
| IEFP Training              | 3 543              | -            |
| Projeto Shift2Rail–IMPACT2 | 4 472              | 7 571        |
| <b>Total</b>               | <b>40 008 015</b>  | <b>7 571</b> |

Unlike in 2018, when no value was attributed by the State to the CP Group, nor any additional compensation for the provision of its public service, in 2019, under the terms of the Official Gazette no. 177/2019, Series I of September 16<sup>th</sup>, the amount of 40 million euros was received as compensation.

Also noteworthy is the recognition of European subsidies received under the IMPACT-2 Project, to support research and innovation.

## Gains/losses attributed to subsidiaries, associated companies and joint ventures (note 31)

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

|                                  | (amounts in euros) |                  |
|----------------------------------|--------------------|------------------|
| Description                      | 2019               | 2018             |
| Losses                           |                    |                  |
| Application of the equity method | -                  | ( 71 789)        |
| Gains                            |                    |                  |
| Application of the equity method | 1 591 428          | 1 374 439        |
| Other                            | -                  | -                |
| <b>Total</b>                     | <b>1 591 428</b>   | <b>1 302 650</b> |

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

## Variations in production inventories (note 32)

|                                    | (amounts in euros) |           |
|------------------------------------|--------------------|-----------|
|                                    | 2019               | 2018      |
| Closing inventories                |                    |           |
| Finished and intermediate products | 748 036            | 851 777   |
| Opening inventories                |                    |           |
| Finished and intermediate products | 851 777            | 908 708   |
|                                    | ( 103 741)         | ( 56 931) |

The main variations in production inventories are explained in Note 13 – Inventories.

## Own work capitalised (note 33)

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

| Description              | (amounts in euros) |                  |
|--------------------------|--------------------|------------------|
|                          | 2019               | 2018             |
| Passenger transportation |                    |                  |
| Fixed tangible assets    | 11 263 629         | 9 014 150        |
| <b>Total</b>             | <b>11 263 629</b>  | <b>9 014 150</b> |

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

## Sold Commodities and Consumed Materials Costs (note 34)

Sold commodities and consumed materials costs are as follows:

| Description                             | (amounts in euros) |                   |
|---|--------------------|-------------------|
|   | 2019               | 2018              |
| Goods                                   |                    |                   |
| Raw, auxiliary and consumable materials | 26 425 843         | 24 734 713        |
|   | <b>26 425 843</b>  | <b>24 734 713</b> |

The increase in this heading is essentially due to:

- i. the increase in rolling stock repair activity, in particular with regard to the repair of rotatable equipment, with an increase of 1,284,945 euros;
- ii. The expense with fuel consumption, as raw-material for the provision of railway passenger transportation service, with an increase of about 107 thousand euros;
- iii. the consumption of other items, particularly miscellaneous materials, increased in 2019 – when compared with 2018 - by approximately 163 thousand euros.

## External Services and Supplies (note 35)

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

| Description  | 2019               | 2018               |
|--|--------------------|--------------------|
| Sub-agreements   | 29 352 900         | 30 128 751         |
| Specialised and other services<br>(Including infrastructure usage fee) | 89 468 629         | 84 707 477         |
| Materials  | 708 415            | 562 883            |
| Energy and fluids  | 25 187 692         | 25 822 986         |
| Travels, accommodation and transportation                              | 3 600 574          | 3 921 090          |
|  | <b>148 318 210</b> | <b>145 143 187</b> |

In 2019 and despite the effort to contain expenses, the heading of external services and supplies increased by 3.2 million euros.

The increase in expenditure on the use of railway infrastructure, as well as the conservation and repair item, as a result of the rehabilitation and improvement work on the facilities of the Parque Oficial de Guifões, the construction of the Waste Park and the Reformulation of the Drainage Network of the Parque Oficial Norte - Sernada do Vouga, and the rehabilitation work on the workshop facilities at Entroncamento, contributed fundamentally to this worsening.

It is worth mentioning the reductions in expenses recorded in the items of electricity for traction, travel and stays, as well as in subcontracts with special evidence in the maintenance area.

## Personnel Expenses (note 36)

The heading of personnel expenses has the following particulars:

| Description  | (amounts in euros) |                    |
|--|--------------------|--------------------|
|  | 2019               | 2018               |
| Remuneration of governing bodies                   | 535 354            | 398 956            |
| Remuneration of personnel                          | 106 224 706        | 104 369 526        |
| Compensations                                      | 1 189 415          | 1 637 619          |
| Charges on remuneration                            | 23 979 161         | 23 271 637         |
| Insurance for occupational accidents and illnesses | 3 957 706          | 3 205 329          |
| Social action expenses                             | 419 112            | 309 908            |
| Other personnel expenses                           | 556 143            | 481 835            |
|  | <b>136 861 597</b> | <b>133 674 810</b> |



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

Also noteworthy is the reduction in compensations costs, as a result of the decrease of the number of mutually agreed terminations in comparison to the same period of the previous year.

## Impairment of Non-Depreciable and Non-Amortisable Investments (note 37)

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

| Description                      | (amounts in euros) |           |
|----------------------------------|--------------------|-----------|
|                                  | 2019               | 2018      |
| Losses                           |                    |           |
| In financial investments         |                    | -         |
| Non-current assets held for sale | ( 679 963)         | ( 49 170) |
| Reversals                        |                    |           |
| From financial investments       | 4 140              | 36 905    |
| Non-current assets held for sale | 214 574            | 1 621 881 |
|                                  | ( 461 249)         | 1 609 616 |

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

## Other Income (note 38)

The heading of other income has the following particulars:

| Description                       | (amounts in euros) |                   |
|-----------------------------------|--------------------|-------------------|
|                                   | 2019               | 2018              |
| Supplementary income              | 6 666 774          | 6 289 922         |
| Prompt payment discounts received | 1 465              | 1 963             |
| Inventory gains                   | 131 601            | 102 604           |
| Remaining financial assets        | 1 846 715          | 1 984 069         |
| Non-financial investments         | 499 400            | 2 461 079         |
| Other                             | 12 914 999         | 12 760 937        |
|                                   | <b>22 060 954</b>  | <b>23 600 574</b> |

In 2019, other income fell by around 1.5 million euros, mainly due to extraordinary operations in 2018 with a greater impact on results, especially the sale of assets and of scrap. Nevertheless, the following extraordinary operations recorded in 2019 should be noted:

- Sale of the building of Vila Nova de Gaia;
- Exchange rate of the subscribed and not paid-up capital of Eurofima.
- Sale of locomotives 1550 series;
- Concession of materials to Medway, as a result of this company having started to assure internally the maintenance activity of locomotives and wagons.

## Other Expenses (note 39)

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

| Description               | (amounts in euros) |                   |
|---------------------------|--------------------|-------------------|
|                           | 2019               | 2018              |
| Taxes                     | 254 432            | 204 182           |
| Bad debts                 | 4 685              | 1 070             |
| Inventory losses          | 152 374            | 141 339           |
| Non-financial investments | 236 274            | 2 199 118         |
| Other                     | 7 757 831          | 8 888 878         |
|                           | <b>8 405 596</b>   | <b>11 434 587</b> |

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

- Decrease of losses in non-financial investments, following the decrease, in comparison with 2018, of basic equipment write-offs. In 2018, some rolling stock that was classified as non-current asset held for sale was write-off;

- In 2018, the conclusion of an agreements with IP for the allocation of energy expenditure in shared spaces, involving the correction of income and expenses of previous financial years of similar value. Such situation was not verified in 2019 and contributed for the reduction of the heading of others of the table presented above.

## Expenses/Reversal of Depreciation and Amortisation (note 40)

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

| Description           | (amounts in euros) |            |
|-----------------------|--------------------|------------|
|                       | 2019               | 2018       |
| Expenses              |                    |            |
| Fixed tangible assets | 53 844 808         | 54 567 596 |
| Intangible assets     | 104 170            | 97 492     |
| IFRS 16               | 1 670 734          |            |
| Reversals             |                    |            |
| Fixed tangible assets | 9 703              | 11 341     |
| Intangible assets     | -                  | -          |
|                       | 55 610 009         | 54 653 747 |

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

The impacts arising from the application of IFRS 16 are also recorded, as detailed in the 'comparative values' of note 2.

Removing the impact mentioned in the previous paragraph, this heading recorded a reduction in expenses by 714 thousand euros, as a result of the end of the useful life of certain assets, which was not offset by the investment carried out.

## Impairment of Depreciable and Amortisable Investments (note 41)

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

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

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

## Interest and Similar Income Gained (note 42)

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

| (amounts in euros) |         |        |
|--------------------|---------|--------|
| Description        | 2019    | 2018   |
| Interest gained    | 192 287 | 39 341 |
|                    | 192 287 | 39 341 |

## Interest and Similar Expenses Incurred (note 43)

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

| (amounts in euros)        |            |            |
|---------------------------|------------|------------|
| Description               | 2019       | 2018       |
| Interest expenses         | 53 121 883 | 65 080 338 |
| Other expenses and losses | 2 984 697  | 3 251 700  |
|                           | 56 106 580 | 68 332 038 |

During the financial year of 2019, the heading of interest and similar expenses incurred decreased by approximately 12.2 million euros mainly due to the reduction of CP Group remunerated debt as well as the historically low levels of market interest rates.

## Guarantees and Sureties (note 44)

| (amounts in euros)   |            |
|--|------------|
| <b>Guarantees and sureties provided to the CP Group:</b>                         |            |
| - By the State   | 94 026 667 |
| - By bank entities in favour of third parties                                    | 1 913 624  |
| Guarantees and bank sureties provided by the CP Group in favour of third parties | 4 172 740  |

## Remuneration of the certified public accountant (note 45)

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

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

## Relevant Events After the Statement of Financial Position Date (note 46)

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

**ATTACHMENTS**



## Audit Report



## Legal Certification of Accounts

## Supervisory Board Report

