



COMBOIOS DE PORTUGAL



REPORT AND ACCOUNTS 2017

CP. ALWAYS ON THE MOVE.



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 € 3,850,091,940.00 (as at the 31st December, 2017)

Design and coordination:

Department of Planning and Activity Control
Financial Management

Contacts: webmaster@cp.pt

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

Table of Contents

MESSAGE FROM THE PRESIDENT	9
SUMMARY OF THE YEAR	12
THE MANAGEMENT TEAM	14
MACROECONOMIC FRAMEWORK	16
THE COMPANY	18
Human Resources	19
Permanent Staff	19
Absenteeism and Overtime Work	20
Training	20
Fleet	22
On duty and Disabled Material	22
Fleet Improvements	23
Supply	24
Service Quality	25
Demand	26
Profits	27
Investments	28
CP Group	29
YEAR IN REVIEW	30
Supply / Operation	31
Tariff and Ticketing	36
Distribution	37
Partnerships	38
Communication	42
Quality	44
Asset Management	44
Safety	45
Social Responsibility	45
Awards	49
MANDATORY LEGAL OBLIGATION COMPLIANCE	51
Summary	52

Table of Contents

Management Goals	54
Non-Financial Reporting	54
Activities and Budget Plan (PAO)	54
Budget Implementation	56
Financial Risk Management	59
Limit for Debt Growth	60
Average Time for Payment	60
Recommendations from the Shareholder Issued When the 2016 Accounts were Approved	61
Remunerations	62
Salary Reduction Measures	62
Board of Directors' Remunerations	62
Financial Supervision	68
External Auditor	69
Implementation of Article 32 and 33 of the Public Manager Statute	70
From the 1 st of January to the 29 th of June 2017	71
From the 30 th of June to the 31 st of December 2017	72
Implementation of Articles 16 of the Corporate Public Sector Legal System (RJSPE) and 11 of the Public Manager Statute (EGP)	72
Report on Remunerations Paid to Women and Men	72
Annual Report on Corruption Prevention	73
Public Contracting	73
National Public Purchasing System (SNCP)	73
Vehicle Fleet	74
Reduction Measures of Operating Expenses	75
State Treasury Unit Principle	77
Audits performed by the Court of Auditors	78
Information in the State-owned Company Sector (SEE) website	78
FINANCIAL AND ECONOMIC ANALYSIS	79
Operating Account	80
Net Result	81
Operating Result of the Passenger Transportation Activity (EBITDA)	81
Operating Result	82
Financial Result	83
Balance Sheet	84
Asset	84
Equity	85

Table of Contents

Liability	86
Financing	86
Financing Policy	86
Remunerated Debt	87
Co-financing Sources	88
Financial costs	88
Risk Management Instruments	89
PERSPECTIVES FOR 2018	90
Forecasts	91
Strategic Guidelines	91
Forecasts 2018	92
RELEVANT FACTS AFTER THE END OF THE FINANCIAL YEAR	94
PROPOSAL FOR THE APPLICATION OF RESULTS	96
STATEMENT OF CONFORMITY	98
FINANCIAL STATEMENTS	101
ATTACHMENTS TO THE FINANCIAL STATEMENTS	107
Company Identification and Reporting Period (Note 1)	108
Identification	108
Access to the Infrastructure	109
Concession System	110
Public Service Agreement	111
Accounting Framework of Preparation of Financial Statements (Note 2)	112
Accounting Framework	112
Derogations of the Accounting Standardisation System (SNC)	113
Comparative Values	113
First-time Implementation of the Accounting Standards and Financial Reporting (NCRF) – Transitional Disclosure (Note 3)	113
Main Accounting Policies (Note 4)	114
Bases of Measurement	114
Relevant accounting policies	114
Value Judgments	129
Main Assumptions Concerning the Future	129
Key sources for Estimation Uncertainty	130
Cash Flow (Note 5)	132
Cash and Cash equivalents	133

Table of Contents

Disaggregation of the Values under Cash and Cash equivalents	133
Accounting Policies, Changes in Accounting Estimates and Errors (Note 6)	134
Fixed Tangible Assets (Note 7)	134
Financial Holdings – Equity Method (Note 8)	137
Other Financial Investments (Note 9)	138
Credits Receivable (Note 10)	140
Income Tax (Note 11)	140
Inventories (Note 12)	141
Customers (Note 13)	142
State and Other Public Entities (Note 14)	143
Other accounts receivable (Note 15)	144
Deferrals (Note 16)	145
Financial Assets Held for Trading (Note 17)	145
Non-Current Assets Held for Sale (Note 18)	145
Subscribed Capital (Note 19)	147
Legal Reserves (Note 20)	148
Other Reserves (Note 21)	148
Results Brought Forward (Note 22)	148
Rolling Stock	149
Other fixed tangible assets	149
Adjustments/Other Changes in Equity (Note 23)	149
Provisions (Note 24)	152
Loans Obtained (Note 25)	153
Other Debts Payable (Note 26)	154
Suppliers (Note 27)	155
Advance Payments from Customers (Note 28)	155
Provided Sales and Services (Note 29)	156
Operating Subsidies (Note 30)	156
Gains/losses attributed to subsidiaries, associated companies and joint ventures (Note 31)	157
Sold Commodities and Consumed Materials Costs (Note 32)	157
External Services and Supplies (Note 33)	158

Table of Contents

Personnel Expenses (Note 34)	159
Impairment of Non-Depreciable and Non-Amortisable Investments (Note 35)	160
Other Income (Note 36)	160
Other Expenses (Note 37)	161
Increases/Decreases of Fair Value (Note 38)	162
Expenses/Reversals of Depreciation and Amortisation (Note 39)	162
Impairment of Depreciable and Amortisable Investments (Note 40)	163
Interest and Similar Income Gained (Note 41)	163
Payable Interest and Similar Expenses (Note 42)	164
Related Parties Disclosure (Note 43)	164
Guarantees and Sureties (Note 44)	167
Relevant Events after the Balance Sheet Date (Note 45)	167
Proposal for Application of Results (Note 46)	167

MESSAGE FROM THE PRESIDENT



The Board of Directors, which I preside, took up their duties on the 30th of June 2017.

It was with great pleasure and enthusiasm that I joined this corporate entity that ensures daily mobility conditions to thousands of Portuguese citizens, as well as tourists and visitors, fulfilling the desire to contribute to a more cohesive and developed country. As a result of the commercial dynamic that CP has been developing, which is compliant with the best international standards, the train is considered nowadays as a reputable, appealing and competitive means of transportation.

CP – Comboios de Portugal E.P.E. closed the year 2017 with a total of 122 million transported passengers and approximately 250 million euros in traffic income. There was an increase of 7.2 million Customers travelling in CP's trains, in comparison with the previous year, whilst traffic income increased by 19.6 million euros, corresponding to an improvement of 6.3% and 8.5% respectively. The growth in the number of passengers was common to all services of the company.

Notwithstanding the absence of Compensatory Allowances, CP had a positive recurrent EBITDA of 14.6 million euros, representing an improvement of 14.3 million euros compared with 2016. It is also worth mentioning the improvement found in results from affiliated companies, and specifically of EMEF. The financial result also improved by 11.2 million euros, mainly due to the decrease of the financial liability. The company has been counting on the financial support from the Portuguese State meant to ensure, namely, debt service and investment funding. In line with the remaining indicators, the Net Result showed an improvement of 23% compared with the previous year (+32.6 million euros), going from -144.6 million euros, in 2016, to -112 million euros in 2017.

Despite the improvement in results and main indicators, the company faces strong constraints regarding its activity, along with major challenges. Such constraints arise from the delay in the implementation of infrastructure investments, the obsolescence and ageing of the diesel traction stock fleet, and the slow rejuvenation of the effective staff from different levels and operating areas.

In addition, the company faces challenges regarding external surroundings, in particular the liberalisation of the national passenger railway transportation market and the needed contracting of public service as a means to ensure sustainability of the CP corporate group.

The year 2018 will be marked by the launch of the international tendering procedure for the purchase of rolling stock, which is essential to the improvement of our activity, allowing the repositioning of the quality of services provided by CP and expected by its Customers. We will work on new approaches regarding the relationship with our Customers, implementing features offered by the digital era, in order to foster a closer and simpler relationship, adjusted to market demands. This simplification and modernisation of processes shall be extended to the internal operation, by focusing on the commitment to employees, who represent our main asset.

I would like to express my gratitude to all Associates and respective representative organisations for their professionalism and dedication, highlighting that the improvement in results and main indications could only be achieved thanks to the commitment of everyone.

I would also like to mention the work undertaken by the previous Board of Directors, highlight all the support provided by the Sector and Financial Ministries, point out the institutional cooperation with the Supervisory Board, the Audit Firm, and the External Auditor, and emphasise the corporate relationships with business partners.

Finally, we would like to thank our Customers for choosing us and express our full commitment and determination to constantly improve our service standards.

SUMMARY OF THE YEAR



Operating Indicators	2017	2016	2017-2016	2017/ 2016
Demand				
Passengers (10 ³)	122 028	114 841	7 187	6,3%
Passengers Kilometre (10 ³)	4 032 713	3 802 762	229 951	6,0%
Supply				
Trains (10 ³)	445	445	0	0,0%
Train-Km (10 ³)	29 129	29 128	1	0,0%
Provided Seat-Kilometre (10 ⁶)	13 242	13 126	116	0,9%
Human Resources				
Final Effective Staff	2 681	2 708	-27	-1,0%
Average Effective Staff	2 692	2 674	18	0,7%
Fleet - Active Fleet				
Railcar	239	239	0	0,0%
Locomotives	31	31	0	0,0%
Carriages	104	103	1	1,0%

Financial Indicators (10 ³ €)	2017	2016	2017-2016	2017/ 2016
Income from Traffic	249 916	230 322	19 594	8,5%
Compensatory Allowances	0	0	0	s/s
Operating Income *	282 140	266 017	16 122	6,1%
Operating Expenses *	267 514	265 674	1 840	0,7%
EBITDA *	14 626	344	14 282	4156,5%
Operating Result	-35 523	-54 331	18 807	34,6%
Net Result	-111 952	-144 565	32 614	22,6%

* Does not include Compensations for the termination of employment, Fair Value, Impairments, Provisions, Depreciations and other operations unrelated to the Company's activity.

Ratios	2017	2016	2017-2016	2017/ 2016
Labour Productivity (10 ³) (Train-km/Average Effective Staff)	10,86	10,89	-0,03	-0,3%
Expense influence in the Turnover w/o Operating Subsidies **	100,3%	107,7%	-7,4 p.p.	-

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

A high-speed train, likely a TGV, is stopped at a modern train station platform. The station features a large, intricate glass and steel roof structure. The train is silver with a yellow stripe and has the number 4008 on its front. The platform is paved with cobblestones. A large green and yellow diagonal graphic is overlaid on the top right of the image.

THE MANAGEMENT TEAM

The current Board of Directors took up the position on the 30th of June 2017 and is composed by the following Members:



Dr. Ana Maria dos Santos
Malhó
Voting Member

Dr. Carlos Gomes Nogueira
President

Eng. Sérgio Abrantes
Machado
Voting Member

The Board of Directors that was in office until that date was composed by the following Members:

President: Eng. Manuel Tomás Cortez Rodrigues Queiró

Voting Member: Dr. Nuno Serra Sanches Osório

Voting Member: Dr. Maria João S. C. Rosa Calado Lopes

MACROECONOMIC FRAMEWORK



According to the estimates available during the preparation of this report¹, the Gross Domestic Product (GDP) increased by 2.7% in volume during 2017, hence 1.2 p.p. more compared with the previous year. This evolution resulted in an increase of the contribution from domestic demand, mainly reflecting the acceleration of Investment, since the net foreign demand provided a contribution identical to the one accounted for in 2016. Tourism continued its rising trend compared with the previous year.

The degree of household savings reached 12.2% at the end of the year, whereas indebtedness regarding both companies and individuals accounted for a reduction throughout the 4 quarters, although interest rates remained at historically low levels.

The Harmonised Index of Consumer Prices (HICP) accounted for an average change rate of 1.6% in 2017, exceeding the 0.6% of the previous year.

The unemployment rate kept a downward trend with special relevance for demand for mobility, and its annual rate was of 8.9%, a 2.2 p.p. decrease regarding the previous year.

Although the Consumer Confidence Index started the year negative, it has been gradually rising, having remained positive during the 12 months for Services, Industry and Trade.

The positive indicators of economy and the tourism increase contributed to the development of the company's activity in 2017, keeping the growth trend accounted for since 2013, boosted by a strong commercial dynamic and the peaceful environment at work.

¹ "Banco de Portugal" Bank – Statistical Bulletin -Jan 2018 and www.INE.pt



THE COMPANY

Human Resources

Permanent Staff

The company closed 2017 with 2,709 bound staff members, i.e. 28 employees less than at the end of the previous year.

During 2017, 25 employees joined the company's staff, including 22 by recruitment: 3 train drivers; 3 shunters; 5 commercial assistants; 2 rolling stock operators and 9 inspection and sales operators;

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

Staff (*) as at December 31st	2017	2016	2015	Δ 2017-2016
Bound	2 709	2 737	2 719	-28
Effective staff	2 681	2 708	2 684	-27
On duty	2 678	2 703	2 678	-25

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

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

Staff on Duty - staff providing service to the company.

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

BOUND STAFF as at December 31st				
Career	2017	2016	2015	Δ 2017-2016
Administrative	100	98	110	2
Technical Support and Management	86	87	93	-1
Commercial	1 248	1 253	1 214	-5
Material	74	77	80	-3
Transport Operating	110	109	106	1
Other	17	17	19	0
Technical	281	290	291	-9
Traction	787	800	800	-13
TOTAL	2 703	2 731	2 713	-28
Board of Directors + Supervisory Board	6	6	6	0
TOTAL	2 709	2 737	2 719	-28

Absenteeism and Overtime Work

Absenteeism and overtime work rates suffered a decrease in 2017. These changes were mainly justified by the recruitment processes undertaken, that were able to strengthen the operating permanent staff.

Indicators	2017	2016	2015	Δ 2017-2016
Absenteeism Rate (w/o strikes)	6,87%	6,97%	6,59%	-0,10 p.p.
Overtime Work Rate	12,87%	13,30%	11,01%	-0,43 p.p.

Training

The Company maintained the investment in its employees during 2017, in particular through the development of a Training Cycle in the scope of traffic safety, regarding technical and regulatory enhancements.

There were 445 professional training programmes in 2017, most of them conducted by Fernave, a company belonging to the CP Group.

The overall amounts of the training provided are presented below:

Training Subjects 2017	Number of Trainees	Workload
Customer	414	6 919,0
Management	643	7 388,0
Quality and Environment	64	409,0
Overall Safety	343	3 219,8
Safety - Technical Qualification	1 809	28 598,7
Services/Languages	40	2 095,5
Information Technologies	113	786,0
Total	3 426	49 416,0

Fleet

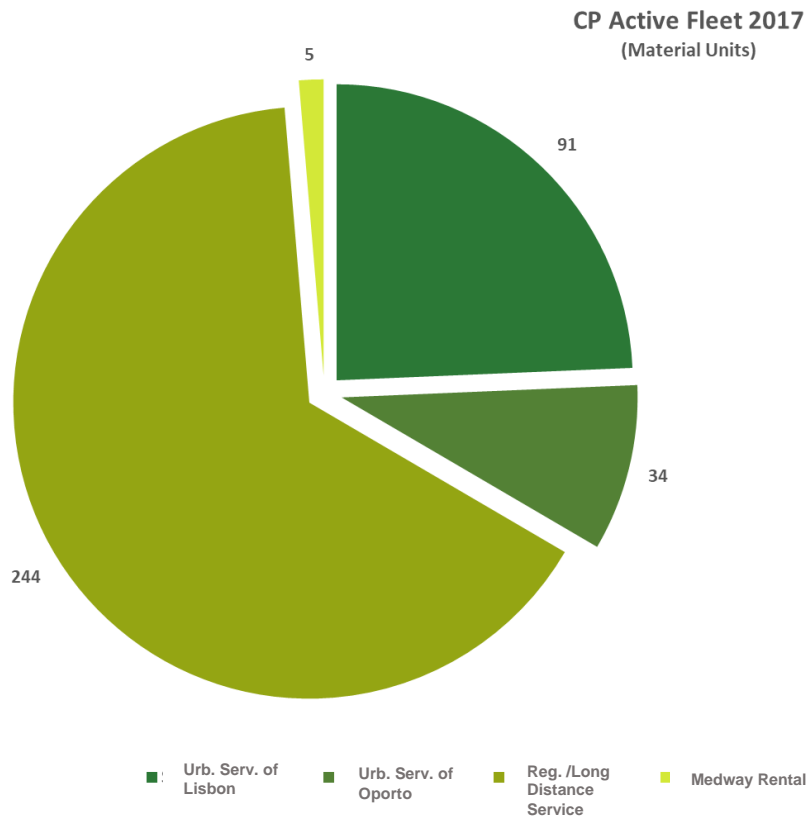
On duty and Disabled Material

As at the 31st of December 2017, the total of CP's tractive and hauled stock was composed of 795 units. Of these units, 374 were active fleet, 327 were inoperable equipment, and 94 units were occasional use equipment, of the Historical Train, the rescue train, or were assigned to the National Railway Museum Foundation of Portugal.

The active fleet of rolling stock in commercial service had 189 electric railcars, 50 diesel railcars, 24 electric locomotives, 7 diesel locomotives, and 104 carriages.

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

During 2017, CP continued to promote contacts for the sale of rolling stock not necessary to the operation, having registered the disposal of 2 carriages and 1 diesel traction locomotive from the 9.100 series.



Fleet Improvements

From the several activities undertaken during 2017 in the scope of safety and customer service quality improvements, the following factors are highlighted:

- Completion of three R1 (half-life intervention) of Alfa Pendular trains;
- Installation of the Wi-Fi system in 34 modern carriages from the Intercity service;
- Installation of electrical switchboards and outlets in 49 2nd Class carriages from the Intercity service;
- Installation of equipment for the transportation of bicycles in 31 2nd Class carriages from the Intercity service;
- Modification of 6 Schindler Carriages for the Tourism Train;
- Restoration of the Steam Locomotive E214;
- Large repairs of the type R2, R3 and RIR in several series.

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

Supply

In 2017, CP's supply, assessed in Trains*Kilometre, was of 29,129 thousand Trains*Km, which is similar to what was accounted for in the previous year.

There were some adjustments to supply, specified in the chapter "Year in Review".

The offered seat-kilometres were slightly higher than the previous year (+0.9%), and there was a growth in occupation rates due to an increase of demand.

Trains-Kilometre (*10 ³)	2017	2016	2015	2017-2016	2017 /2016
Urban Serv. Lisbon	6 651	6 670	6 644	-19	-0,3%
Urban Serv. Oporto	4 601	4 604	4 565	-4	-0,1%
Long Distance Serv.	8 592	8 593	8 534	-2	0,0%
Regional Serv.	9 286	9 260	9 091	25	0,3%
TOTAL	29 129	29 128	28 834	1	0,0%

Provided Seat-Kilometre (*10 ⁶)	2017	2016	2015	2017-2016	2017 /2016
Urban Serv. Lisbon	6 001	5 918	5 829	83	1,4%
Urban Serv. Oporto	2 276	2 272	2 251	4	0,2%
Long Distance Serv.	2 685	2 641	2 559	44	1,7%
Regional Serv.	2 280	2 296	2 193	-15	-0,7%
TOTAL	13 242	13 126	12 832	116	0,9%

Occupancy rate	2017	2016	2015	2017-2016
Urban Serv. Lisbon	21,2%	20,1%	19,9%	1,1 p.p.
Urban Serv. Oporto	28,1%	27,2%	26,6%	0,8 p.p.
Long Distance Serv.	61,3%	58,3%	55,2%	3,0 p.p.
Regional Serv.	21,0%	19,9%	20,7%	1,1 p.p.
TOTAL	30,5%	29,0%	28,2%	1,5 p.p.

Service Quality

CP's global index of regularity in 2017 was of 99.2%, similar to the previous year (-0.2 percentage points).

Regularity	2017	2016	2015	Δ 2017-2016
Urban Serv. Lisbon				
Sintra / Azambuja	99,4%	99,7%	98,2%	-0,3 p.p.
Cascais	99,3%	99,5%	97,6%	-0,2 p.p.
Sado	99,3%	99,7%	98,5%	-0,4 p.p.
Urban Serv. Oporto				
Aveiro	99,6%	99,7%	98,3%	-0,1 p.p.
Braga	99,9%	100,0%	99,0%	-0,1 p.p.
Caíde	99,9%	100,0%	98,8%	-0,1 p.p.
Guimarães	99,8%	99,9%	98,9%	-0,1 p.p.
Long Distance Serv.				
Alfas	99,4%	99,8%	99,3%	-0,4 p.p.
Intercity	99,4%	99,8%	99,5%	-0,4 p.p.
Regional Serv.				
Regional Serv.	98,7%	99,4%	98,7%	-0,7 p.p.
Total CP	99,2%	99,4%	98,0%	-0,2 p.p.

There was a reduction of the Index of Daily Punctuality during 2017 compared with the previous year, with a significant impact in long distance services. Delays were essentially due to speed limitations imposed by IP (speed limits for infrastructural works), accidents to persons, and signal and tractive stock malfunctioning.

Daily Punctuality	2017	2016	2015	Δ 2017-2016
Urban Serv. Lisbon (1)				
Sintra / Azambuja	87,2%	89,2%	89,0%	-1,9 p.p.
Cascais	92,1%	89,4%	85,4%	2,7 p.p.
Sado	83,3%	85,3%	88,4%	-2,0 p.p.
Urban Serv. Oporto (1)				
Aveiro	82,1%	85,9%	87,4%	-3,8 p.p.
Braga	90,3%	91,8%	94,2%	-1,5 p.p.
Caíde	91,8%	92,3%	94,0%	-0,5 p.p.
Guimarães	89,0%	90,1%	92,8%	-1,1 p.p.
Long Distance Serv. (2)				
Alfas	46,6%	73,4%	79,0%	-26,8 p.p.
Intercity	58,0%	76,2%	77,0%	-18,2 p.p.
Regional Serv. (2)				
Regional Serv.	78,6%	84,7%	88,7%	-6,1 p.p.
Overall CP (2)	88,2%	91,6%	92,9%	-3,4 p.p.

Notes: (1) Delays exceeding 3 minutes

(2) Delays exceeding 5 minutes

Demand

In 2017, 122 million passengers were transported by CP, corresponding to a 6.3% increase regarding 2016 and representing, in absolute terms, an increase of approximately 7.2 million transported passengers.

Such growth of demand was common to all CP services, such as the Long Distance Service with a growth of 6%, close to 6.4 million passengers, and the Urban Service in Lisbon with a 7.3% growth, representing an increase of 5.6 million passengers.

These results were influenced not only by the various fight against fraud and commercial programs, but also by the increase in tourism, the peaceful environment at work, and the recovery of Portugal's economic indicators.

Passengers (*10 ³)	2017	2016	2015	2017-2016	2017 /2016
Urban Serv. Lisbon	83 005	77 375	75 865	5 630	7,3%
Urban Serv. Oporto	21 591	20 794	20 060	797	3,8%
Long Distance Serv.	6 388	6 025	5 508	363	6,0%
Regional Serv.	11 044	10 647	10 591	397	3,7%
TOTAL	122 028	114 841	112 024	7 187	6,3%

Passengers-Kilometre (*10 ³)	2017	2016	2015	2017-2016	2017 /2016
Urban Serv. Lisbon	1 270 474	1 186 772	1 158 740	83 702	7,1%
Urban Serv. Oporto	638 990	618 991	599 745	19 999	3,2%
Long Distance Serv.	1 644 831	1 539 568	1 412 093	105 263	6,8%
Regional Serv.	478 419	457 431	454 325	20 988	4,6%
TOTAL	4 032 713	3 802 762	3 624 903	229 951	6,0%

Profits

Income from traffic came close to 250 million euros in 2017, representing an increase of 19.6 million euros regarding the previous year (+8.5%).

Profits followed the growth trend of demand, being influenced by the higher relative weight of occasional tickets and of the Long Distance Service. It is also worth considering the tariff increase of the urban services of Lisbon, Oporto and Coimbra by 1.5% in January 2017.

Income from Traffic (*10 ³ €)	2017	2016	2015	2017-2016	2017 /2016
Urban Serv. Lisbon	86 322	78 396	75 058	7 926	10,1%
Urban Serv. Oporto	26 925	25 189	24 704	1 736	6,9%
Long Distance Serv.	107 085	98 616	92 725	8 469	8,6%
Regional Serv.	29 585	28 121	28 072	1 464	5,2%
TOTAL	249 916	230 322	220 558	19 594	8,5%

Investments

In 2017, CP invested a total of 16.3 million euros, 84% of which were assigned to rolling stock.

Investments 2017	Amount (*10 ³ e)
Rolling Stock	13 687
Fixed facilities	1 256
Commercial Equipment	423
Computerisation	645
Other Investments	304
TOTAL	16 314

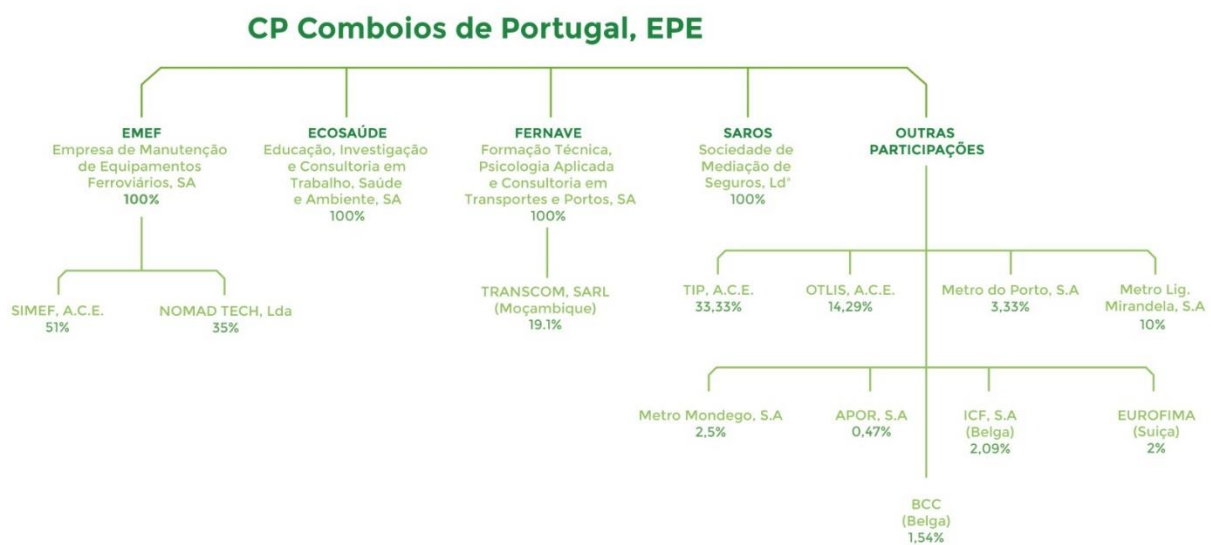
Taking the financial restrictions into account, the investment decisions were, as in the previous years, assessed in order to ensure essential interventions for guaranteeing safety and operability of rolling stock, systems, equipment and railway premises, or for concluding ongoing projects.

In rolling stock, the most significant investments continue to be "Large Repairs R2+R3", amounting to 7.9 million euros, regarding programmed maintenance interventions in several series of rolling stock with the aim of restoring their operating and safety levels, and the "half-life intervention of tilting trains (CPA)", amounting to 4.3 million euros, with delivery of the first three intervened units.

CP Group

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

The following diagram presents the holdings from CP and its affiliate companies as at 31-12-2017:



No changes were made to the shareholdings in 2017.

The Group's consolidated accounts are disclosed in the 2017 Consolidated Report & Accounts.



YEAR IN REVIEW

Supply / Operation

Introducing the New Alfa Pendular trains

The first three refurbished units are now running. From the main improvements carried out, which contribute to higher safety rates, we highlight the numerous mechanical interventions, the inspection of traction motors, the replacement of intercommunication wiring, and the inspection of corrosion on the train's external structure. As for the interior, the pavement was replaced, new accessories, individual outlets in all seats, signposting and lighting systems were added, seats were redesigned and upholstered in leather, the buffet bar was modernised, and bathrooms were renewed.



New Timetables between Coimbra and Figueira

Two new trains (one per direction) have been created and the travel times of some trains operating in the Coimbra-Figueira da Foz link have been improved (Coimbra urban trains). These alterations were made in order to strengthen the supply of the city of Coimbra, meeting the mobility needs that have been increasing significantly between the various population centres.



New Services in the Guimarães Line

Oporto Urban Trains launched three new services within the Guimarães Line during the peak hours on working days, starting on June 25th.

Raiano Train

A new railway connection became operational in September, in the Eastern Line, between Entroncamento and Badajoz, in Spain. The Raiano train carries out two daily connections (one for each direction) replacing the two weekly connections, between Entroncamento and Portalegre, which had been launched in 2015, thereby expanding the available supply in this region.

Uma nova forma de descobrir Espanha, aqui ao lado.

COMBOIOS DE PORTUGAL

RAIANO
Ligações Diárias
ENTRONCAMENTO - ELVAS - BADAJOZ
12,15€*
*Preço entre Entroncamento e Badajoz.
CP. SEMPRE EM MOVIMENTO.

Douro Historical Train

The Douro Historical Train reached a total of 50 trips between the 3rd of June and the 29th of October in 2017 (increased by 10 compared with 2016).

A campaign promoting this supply was developed towards the domestic and foreign markets, attracting Customers who know about the existence of the Historical Train but that have never travelled in it, or those who are not familiar with it and frequently seek recreational activities.

FAÇA UM PASSEIO QUE VAI ENTRAR PARA A HISTÓRIA.

COMBOIOS DE PORTUGAL

Uma locomotiva a vapor de 1925 e 5 carruagens históricas. Cantares tradicionais. Vinho do Porto. Vinhas. Património Mundial da UNESCO.

TAKE A TRIP THAT IS GOING TO BE HISTORIC.
A 1925 steam engine and 5 historical carriages. Traditional songs. Port wine. Vineyards. UNESCO World heritage.

COMBOIO HISTÓRICO DO DOURO a partir de
DOURO HISTORICAL TRAIN from
42,50€
Início a 3 de Junho From 3 June
Consulte mais preços para viagens combinadas a partir de outras regiões do país em cp.pt.
Sómente para fins promocionais (preço por pessoa sem alimentação e bebidas).

CP
1201
(+351) 707 210 220
www.comboios.pt

VEREIRA
187
1925

Linha do Douro

MiraDouro Train

New service in the Douro Line named MiraDouro, essentially meant for tourists who, during the summer, visit the region



from Oporto until Tua. It consists of six Schindler carriages from the 40s, which were subjected to a fundamental recovery carried out by EMEF. Traction is done by a diesel locomotive from the 60s, which preserves all original characteristics from its time.

In 2017, 186 trips were carried out.

Vouga Historical Train

The Vouga Historical Train started running on July 1st, on a trial basis, composed of narrow-gauge material with a diesel locomotive from 1964 and three wooden carriages from the early 20th century. Trips were carried out every Saturday until September 30th, between Aveiro and Macinhata do Vouga and back.

It includes an on-board animation program, tasting of regional products, visiting the Museum Session of Macinhata do Vouga with demonstration and possible purchase of regional products, and also a stop in Águeda to enjoy the famous “Umbrella Sky”.



Special Offers

Providing a range of additional trips in the Urban Services of Lisbon and Oporto which facilitated public access to the main carnival celebrations, the “Santos Populares” celebration and the Red Bull Air Race World Championship 2017 in Oporto.

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

Centennial of the Apparitions at Fátima

In the scope of the Centennial of the Apparitions at Fátima and the visit of His Holiness Pope Francis, the Long Distance and Regional service strengthened its supply on May 12th and 13th, with the creation of special trains, exceptional stops, and increase of available seats in trains

stopping at Caxarias Station. In order to promote inter-modality and support group travelling, special road services were created jointly with the Bus Station of Lis between Caxarias Station and the Bus Terminal existing in the premises of the Sanctuary, along with an all-in-one ticket including the train+transfer trip.

Tourism Products

A cooperation protocol was executed between CP and Barcadouro, Rota do Douro and Tomaz do Douro river cruise companies, in order to improve the transportation of passengers in the Douro Line and the attractiveness of the Douro touristic brand.

The usual trips were also carried out, with the corresponding communication campaigns, of the Almond Blossom Circuit 2017, Lamprey of Tagus Circuit, Cherry trees in Blossom Circuit, Tagus Fishermen's Circuit, Fundão Cherry Circuit, Resende Cherry Festival, Senhora da Agonia Pilgrimage, and Grape Harvest Festival.



Tariff and Ticketing

Urban Services Tariff Update

The tariffs of the Lisbon, Oporto and Coimbra urban services have been updated by 1.5% on the 1st of January 2017, as per decision of the responsible Ministry.

Enlargement of the Andante Zoning in the Oporto Urban Trains network

Geographical enlargement of the Andante intermodal network of the Oporto Urban services, in the rail section between the Travagem and Trofa stations. A new zone has been introduced in said rail section, in the Andante zoning, in order for CP to foster such change.

Zonas de Percurso Andante		linhandante 808 200 444 www.linhandante.com cliente@linhandante.com	
Porto (São Bento)	Z2	Porto (São Bento)	Z2
Porto (Campanhã)	Z2	Porto (Campanhã)	Z2
Contumil	Z2	Contumil	Z2
Rio Tinto	Z2	Rio Tinto	Z2
Águas Santas / Palmilheira	Z2	Águas Santas / Palmilheira	Z2
Ermesinde	Z2	Ermesinde	Z2
Travagem	Z2	Travagem	Z2
Leandro	Z2	Leandro	Z2
São Frutuoso	Z2	São Frutuoso	Z2
São Romão	Z2	São Romão	Z2
Portela	Z2	Portela	Z2
Trofa	Z2	Trofa	Z2
Cabeda	Z2	Cabeda	Z2
Suzão	Z2	Suzão	Z2
Valongo	Z2	Valongo	Z2
Gen. Torres	Z2	G. Torres	Z2
V.N. Gaia	Z2	V.N. Gaia	Z2
Coimbrões	Z2	Coimbrões	Z2
Madalena	Z2	Madalena	Z2
Valadares	Z2	Valadares	Z2
Francelos	Z2	Francelos	Z2
Miramar	Z2	Miramar	Z2
Aguda	Z2	Aguda	Z2
Granja	Z2	Granja	Z2
Espinho	Z2	Espinho	Z2

Títulos Ocasionais

Títulos de Assinatura

New Siga Card

The new Siga Card was launched regarding the Oporto Urban Trains. Besides the appearance alterations and the more advanced technology, the new card of the Oporto Urban Trains is now valid for one year after purchase.



Second version of the CP Card



The second version of the CP Card was launched on the 1st of August, upon which it became possible to purchase Passes and occasional Tickets for the Oporto Urban trains, in combination with the Regional Passes and Flexipasse.

Expanding the parking areas network in Sintra Line

The parking area next to the Cacém station became operational. The access to this parking area will be free until the second quarter of 2018 and will later incorporate the monthly combined tickets “Park & Ride”, train+parking, strengthening the parking areas network of the Sintra Line stations.

Distribution

Online Ticket Office in Responsive version

The “new” online ticket office is now running, being more user friendly in mobile devices.



Online sale of tickets for the Oporto and Coimbra Urban trains

The Online Ticket Office and the CP APP now enable the sale of tickets for the Oporto and Coimbra Urban Trains supplementing the Alfa Pendular and Intercity travels.



New Image of the Sales Points

Image renewal of all ticket offices in the stations of Sintra/Azambuja, Cascais and Sado Lines, as well as the Customer Service Departments in Rossio and Cais do Sodré. The renewal of the ticket offices in the urban stations of Oporto and the Customer Service Department in Oporto S. Bento was initiated.



Partnerships

MobiCascais

In the scope of the protocol executed with the Cascais local authority, CP joined the launching of new mobility packages with competitive prices, integrating all modes of transportation, including parking and bus circuits connecting car parks and bicycle stands to the Municipality's main railway interfaces.



Train plus Car One Click Away

Partnership with the company rent-a-car Budget, giving CP's customers access to profitable conditions in car rentals, benefiting from a 10% discount over the best online tariff. This discount is only valid for bookings made through CP's website.

CP / Santander Totta Partnership

Partnership between CP and the bank Banco Santander Totta aiming to promote the use of the train for University Students' commuting.

During the 2017 Enrolments campaign, designed for new university students who opened an account in Banco Santander, CP offered them special tariff conditions, specifically a 25%+15% discount in medium and long distance services – Alfa Pendular, Intercity, Regional and Interregional, and in Passes from the urban and regional services.



“Travels with Books”



During the month of May, customers from the Alfa Pendular trains of Braga had, in their seats, a book waiting for them and to be read throughout the journey. The goal was to engage CP's Customers and encourage them to read during trips, combining the enjoyment of reading and travelling. This initiative, with the slogan "Travels with Books", arises from the partnership between CP and Cetelem, in the scope of the Social Responsibility project "Programa Tem Tudo a Ler" [Everything you Need to Read Program] undertaken by the latter.

"Poetry Train"

Partnership between CP and the Municipal Council of Fundão, which intends to familiarise CP's customers with the life and work of the poet Eugénio de Andrade.



Sagres Summer Campaign

The summer campaign of Sangres included the exchange of beer caps from the "Minis" range in train trips. This campaign was part of the summer invitation of the brand Sangres "This Summer, Portugal is mini" with the goal of making new experiences possible.



History of Trains in a schoolbook

CP and the publisher Leya-Educação established a partnership for the creation of the book "Time Machine 6 – History and Geography of Portugal", challenging 6th grade students to embark on a journey through time, filled with images and information on the railway tracks of Portugal. "Get in the Time Machine and discover" is the motto for a journey to the early days of the train in Portugal, with stories and relevant moments written in a clear, attractive and motivating way by the authors Luís Sousa, Mavilde Albino and Luiz Soares.





Communication

“CP. Always on the Move” Campaign

Aiming to promote the new image of the Alfa Pendular service and to gain competitive notoriety for the Brand, the campaign “CP. Always on the Move” was carried out. Under the concept of territorial coverage and as a real Portuguese brand, the campaign is based on a film portraying the transversality of CP’s services, defying the public to travel through a seemingly small country that reveals itself to be bigger, stating that “Not only Trains of Portugal, but trains all over Portugal”.



Alfa Pendular and Intercity Discount Campaign

With the claim “Always one Discount Away”, it addressed the attributes Price and Origin/Destination for the Long-distance service, focusing on the Promo and Youth Ticket. The campaign was broadcasted in Television (TVI, FOX and MTV), Radio (RFM), OOH media in malls of the main cities, Facebook, Youtube and programmatic digital purchasing platforms (Alliperf). It also included the Promo discount, in Lisbon and Oporto, through traffic light advertising in those cities and train-like row of cars displaying the advert.



International Campaign – Lusitânia, Sud Expresso and Celta

Under the theme “The best choice for your vacation”, a communication campaign was carried out, aimed at creating interest and drive for “getaways” using the International service (Sud, Lusitânia and Celta),



focusing in particular on the competitive price for each destination.

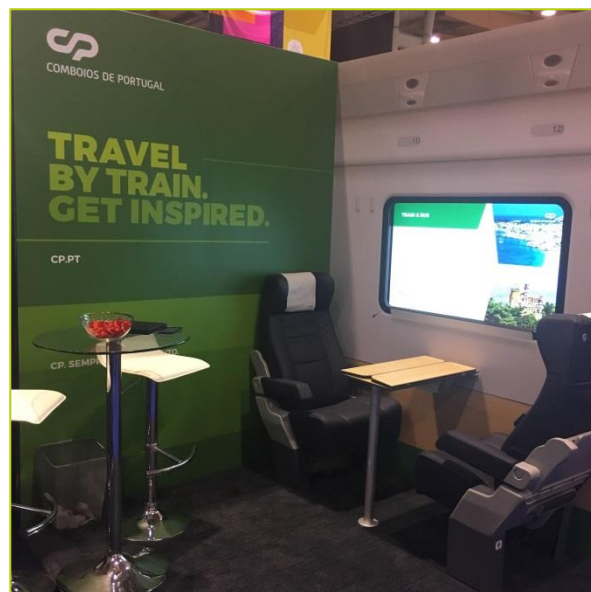
Presence at Web Summit

Under the theme “Travel by Train. Get Inspired”, CP participated in Web Summit, which took place between the 6th and 9th of November at FIL and Altice Arena in Lisbon.

The stand reflected the inside of the new Alfa Pendular train and an LCD was placed on the window to show the campaign film of the CP Brand and a presentation of the main products, appropriate for the target in this event.

A new contest was launched on a landing page created specifically for it, inviting visitors to travel in the stand and share an idea arising in that moment or during a train journey.

The partnership between CP and Web Summit also contemplated discounts encouraging train travelling to the event.



Quality

Renovation of Quality Certification

CP renovated the certification of its Quality Management System in accordance with the ISO 9001:2015 standard. This certification acknowledged the Company's efforts to ensure the compliance of their products and services, customer satisfaction, and equivalent continuous improvement. As strengths of the management system, the certifying body EIC highlighted the continuous growth in the number of passengers and the sales volume, the proactive spirit of the Control and Sale Operators, the results obtained in the customer satisfaction survey and the amount of training provided to employees.



Asset Management

Improvement of Operating Facilities

CP continued its general improvement activities and equipment renovation in operating facilities. The completion of the improvement work done to the operating dorm of Guarda is highlighted.

Electrification of the Washing Line of the Fleet in Entroncamento

Extension of the overhead contact line and installation of a trapped key interlocking system to ensure the safety of employees in the washing operation of the Fleet in Entroncamento. Better operability conditions in the entrance and exit of tractive stock were established, allowing a more intensive use of the washing area and ensuring the safety of all operations.

Improvement of the railway in the Campolide and Entroncamento Rolling Stock Fleet

The improvement works carried out in the lines of access to the maintenance facilities of Campolide and the line of access to the pit lathe of Entroncamento were completed. These interventions encompassed the replacement of several railway elements, increasing the safety of railway transportation in the mentioned places.

Safety

Railway Safety Drill

There was a safety drill of a railway accident at the Train Station of Coima, Seixal, with the purpose of testing all needed operating procedures in a fictional collision between a CP commercial passenger service train and a passenger bus of TST in a railway crossing. The participating entities were, among others, CP, IP, transportation companies, military and security forces, local authorities and firefighters, along with international bystanders who came to Lisbon in order to participate in the international conference RAILPOL.



Social Responsibility

Move2Learn, Learn2Move

CP joined the “Move2Learn, Learn2Move” initiative from the European Commission, launched to celebrate the 30th anniversary of the Erasmus program, which gave approximately five thousand youths, between 16 and 19 years old, the opportunity to visit other countries within the European Union, either individually or along with their school class, travelling by public transportation. CP joined this initiative by granting 30% discount on the Portugal Rail Pass, a product meant exclusively for foreign visitors living outside Portugal, allowing them to get to know the country by train, without travel or service restrictions.

New Member of the Advisory Council for People with Special Needs [CCPNE]

The Advisory Council for People with Special Needs now has 10

members: CP, APS, APD, ACAPO, CNOD, ADFA, LIGA, INR, IP and, from 2017, with the National Association of Portuguese Municipalities (ANMP). This Advisory Council will continue to work towards ensuring an improvement of mobility and accessibility conditions for Customers with Special Needs regarding trains and stations.



International Railway Film Festival

The 22nd Edition of CineRail, International Railway Film Festival took place in Lisbon, at São Jorge Cinema, from the 27th to the 29th of November 2017.

Having been sponsored by UIC - Railway International Union – in close collaboration with national and international bodies and entities, this festival brought to Lisbon a selection of the best films recently produced by companies from the railway sector, the public transportation area and the industries and bodies involved in mobility and transportation matters. An international panel rated the films up to contest, and granted prizes in many categories. It was the first time that an International CineRail Festival edition took place outside French territory.



European Mobility Week

CP joined the European Mobility Week and the European Car Free Day, with a special promotion of 2€ in round trips, meant for everyone who travelled in the Urban Trains of Lisbon, Oporto and Coimbra on the 24th of September and for the people participating in the various initiatives developed during that week.



New Rules of the Integrated Mobility Service

The Integrated Mobility Service (SIM) has been restructured, extending the provision of assistance services to Customers with Special Needs (CNE) who are wheelchair users while boarding or alighting the train, from 63 to approximately 130 stations. For CNE customers who are not wheelchair users, the SIM service will continue to be provided in all trains and stations. The possibility to request this Service by e-mail, through an online form, was also implemented.



International Day of Disabled People

CP supported, for the ninth consecutive year, the International Day of Disabled People, offering trips to disabled citizens and corresponding companions without disability. There has been a growing success of this initiative, also representing an opportunity to promote the SIM service (Integrated Mobility Service), which supports customers with temporary or permanent mobility difficulties in their trips.

European Heritage Days

CP was part of the Douro Museum's program, having intervened in two lectures about the "Douro Line - People, Places and History" and "The Importance of Rolling Stock Maintenance".

CP co-organised the European Heritage Days, which aimed at showing the importance of heritage preservation and promoting the programmes linking



building heritage and nature, in the Douro and Minho regions.

Municipal Day for Equality

The Municipal Day for Equality was celebrated on the 24th of October and this year's motto was "A collective commitment to Equality. A local citizenship campaign". The City Council of Lisbon sponsored a meeting where a Traction Inspector spoke about her experience in the beginning of her career, as a train driver, 16 years ago, and the changes that have been made over time regarding having a woman drive a train.

CP is a Company that supports equality in the access to employment and the various careers, namely those that are typically considered a male field. The Company has had eight female train drivers and twelve female employees of the inspection sector in their staff for several years.

Signing of the charter of Principles of BCSD Portugal

CP signed the Charter of Principles of BCSD Portugal – Business Council for Sustainable Development.

This document establishes the principles making up the guidelines for good business management, in accordance with ethical, social, environmental and quality standards. The Charter of Principles encompasses six main principles for good management – legal compliance and ethical conduct; human rights; labour rights; prevention, health and safety; environment; matters related to management - so that companies can be recognised by their customers, suppliers and society in general for the implementation of strong sustainability commitments.



Awards

Award for Maintenance and Repair Intervention 2017

The Portuguese Museums Association (APOM) granted the award for maintenance and repair intervention 2017 to CP, thanks to the reconversion project of the steam locomotive 0186, Henschel & Son, dated 1925, which consisted of the replacement of the locomotive's primary energy source from coal to diesel.



“Partnership” Award

The Portuguese Museums Association (APOM) also granted an Honourable Mention in the “Partnership” category to CP for the “160th Anniversary of the Train in Portugal” program undertaken in 2016.



“Who Cares – The Brand Empathy Report”

This research aimed at getting to know the perception of Portuguese citizens regarding the ability of brands to meet their needs, feelings and struggles. CP was overall ranked 33rd place in empathy levels shown by brands in Portugal, and in 4th place in the transportation category. The results of this research show CP's efforts in order to predict what its customers feel, think and do, and is therefore able to relate to them.



1st prize “Sapo Meios”

CP received the first prize “SAPO Meios” [SAPO Media] in the “Services” category at Champalimaud Foundation, thanks to the digital communication carried out with the Portuguese youtuber Conguito. This category rewards media plans for the work undertaken in terms of planning, application and results in the pursuit of a Digital campaign. A web series was created, in cooperation with the youtuber Conguito, which revealed CP’s specific offers targeted to youths.



Marketing Award – Meios & Publicidade 2017

CP was awarded Silver in the “Social Media” category of the Marketing Awards 2017, promoted by the “Meios & Publicidade” [Media and Advertisement] magazine, due to the digital communication carried out with the youtuber Conguito. This partnership is part of the marketing strategy of contents meant for CP digital channels.





MANDATORY LEGAL OBLIGATION COMPLIANCE

Summary

Compliance with the 2017 Legal Guidelines	Compliance	Measurement/ Identification	Explanation / Reference to the item of the Report
	Y/N/NA		
Management Goals			
EBITDA Improvement	Y	+ 27,1 M€ than expected	Recurrent EBITDA / See "Management Goals" and "Reduction Measures of Operating Expenses"
Reduction of the influence of Expenses in the Turnover	Y	-10,4 p.p. than expected	Sold commodities and consumed materials costs+External services and supplies+Personnel w/o terminations of employment and impacts from pay cut reversals and of Art. 20 and 21 of the State Budget Law 2017/Turnover (w/o operating subsidies) / See "Management Goals" and "Reduction Measures of Operating Expenses"
Level of Indebtedness	Y	2,4%	Change in Adjusted Indebtedness / See "Management Goals" and "Limit for Debt Growth"
Goals comprised in the 2017 Activities and Budget Plan			
Income from Traffic	Y	+ 6,3% than expected	See "Management Goals"
Transported Passengers	Y	+ 4,7% than expected	See "Management Goals"
Final Effective Staff	Y	-81 employees than expected	See "Management Goals" and "Permanent Staff"
Investment	Y	41% of Annual Budget implementation	See "Management Goals" and "Investment"
Degree of Budget implementation existing in the Budget Management Information System / State Budget System			
	Y	81,6%	See "Management Goals"
Financial Risk Management			
	Y	2,7%	Average funding cost / See "Financial Risk Management"
Limit for Debt Growth			
Adjusted Indebtedness	Y	2,4%	Despite having taken out a loan at the end of 2017 with the State, remunerated debt decreased approximately by 13,54% / See "Limit for Debt Growth"
Development of the Average Times for Payment to suppliers			
	Y	-15 days	Change between the 4th quarter of 2017 and the 4th quarter of 2016 / See "Average Time for Payment"
Disclosure of Arrears			
	Y	0	There are no arrears for reasons attributable to the company / See "Average Time for Payment"
Recommendations from the shareholder issued upon the last approval of accounts			
	NA		The Accounts of 2015 and 2016 are pending approval from the responsible Ministry.
Remunerations			
No management awards	Y	Not existing	See "Remunerations"
Board of Directors - salary reductions and pay cut reversals in force during 2017	Y	14 672,71 €	Under Law no. 42/2016, from December 28th, which approved the State Budget for 2017, the 5% reduction in the gross fixed monthly salary of the members from the Board of Directors was maintained (see article 12 of Law no. 12-A/2010 of June 30th). See "Remunerations"
Inspection (Supervisory Board/Certified Public Accountant) - salary reductions and pay cut reversals in force during 2017	NA	Not applicable	See "Remunerations"
External Auditor - salary reductions and pay cut reversals in force during 2017	NA	Not applicable	See "Remunerations"
Remaining employees - restriction of payment valuations, in accordance with art. 38 of Law 82-B/2014, and extended to 2017 by art. 19 of Law no. 114/2017, from December 29th.	Y	Not existing	See "Remunerations"

Compliance with the 2017 Legal Guidelines	Compliance	Measurement / Identification	Explanation / Reference to the item of the Report
	Y/N/NA		
Public Manager Statute - article 32 and 33 of the Public Manager Statute			
No use of credit cards	Y	Not used	Members from the Board of Directors did not use any credit cards or other payment instruments for expenses associated with the Company's service.
No reimbursement of personal representation expenses	Y	Not existing	There is no reimbursement to Members of the Board of Directors regarding any possible expenses of personal representation.
Maximum amount for expenses associated with communications	Y	80,00 €	See "Implementation of Articles 32 and 33 of the Public Manager Statute"
Maximum amount for expenses with fuel and tolls related to official cars	Y	1/4 of representation expenses	See "Implementation of Articles 32 and 33 of the Public Manager Statute"
Undocumented or confidential expenses - item 2 of art 16 of the Portuguese Legal Framework for the Public Business Sector (RJSPE) and art. 11 of the Public Manager Statute			
Restriction of undocumented or confidential expenses	Y	Not existing	See "Implementation of art. 16 of the Portuguese Legal Framework for the Public Business Sector and art. 11 of the Public Manager Statute"
Promoting wage equality between women and men - item 2 of the Council of Ministers Resolution no. 18/2014			
Preparation and disclosure of the report on pay for women and men	Y	In CP's website	www.cp.pt/institucional/pt/empresa/principios-bom-governo
Preparation and disclosure of the annual report on corruption prevention			
Annual report on corruption prevention	Y	In CP's website	www.cp.pt/institucional/pt/empresa/principios-bom-governo
Public Contracting			
Implementation of the public contracting rules by the company	Y	100,00%	See "Public Contracting"
Implementation of the public contracting rules by affiliate companies	NA	Not applicable	See "Public Contracting"
Agreements submitted to prior approval from the Court of Auditors	Y	19 agreements in the overall amount of 41.146.394,28 €	See "Public Contracting"
Audits performed by the Court of Auditors			
	NA		There were no audits performed by the Court of Auditors during 2017.
Vehicle Fleet			
Number of vehicles	Y	-3	See "Vehicle Fleet"
Operating Expenses of Public Companies			
MRGO	Y		See "Reduction Measures of Operating Expenses "
State Treasury Unit Principle (art. 28 of Decree-law 133/2013)			
Cash and equivalents centralised in the Public Debt Management Institute (IGCP)	Y	67%	Demand deposit amount in the Public Debt Management Institute (IGCP) / Total demand deposit amount (*)
Cash and equivalents in Commercial Banking	Y	2 610 510 €	Demand deposit amount in Commercial Banking corresponding to the revenue collected from the stations within the last days of the month, in accordance with the exemption obtained from the State Treasury Unit Principle. (**)
Interest earned due to the non-compliance with the State Treasury Unit and provided as State Revenue	NA	0	There is no interest earned following the non-compliance with the State Treasury Unit and provided as State Revenue, since CP complied with the State Treasury Unit Principle.

(*) Explained in a separate item of this report.

(**) Does not include the amount of 1,244,020.68€, deposited in an account of the "Banco Santander" bank owned by the Public Debt Management Institute, as at 31-12-2018.

Management Goals

Non-Financial Reporting

As to the 2017 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. In 2018, CP will act accordingly, pursuant to Article 3 of Decree-Law no. 89/2017, from the 28th of July.

Activities and Budget Plan (PAO)

In 2017, CP transported approximately 122 million passengers, 5.4 million passengers more than what was expected (+4.7%). Income from traffic reached approximately 250 million euros, 14.9 million euros more than what was expected (+6.3%).

This performance is the outcome of, namely, a strong commercial dynamic and a growing efficiency of the fight against fraud. It is worth mentioning that the ratio of the amount of fines issued per amount of inspections carried out had a positive development (11% in 2017, 9% in 2016 and 8.4% in 2015).

The recurrent EBITDA in 2017 was positive at 14.6 million euros, having registered an improvement compared with the forecasted 27.1 million euros, namely due to the mentioned growth in income from traffic and to the favourable deviation occurred in External Services and Supplies.

In the case of the External Services and Supplies, we highlight the generalised cost containment and the performance of a lower number of non-programmed interventions in rolling stock than the forecast. We also emphasise the impact of the enforced budgetary constraints, with the reassessment and rescheduling of several activities.

Personnel Expenses were lower than planned (-1.5 million euros), due to a higher number of terminations of employment than initially estimated, to the impossibility of fulfilling all foreseen recruitments, and to the fact that the expected increase in expenses with occupational accidents and health insurances did not occur after the renegotiation of agreements. Effective staff at the end of 2017 was of 2,681 employees, 81 employees less than predicted.

The influence of the main headings of expenses in the turnover presented a favourable development of 10.4 p.p. compared with the forecast.

Cost Reduction Policy	2017 Implement.	Activities and Budget Plan	2017/2016	
			Δ Absol.	Change %
(0) EBITDA	14 625 714 €	-12 475 382 €	27 101 096	217,2%
(1) Sold commodities and consumed materials costs	6 242 781 €	6 331 945 €	-89 164	-1,4%
(2) External services and supplies	159 350 289 €	167 179 627 €	-7 829 338	-4,7%
(3) Personnel expenses corrected from charges i, ii) and iii)	93 886 556 €	96 266 905 €	-2 380 349	-2,5%
(3.i) Compensations for termination of employment	1 359 861 €	1 100 681 €	259 180	23,5%
(3.ii) Impact of pay cut reversals (3)	3 402 827 €	3 768 423 €	-365 596	-9,7%
(3.iii) Impact of the implementation of articles 20 and 21 of the State Budget Law 2017	1 224 549 €	0 €	1 224 549	-
(4) Operating Expenses ^{a)} = (1)+(2)+(3)	259 479 626 €	269 778 477 €	-10 298 851	-3,8%
(5) Turnover ^{b)}	258 650 217 €	243 671 713 €	14 978 504	6,1%
(6) Influence of Expenses/Turnover = (4)/(5)	100,3%	110,7%	-10,4 p.p.	-

CP closed the financial year of 2017 with a Net Result of -112 million euros, approximately 28% better than predicted.

INCOME AND EXPENSES (amounts in thousand euros)	PERIODS		Change 2017/2017P	
	Real. 31-12- 2017	2017P	Amount	%
Operating Result of the Transportation Activity (EBITDA)	14 626	-12 475	27 101	217,2%
Operating Result	-35 523	-65 371	29 848	45,7%
Financial Result	-76 104	-88 776	12 672	14,3%
Net Result	-111 952	-154 436	42 484	27,5%

Besides the previously mentioned causes for the EBITDA, impacting the Operating Result, the improvement of results from affiliate companies is highlighted, representing a favourable deviation of 3.8 million euros compared with the forecast.

The Financial Result for 2017 was negative at 76.1 million euros, 12.7 million euros above the forecast, essentially due to interest rates being lower than initially expected.

The investment amount of 2017 reached 16.3 million euros, corresponding to an implementation rate of 41% regarding the initial budget. Several actions were rescheduled or postponed due to the maturity level of some projects, and to the constraints imposed on the increase of the productive capacity of EMEF.

CP had the support of the State, via granting capital increases to finance the debt service, investments, and the agreement with the Organisations Representing Employees on variables. The remaining operating needs were met almost fully by resorting to the company's own revenues. At the end of the year, the company had to take up financing amounting to 6 million euros, for the settlement of current needs.

There was an increase of 2.4% in the amount of Adjusted Indebtedness, as presented in a separate item of this report, having been placed below the limit of 3% established by article 45 of the 2017 State Budget Law.

Budget Implementation

In 2017, CP accounted for a budgetary implementation of revenue of 81.6%.

Budgetary Implementation of Revenue All sources		2017		
Economic	Name	Budget (1)	Collections (2)	Implementation Rate (3) = (2) / (1)
R.04 / R.05	Fines Penalties	41 216,00 €	806 594,60 €	-
R.07	Sale of Current Goods and Services	287 870 199,00 €	275 771 725,06 €	95,8%
R.08	Other Current Revenues	27 599 485,00 €	17 636 909,17 €	63,9%
R.09	Sale of Investment Goods	3 000,00 €	1 844 950,90 €	61498,4%
R.06 / R.10	Transfers	4 353 000,00 €	3 638 773,12 €	83,6%
R.11	AT FIN SOC E QUA SOC	0,00 €	502 504,98 €	-
R.12.04	PA FIN SOC FIN	0,00 €	0,00 €	-
R.12.06	Financial Liabilities - Loans	57 605 796,00 €	6 000 000,00 €	10,4%
R.12.07	Financial Liabilities - Capital Increase	119 911 397,00 €	98 086 724,29 €	81,8%
R.13 / R.15	Claims / Refunds not deducted in payments	0,00 €	93 546,52 €	-
R.16	Management Balance	8 216 306,00 €	8 216 306,00 €	-
TOTAL		505 600 399,00 €	412 598 034,63 €	81,6%

The main deviations occurred in the following headings:

- ▶ R.12.07, regarding granted Capital Increases (-21.8 million euros), namely due to the low implementation level of investment expenses and to the amount of financial costs, which were lower than expected;
- ▶ R.12.06, regarding new financing from the Directorate-General of Treasury and Finance (-51.6 million euros), since during the year CP presented a review of its Activities and Budget Plan as well as several budgetary amendment proposals, including the use of the management balance from the previous year, therefore seeking to use the company's own revenues and minimise indebtedness. The amount of indebtedness in 2017 was only 6 million euros.

It should be noted that the budget for this item included the possibility of financing the needs directly arising from the application of the concept of available funds, in accordance with the Commitments and Late Payments Law (reservation and commitments to be undertaken in 2017 but whose payment shall only be carried out in

2018), in the amount of 31.5 million euros, even if they did not correspond to actual indebtedness needs;

Excluding these items, the execution of CP's revenue budget was 94%.

The main deviations in own revenues were largely due to the renegotiation of traction energy supply agreements, with the expenditure of Medway, S.A. since the invoicing was directly made to that company, and to the lower volume of obtained VAT reimbursements, due to the small number of investments.

The expense recorded an execution of 81.6% compared to the originally approved budget.

Budgetary Implementation of Expenses All sources		2017				
Economic	Name	Budget before withholdings (1)	Withholdings (2)	Available Budget (3)=(1)-(2)	Payments (4)	Implementation Rate (5) = (4) / (3)
D.01	Personnel expenses	108 336 737,00 e	0,00 e	108 336 737,00 e	107 233 909,50 e	99,0%
D.02	Purchase of goods and services	268 721 223,00 e	0,00 e	268 721 223,00 e	210 204 310,59 e	78,2%
D.10/D.03	Amortisations of loans/ Interest and other charges	83 066 830,00 e	0,00 e	83 066 830,00 e	74 785 437,92 e	90,0%
D.07	Purchase of capital assets	29 710 590,00 e	0,00 e	29 710 590,00 e	18 966 188,32 e	63,8%
D.06.02.03.R0.00	Reserve	10 776 897,00 e	0,00 e	10 776 897,00 e	0,00 e	-
D.04/D.06/D.09	Remaining amount	4 933 124,00 e	0,00 e	4 933 124,00 e	1 266 909,60 e	25,7%
TOTAL		505 545 401,00 e	0,00 e	505 545 401,00 e	412 456 755,93 e	81,6%

The degree of implementation would have been of 87%, if not for the budget of needs arising directly from the application of the abovementioned available funds concept.

In order to enable the regularisation of overdue invoicing, related to the use of railway infrastructure, the total deactivation of the CP budget was authorised by order no. 1241/2017 of 6-12-2017 of the Secretary of State for Budget.

As foreseen in the legislation in force for 2017, the amount of the heading D.02.02 – Contracting of Services, was limited to the amount from payments carried out in the previous year. By order of the Secretary of State for Budget no. 1396/2017 of 20-12-2017, the heading D.02.02.21 – Use of Infrastructures, was exempted from this comparison.

Financial Risk Management

CP's financial risk management in 2017 is summarised in the following table:

Financial Risk Management Ordinance no. 101/09-SETF, of 30-01	COMPLIANCE			Description
	Y	N	NA	
Followed procedures regarding risk assessment and corresponding hedging measures				
Diversification of funding instruments			X	With the integration of CP in the consolidation perimeter of the State Budget in 2015, the company was able to stop relying on funding from commercial banking. This way, its funding needs were met by loans from the Portuguese State, in accordance with the laws in force for Reclassified Public Companies (EPR). A medium and long-term loan was entered into with the State at the end of 2014, at fixed rate. A new medium and long-term loan was entered into with the State at the end of 2017, at fixed rate.
Diversification of available interest rate modes			X	
Diversification of creditors			X	
Contracting risk hedging management instruments according to market conditions			X	There was no contracting of risk hedging instruments.
Implementation of an active policy for the strengthening of permanent capitals				
Consolidation of remunerated liability: transforming short-term liability to medium/long-term liability, under favourable conditions	X			At the end of 2014 the short-term debt was transformed into medium and long-term debt through a loan granted by the Portuguese State. As at 31-12-2017 the influence of the medium and long-term debt represented 84.4% of the total remunerated debt.
Contracting an operation for minimising all-in cost			X	A new loan was entered into with the Portuguese State at the end of 2017. Existing loans were entered into based on full cost.
Minimising the provision of real collaterals		X		Debt guaranteed by the Portuguese State decreased during 2017, following the amortisation of loans endorsed by the State, namely with the European Investment Bank.
Minimising restrictive clauses (covenants)			X	A new loan was entered into with the State in 2017. Existing loans were entered into with the aim of minimising restrictive clauses.
Measures pursued in order to enhance the company's financial structure				
Implementation of a policy that minimises the allocation of capital unrelated to investment financial hedging			X	CP kept the investment volume at a necessary minimum during 2017 in order to ensure safety and operability of rolling stock, systems, equipment, and fixed facilities. The State granted capital increases to CP for the funding of investment expenses.
Investments with proven social/corporate profitability, benefit from CF and E	X			
Self-financing and disinvestment revenues			X	
Incorporation in the Report & Accounts				
Description of the development of the annual average rate regarding funding during the last 5 years	X			Separate item of this Report.
Interest paid annually regarding remunerated liability and other charges in the last 5 years	X			Separate item of this Report.
Efficiency analysis of the financing policy and of the use of financial risk management instruments	X			Separate item of this Report.
Analysis of the effect from fair-value changes in swap agreements held in the portfolio, within the 2017 Financial Statements				
			X	The company had no risk hedging instruments (swap) in its portfolio during 2017.

Caption:

CF - Community Funds
 E - Equity
 Y - Yes
 N - No
 N.A. - Not applicable

In the chapter “Financing” of this report it is possible to obtain additional information regarding the financial management during 2017, including, specifically, the evolution of the average funding rate.

Limit for Debt Growth

CP's remunerated debt decreased by approximately 13.56%. The company had the support of the State for the funding of debt service, investments, and agreement on variables, via capital increases. At the end of 2017 the company took out a loan of 6 million euros from the Portuguese State, for the settlement of operating needs.

There was a 2.4% increase of the Adjusted Indebtedness amount, as per the following table:

Remunerated Liability	2017	2016	2015	2014	2013	Change 17/16	
	Amounts (€)					Amount	%
1 - Remunerated financing (Current and Non-current)	2 614 381 000	3 024 535 015	3 522 177 898	4 134 440 939	3 807 786 562	-410 154 015	-13,6%
- granted by the Directorate-General of Treasury and Finance	1 528 056 000	1 902 570 000	2 283 084 000	2 283 084 000	0	-374 514 000	-19,7%
2 - Capital increases in cash (a)	957 467 916	859 381 192	683 483 000	0	0	98 086 724	11,4%
3 - Capital increases by credit conversion (b)	897 307 024	479 015 084	0	0	0	418 291 940	87,3%
4 - Adjusted Indebtedness (1+2+3)	4 469 155 940	4 362 931 291	4 205 660 898	4 134 440 939	3 807 786 562	106 224 649	2,4%

(a) Capital increases for debt service (except for the debt of Directorate-General of Treasury and Finance), investments and agreement on variables.

(b) Capital increases for the debt service associated with the Directorate-General of Treasury and Finance.

Average Time for Payment

During 2017, similarly to 2015 and 2016, CP had the support of the State, via capital increases, to fund the historical financial debt service (interest and amortisations), investments, and personnel expenses related to the agreement on variables entered into with Organisations representing employees, in relation to years prior to 2015.

Received increases and funds generated by the operating activity of the company allowed CP to ensure timely fulfilment of its financial liabilities to its suppliers and creditors. The company had to take out a loan amounting to 6 million euros at the end of 2017 in order to ensure the total settlement of delayed billing from IP.

As at 31st of December 2017, CP did not present any arrears for reasons attributable to the company, as showed in the table below:

Matured debts (amounts in euros)	0-90 days	Matured debts in accordance with Art. 1 of Decree-law 65-A/2011			
		90-120 days	120-240 days	240-360 days	>360 days
Purchase of Goods and Services	1 948 736	0	0	0	0
Purchase of Capital	0	0	0	0	0
Balance owed to Suppliers (Total)	1 948 736	0	0	0	0
Infraestruturas de Portugal, S.A.	0	0	0	0	0
Other	1 948 736	0	0	0	0

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

The table below presents the evolution of the quarterly Average Time for Payment during 2017 in comparison with 2016:

Year	Quarter	Payment Deadline (days)	Payment Deadline w/o IP (days) (*)
2016	1st	46	34
	2nd	44	32
	3rd	38	32
	4th	34	30
2017	1st	28	25
	2nd	22	24
	3rd	20	20
	4th	19	25
Δ(%) 4th quarter 2017/2016		-44%	-17%

(*) Except for the debt owed to IP regarding Network Directory. It should be noted that this Average Time for Payment still includes other debts owed to IP regarding services outside the Directory which are not easily removed from the indicator.

The Average Time for Payment continued to decrease significantly during the financial year of 2017, as seen in the financial year of 2016, with timely compliance of the companies' liabilities to its supplies and creditors.

Recommendations from the Shareholder Issued When the 2016 Accounts were Approved

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

Remunerations

Salary Reduction Measures

During 2017, under Law no. 42/2016 of December 28th which approved the State Budget for 2017, the 5% reduction in the gross fixed monthly salary of the members from the Board of Directors was maintained (see article 12 of Law no. 12-A/2010 of June 30th).

The inapplicability of the scheme provided for public servants in respect of travel and subsistence of traveling staff was also recognised, with the continued application of Company Agreement rules.

During 2017, the enforcement of the agreements concluded with labour unions in 2013, regarding the payment of work provided in non-working days and official holidays were maintained, having been transmitted to the responsible Ministries in due time.

Board of Directors' Remunerations

From the 1st of January to the 29th of June 2017

Term of Office Start-End	Position	Name	Appointment		Option for remuneration in the place of origin [OPRLO] (2)		Number of Offices
			Method (1)	Date	Originating Entity	Paying Entity (O/D)	
21-02-2013 to 31-12-2015	President	Manuel Tomás Cortez Rodrigues Queiró	Council of Ministers Resolution no. 6-A/2013 (Online Official Gazette II series, no. 42) of 28-02-2013 with Amendment Statement no. 285/2013 (Online Official Gazette II series, no. 45)	05/03/2013	N.A.	D	1
24-4-2015 to 31-12-2015	Voting Member	Nuno Serra Sanches Osório	Council of Ministers Resolution no. 29/2015 (Online Official Gazette II series, no. 87)	06/05/2015	N.A.	D	1
21-02-2013 to 31-12-2015	Voting Member	Maria João S. C. Rosa Calado Lopes	Council of Ministers Resolution no. 6-A/2013 (Online Official Gazette II series, no. 42) of 28-02-2013 with Amendment Statement no. 285/2013 (Online Official Gazette II series, no. 45)	05/03/2013	N.A.	D	1

Member of the Administration Board	Accumulation of Tasks - 2017		
	Entity	Task	Scheme (Public/Private)
Manuel Tomás Cortez Rodrigues Queiró	EMEF	President B.o.D.	Public
	TIP	Voting Member	Public
	Nomad Tech	Manager	Private
Nuno Serra Sanches Osório	EMEF	Director	Public
	FMNF	Director B.o.D.	Public
	FMNF	Voting Member A.B.	Public
	ECOSAÚDE	Sole Director	Public
	SAROS	Manager	Public
	OTLIS	Director	Public
	SIMEF	President B.o.D.	Public
Maria João S. C. R. Calado Lopes	FERNAVE	Sole Director	Public

Caption:

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

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

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

SAROS - Sociedade de Mediação de Seguros, Ld.^a

Nomad Tech, Lda

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

FMNF - Ginestal Machado National Railway Museum Foundation

TIP - Transportes Intermodais do Porto, ACE

OTLIS - Operadores de Transportes da Região de Lisboa, ACE

B.o.D. - Board of Directors

A.B - Advisory Board

Member of the Board of Directors	Public Manager Statute		Gross Monthly Pay (€)	
	Fixed (Y/N)	Classification (A,B,C)	Monthly Salary	Representation Expenses
Manuel Tomás Cortez Rodrigues Queiró	Y	A	5 722,75 €	2 289,10 €
Nuno Serra Sanches Osório	Y	A	4 578,20 €	1 831,28 €
Maria João S. C. Rosa Calado Lopes	Y	A	4 578,20 €	1 831,28 €

Member of the Board of Directors	2017 Annual Remuneration (€)				
	Fixed (1)	Variable (2)	Gross Amount (3)=(1)+(2)	Pay cuts (4)	Final Amount (5)=(3)-(4)
Manuel Tomás Cortez Rodrigues Queiró	56 308,56 €	0,00 €	56 308,56 €	2 739,83 €	53 568,73 €
Nuno Serra Sanches Osório	45 049,68 €	0,00 €	45 049,68 €	2 194,65 €	42 855,03 €
Maria João S. C. Rosa Calado Lopes	45 049,68 €	0,00 €	45 049,68 €	2 194,65 €	42 855,03 €
Total	146 407,92 €	0,00 €	146 407,92 €	7 129,13 €	139 278,79 €

(1) The amount of Fixed remuneration corresponds to salary+representation expenses (w/o cuts).

(4) pay cuts foreseen in article 12 of Law no. 12-A/2010, of June 30th.

Member of the Board of Directors	Social Benefits (€)							
	Meal Allowance (€)		Social Protection Scheme		Health Insurance Annual Charges	Life Insurance Annual Charges	Other	
	Amount / Day	Annually Paid Amount	Specify	Annual Charges			Specify	Amount
Manuel Tomás Cortez Rodrigues Queiró	6,86 €	576,24 €	Social Security	12 769,26 €	144,88 €	0,00 €	Personal Accidents Insurance	2,82 €
Nuno Serra Sanches Osório	6,86 €	665,42 €	Social Security	10 231,98 €	144,88 €	0,00 €	Personal Accidents Insurance	2,82 €
Maria João S. C. Rosa Calado Lopes	6,86 €	679,14 €	Social Security	10 164,98 €	144,88 €	0,00 €	Personal Accidents Insurance	2,82 €
Total	-	1 920,80 €	-	33 166,22 €	434,64 €	0,00 €	-	8,46 €

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

Member of the Board of Directors	Vehicle related costs - 2017								
	Assigned Vehicles	Conclusion of Agreement	Reference Value of the Vehicle	Mode	Start Year	Expiry Year	Monthly Rent (€)	Rent Expenses	Number of Remaining Contractual Obligations
	Y/N	Y/N	(€)	(1)			as at 29-6-2017	(€)	as at 29-6-2017
Manuel T.C.R.Queiró, Nuno S.S.Osório and Maria João S.C.R.Calado Lopes (Pool cars)	Y	N	57 575,98	Long-term Lease	2008	2017	569,64	3 760,80	0
	Y	N	59 418,04	Long-term Lease	2008	2017	489,66	3 282,24	0
	Y	N	57 575,98	Long-term Lease	2008	2017	651,17	5 293,32	0

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

Member of the Board of Directors	Annual expenses associated with Missions (€)					Total amount spent with Travels
	Missions	Accommodation Cost	Daily Allowances	Other		
	(€)	(€)	(€)	Specify	Amount (€)	
Manuel Tomás C.R.Queiró	1 817,28 €	332,29 €	303,80 €	Meals	1 186,80 €	3 640,17 €
Nuno Serra Sanches Osório	1 533,50 €	243,00 €	500,36 €	Meals	827,15 €	3 104,01 €
Maria João S. C. R.Calado Lopes	0,00 €	0,00 €	0,00 €	Meals	780,15 €	780,15 €
Total						7 524,33 €

From the 30th of June to the 31st of December 2017

Term of Office Start-End	Position	Name	Appointment		Option for remuneration in the place of origin [OPRLO] (2)		Number of Offices
			Method	Date	Originating Entity	Paying Entity (O/D)	
30-06-2017 to 31-12-2019	President	Carlos Gomes Nogueira	Council of Ministers Resolution no. 111/2017 (Online Official Gazette I series, no. 147)	01-08-2017	N.A.	D	1
30-06-2017 to 31-12-2019	Voting Member	Ana Maria dos Santos Malhó	Council of Ministers Resolution no. 111/2017 (Online Official Gazette I series, no. 147)	01-08-2017	N.A.	D	1
30-06-2017 to 31-12-2019	Voting Member	Sérgio Abrantes Machado	Council of Ministers Resolution no. 111/2017 (Online Official Gazette I series, no. 147)	01-08-2017	N.A.	D	1

Member of the Administration Board	Accumulation of Tasks - 2017		
	Entity	Task	Scheme (Public/Private)
Ana Maria dos Santos Malhó	EMEF	Voting Member of the B.o.D. (a)	Public
	SIMEF	President of the B.o.D. (b)	Public
Sérgio Abrantes Machado	EMEF	President of the B.o.D. (a)	Public
	Nomad Tech	Manager (b)	Private

Notes: (a) Since the 20th of July 2017

(b) Since the 1st of August 2017

Caption:

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

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

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

SAROS - Sociedade de Mediação de Seguros, Ld.ª

Nomad Tech, Lda

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

FMNF - Ginestal Machado National Railway Museum Foundation

TIP - Transportes Intermodais do Porto, ACE

OTLIS - Operadores de Transportes da Região de Lisboa, ACE

B.o.D. - Board of Directors

A.B. - Advisory Board

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

Member of the Board of Directors	2017 Annual Remuneration (€)				
	Fixed (1)	Variable (2)	Gross Amount (3)=(1)+(2)	Pay Cuts (4)	Final Amount (5)=(3)-(4)
Carlos Gomes Nogueira	57 390,83 €	0,00 €	57 390,83 €	2 861,65 €	54 529,18 €
Ana Maria dos Santos Malhó	46 933,04 €	0,00 €	46 933,04 €	2 346,62 €	44 586,42 €
Sérgio Abrantes Machado	46 709,02 €	0,00 €	46 709,02 €	2 335,31 €	44 373,71 €
Total	151 032,89 €	0,00 €	151 032,89 €	7 543,58 €	143 489,31 €

(1) Fixed remuneration corresponds to salary+representation expenses (w/o pay cuts).

(4) cuts foreseen in article 12. of Law no. 12-A/2010, of June 30th.

Member of the Board of Directors	Social Benefits (€)							
	Meal Allowance (€)		Social Protection Scheme		Health Insurance	Life Insurance	Other	
	Amount / Day	Annually Paid Amount	Specify	Annual Charges	Annual Charges	Annual Charges	Specify	Amount
Carlos Gomes Nogueira	6,86 €	679,14 €	Social Security	12 950,67 €	144,88 €	0,00 €	Personal Accidents Insurance	2,82 €
Ana Maria dos Santos Malhó	6,86 €	686,00 €	Social Security	9 451,56 €	144,88 €	0,00 €	Personal Accidents Insurance	2,82 €
Sérgio Abrantes Machado	6,86 €	727,16 €	Social Security	9 574,18 €	144,88 €	0,00 €	Personal Accidents Insurance	2,82 €
Total	-	2 092,30 €	-	31 976,41 €	434,64 €	0,00 €	-	8,46 €

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

Member of the Board of Directors	Vehicle related costs - 2017								
	Assigned Vehicle	Conclusion of Agreement	Reference Value of the Vehicles	Mode	Start Year	Expiry Year	Monthly Rent (€)	Rent Expenses	Number of Remaining Contractual Obligations
	Y/N	Y/N	(€)	(1)			as at 31-12-2017	(€)	as at 31-12-2017
Carlos Gomes Nogueira e Ana Maria dos Santos Malhó (Pool cars)	Y	N	57 575,98	Long-term Lease	2008	2017	569,64	2 103,80	0
	Y	N	59 418,04	Long-term Lease	2008	2017	489,66	2 123,30	0
Sérgio Abrantes Machado	Y	Y	57 575,98	Long-term Lease	2008	2017	651,17	1 537,48	0

Note: Vehicles returned to the lessor on the 27.12.2017

Member of the Board of Directors	Annual expenses associated with Missions (€)					
	Missions	Accommodation costs	Daily Allowances	Other		Total Amount spent with Travels
	(€)	(€)	(€)	Specify	Amount (€)	
Carlos Gomes Nogueira	623,87 €	0,00 €	125,10 €	Meals	678,30 €	1 427,27 €
Ana Maria dos Santos Malhó	846,93 €	602,49 €	250,18 €	Meals	236,50 €	1 936,10 €
Sérgio Abrantes Machado	0,00 €	0,00 €	0,00 €	Meals	177,00 €	177,00 €
Total						3 540,37 €

Financial Supervision

Supervisory Board

Term of Office Start-End	Position	Name	Appointment		Established Salary Levels (Monthly)	Number of Offices
			Method	Date		
13-11-2013 to 31-12-2015	President	António José Farinha Simão	Joint Order w/o number from the Ministries of Economy and Finance	13.11.2013	1 602,37 €	1
13-11-2013 to 31-12-2015	Permanent Voting Member	Maria de Lurdes Pereira Moreira Correia de Castro	Joint Order w/o number from the Ministries of Economy and Finance	13.11.2013	1 201,78 €	1
01-12-2015 to 31-12-2015	Permanent Voting Member	Nelson Manuel Costa Santos	Joint Order w/o number from the Ministries of Economy and Finance	13.11.2013	1 201,78 €	1

Despite being appointed for a fixed period, Supervisory Board members remain in office until new appointment, notwithstanding the possibility of dissolution or resignation.

2017 Annual Remuneration (€)			
Member of the Supervisory Board	Gross	Pay Cuts	Final Amount
	(1)	(2)	(3) = (1) - (2)
António José Farinha Simão	22 433,19 €	0,00 €	22 433,19 €
Maria de Lurdes Pereira Moreira Correia de Castro	16 824,92 €	0,00 €	16 824,92 €
Nelson Manuel Costa Santos	16 824,92 €	0,00 €	16 824,92 €
Total	56 083,03 €	0,00 €	56 083,03 €

Certified Public Accountant

Term of Office Start-End	Position	Audit Firm/Certified Public Accountant Identification			Appointment			No. of Years in office in the group	No. of Years in office in the company
		Name	Registration No. in the Portuguese Certified Public Accountant Association	Registration No. in Sold Commodities and Consumed Materials Costs	Method	Date	Agreement Date		
01-08-2014 to 31-12-2015	Audit Firm	Oliveira, Reis e Associados-Sociedade de Revisores Oficiais de Contas, Ld ^a	23	20 161 381	Joint Order w/o number of the 16th of May 2014 from the Ministries of Finance and Economy, took up the position on the 1st of August 2014 to complete the term of office 2013-2015.	1-8-2014	16-5-2014	4	4
01-08-2014 to 31-12-2015	Certified Public Accountant	Oliveira, Reis e Associados-Sociedade de Revisores Oficiais de Contas, Ld ^a , represented by Dr. Joaquim Oliveira de Jesus	1 056	20 160 668	Joint Order w/o number of the 16th of May 2014 from the Ministries of Finance and Economy, took up the position on the 1st of August 2014 to complete the term of office 2013-2015.	1-8-2014	16-5-2014	4	4

Name	Annual Remuneration of the Service Agreement - 2017 (€)			Annual Amount of Additional Services 2017 (€)			
	Amount	Reductions	Final Amount (3) = (1) - (2)	Service Identification	Amount	Reductions	Final Amount (3) = (1) - (2)
Oliveira, Reis e Associados-Sociedade de Revisores Oficiais de Contas, Ld ^a , represented by Dr. Joaquim Oliveira de Jesus	21.500,04 €	NA	21.500,04€	N.A.	N.A.	N.A.	N.A.
Total	21.500,04 €		21.500,04€				

NA- Not applicable

External Auditor

Identification of the External Auditor			Contracting Date	Duration of the Agreement	No. of Years in office in the group	No. of Years in office in the company
Name of the External Auditor	Registration No. in the Portuguese Certified Public Accountant Association	Registration No. In Sold Commodities and Consumed Materials Costs				
Ribeiro, Rigueira, Marques, Roseiro & Associados, SROC, Lda.	197	20 161 495	22-06-2017	3 years	4	4
Represented by: Joaquim Eduardo Pinto Ribeiro	1 015	20 160 630	22-06-2017	3 years	4	4
Shareholder responsible for quality control: Helena Isabel Gonçalves Lopes Rigueira	1 026	20 160 640	22-06-2017	3 years	4	4

Name of the External Auditor	Annual Amount of the Service Agreement - 2017 (€)				Annual Amount of Additional Services 2017 (€)				
	Amount (1)	Reductions (2)	Reversals (3)	Final Amount	Service Identification	Gross (1)	Reductions (2)	Reversal (3)	Final Amount
Ribeiro, Rigueira, Marques, Roseiro & Associados, SROC, Lda.	11 700 €	0,00 €	0,00 €	11 700 €	N.A.	N.A.	N.A.	N.A.	N.A.

N.A.- Not applicable

Note: The indicated amount of 11,700€, corresponds to the contract value of provided audit services regarding CP's individual and consolidated accounts for the financial year of 2017.

Implementation of Article 32 and 33 of the Public Manager Statute

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

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

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

From the 1st of January to the 29th of June 2017

Member of the Board of Directors	Communication Expenses (€)		
	Monthly limit	Annual Amount	Remarks
Manuel Tomás Cortez Rodrigues Queiró	80,00 €	124,09 €	
Nuno Serra Sanches Osório	80,00 €	91,96 €	
Maria João S. C. Rosa Calado Lopes	80,00 €	48,35 €	
Total		264,40 €	

Member of the Board of Directors	Monthly Limit for Fuel and Tolls	Annual expenses regarding vehicles (€)		
		Fuel	Tolls	Total
Manuel T.C.R.Queiró, Nuno S.S.Osório and Maria João S.C.R.Calado Lopes (Pool cars)	1/4 representation expenses	1 072,84	250,85	1 323,69
		1 326,18	344,20	1 670,38
		2 380,85	865,70	3 246,55
Total				6 240,62

From the 30th of June to the 31st of December 2017

Member of the Board of Directors	Communication Expenses (€)		
	Monthly Limit	Annual Amount	Remarks
Carlos Gomes Nogueira	80,00 €	6,78 €	
Ana Maria dos Santos Malhó	80,00 €	72,57 €	
Sérgio Abrantes Machado	80,00 €	46,47 €	
Total		125,82 €	

Member of the Board of Directors	Monthly Limit for Fuel and Tolls	Annual expenses regarding vehicles (€)		
		Fuel	Tolls	Total
Carlos Gomes Nogueira and Ana Maria dos Santos Malhó (Pool cars)	1/4 representation expenses	664,13	89,55	753,68
		1 249,56	86,90	1 336,46
Sérgio Abrantes Machado		993,87	143,90	1 137,77
Total				3 227,91

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

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

Report on Remunerations Paid to Women and Men

This information is available at the following website:

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

Annual Report on Corruption Prevention

This information is available at the following website:

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

Public Contracting

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

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

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

In 2017, 19 employment agreements were submitted for early review of the Court of Auditors for exceeding the overall aggregate amount of 5,000,000€, in the total amount of 41,146,394.28€ (w/o VAT).

National Public Purchasing System (SNCP)

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

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

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

Vehicle Fleet

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

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

In 2017, three vehicles were written-off (due to the termination of the Vehicle Operating Leasing (AOV) agreement), and no new acquisitions were made.

Expenses with the vehicle fleet amounted to 276,928€ in 2017, representing a decrease of 7,498€ vis-à-vis 2016. Although there was an increase in maintenance expenses with vehicles owned by CP (49,929€ in 2017 and 34,621€ in 2016), arising from their evident ageing (average age of 15 years) and urgent need for replacement, expenses associated with the Vehicle Operating Leasing, *via verde* [electronic toll], and insurance revealed a decrease.

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

Reduction Measures of Operating Expenses

Cost Reduction Policy	2017 Implement.	2016 Implement.	2015 Implement.	2017/2016	
				Δ Absol.	Change %
(0) EBITDA ⁽¹⁾	14 625 714 €	343 613 €	3 260 783 €	14 282 101 €	4156,5%
(1) Sold commodities and consumed materials costs	6 242 781 €	5 459 521 €	5 985 193 €	783 260 €	14,3%
(2) External services and supplies	159 350 289 €	158 701 092 €	164 077 905 €	649 197 €	0,4%
(3) Personnel expenses corrected from charges i), ii) and iii) ⁽²⁾	93 886 556 €	93 457 302 €	94 157 910 €	429 254 €	0,5%
(3.i) Compensations for termination of employment	1 359 861 €	2 688 722 €	2 422 539 €	-1 328 862 €	-49,4%
(3.ii) Impact of pay cut reversals ⁽³⁾	3 402 827 €	3 225 898 €	2 176 070 €	176 928 €	5,5%
(3.iii) Impact of the implementation of articles 20 and 21 of the State Budget Law 2017	1 224 549 €	0 €	0 €	1 224 549 €	ND
(4) Operating Expenses ^{a)} = (1)+(2)+(3)	259 479 626 €	257 617 916 €	264 221 008 €	1 861 710 €	0,7%
(5) Turnover ^{b)}	258 650 217 €	239 243 464 €	241 783 095 €	19 406 753 €	8,1%
(6) Influence of Expenses/Turnover = (4)/(5)	100,3%	107,7%	109,3%	-7,4 p.p.	-
(i) Communication Expenses (External Services and Supplies)	528 763 €	512 711 €	603 897 €	16 052 €	3,1%
(ii) Travels and Accommodation Expenses (External Services and Supplies)	3 720 088 €	1 012 727 €	432 982 €	2 707 361 €	267,3%
(iii) Daily Allowances (Personnel Expenses)	4 227 017 €	3 951 109 €	3 987 691 €	275 908 €	7,0%
(iv) Expenses regarding vehicles ^{c)}	276 928 €	284 426 €	257 048 €	-7 498 €	-2,6%
Total = (i) + (ii) + (iii) + (iv)	8 752 796 €	5 760 973 €	5 281 617 €	2 991 823 €	51,9%
Total Human Resources Staff (Governing Bodies+Leading Positions+Employees) ⁽⁴⁾	2 692	2 674	2 703	18	0,7%
No. Governing Bodies	6	6	6	0	0,0%
No. 1st level Leading Positions	18	17	16	1	5,9%
No. Employees (w/o Governing Bodies and w/o Leading Positions)	2 668	2 651	2 681	17	0,6%
No. Employees/No. Leading Positions	148	156	168	-8	-4,9%
No. Vehicles	44	47	49	-3	-6,4%

a) Expenses associated with compensations for termination of employment, the influence of pay cut reversals, and the effect foreseen in articles 20 and 21 of the State Budget Law 2017 are not taken into account in the assessment of the degree of compliance with the reduction measures of operating expenses (Sold commodities and consumed materials costs + External services and supplies + Personnel expenses).

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

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

(1) Does not include compensations for the termination of employment, fair value, impairment, provisions, depreciations and other operations not related to the company's activity.

(2) Does not take into account in 2015 the additional personnel expenses regarding previous years, amounting to 27.2 million euros, following the agreement entered into with Organisations Representing Employees on the incorporation of variable bonuses as holiday compensation and holiday allowance.

(3) Change in pay cuts vis-à-vis 2014, including employer's contribution.

(4) Average effective staff.

CP had a positive recurrent EBITDA in 2017, having improved by 14.3 million euros compared with the previous year, mainly boosted by the increase in provided sales and services regarding passenger transportation.

This growth, along with significant cost containment, promoted a favourable development of the influence from the main headings of expenses in the turnover by 7.4 p.p. vis-à-vis 2016 and 9 p.p. regarding 2015.

The main headings of expenses had a slight growth of 0.7% compared with 2016, which can be justified namely by the following changes:

- Increase of Sold Commodities and Consumed Materials Costs, namely due to the change in the average price of traction fuel;
- Increase of External Services and Supplies, essentially due to the growth in expenses with travels and accommodation, surveillance and use of the infrastructure, and to the decrease in expenses with traction energy, since the expenditure of Medway, S.A. was directly invoiced by the supplier to that company;
- Increase of Personnel Expenses, excluding the impact of compensations for the termination of employment, reversal of pay cuts and partial restitution of progressions, namely due to the average staff growth, partially offset by the expenditure reduction regarding overtime work and training.

Regarding the number of effective staff, there was an increase of the average staff in 2017 following the recruitment procedures carried out at the end of 2016. However, it should be highlighted that the final permanent staff of 2017 was lower than 2016 due to terminations of employment at the end of the year.

In the scope of expenses related to travels, accommodation and daily allowances, there was an increase in expenses during 2016 and 2017 resulting from the agreements entered into with Organisations Representing Employees for the redefinition of working periods and subsequent reorganisation of the schedules of operating staff. This redefinition resulted in the growth of productivity and availability of human and material resources, which was fundamental for the preservation of the peaceful environment at work, for the engagement in the Company's activity, thus improving the quality of the rendered service, and for the results obtained during 2016 and 2017.

Expenses with communications include, besides fixed or mobile communications, the data communications, namely, with the train stations and on board the trains. The slight increase registered vis-à-vis 2016 is mainly due to the increase of Wi-Fi services available on board the trains.

Expenses related to the vehicle fleet decreased with regard to 2016, essentially due to the expense reduction associated with the Vehicle operating leasing, *via verde* [electronic toll] and insurance, as mentioned in a previous item of this report.

State Treasury Unit Principle

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

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

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

However, as a result of the specificities of CP's activity, it has been necessary to maintain the movement of some bank accounts in National Commercial Banks, since it is not possible to make some services needed for the company's activity via IGCP account, due to Treasury Bank's operating features.

Following the request to be exempt from complying with the State Treasury Unit Principle, CP, through Order no. 256/17 – SEATF from the 19th of January 2017, obtained such exemption for the present year in relation to some banking services, namely value collection and counting, meal cards and bank guarantees, which cannot be replaced by secured deposits. IGCP is currently ensuring the provision of point of sale terminals and associated services.

Audits performed by the Court of Auditors

There were no audits performed by the Court of Auditors during 2014, 2015, 2016 and 2017.

Information in the State-owned Company Sector (SEE) website

Information in the State-owned Company Sector (SOC) website	Disclosure		Remarks
	Y/N/ N.A.	Update	
Statutes	Y	14/03/2012	
Company Characterization	Y	17/01/2017	
Governing authority and shareholder	Y	12/01/2016	
Governance Model / Members of the Governing Body	Y	24/06/2015	With reference to the 2014 Accounts.
Identification of the Governing Body	Y	24/06/2015	The 2015 and 2016 Accounts are pending approval.
Established remuneration statute	Y	24/06/2015	
Disclosure of the Governing Body's Remunerations	Y	24/06/2015	
Identification of tasks and responsibilities of the members of the B.o.D.	Y	24/06/2015	
Presentation of the Governing Body's curricular summaries	Y	24/06/2015	
Public Financial Effort	Y	13/04/2017	Sent on the 30-1-2018 (*)
Summary Sheet	Y	17/01/2017	Sent on the 14-9-2017 (*)
Historical and current Financial Information	Y	18/01/2017	
Good Governance Principle	Y	06/06/2016	Sent on the 30-1-2018 (*)
Internal and External Regulations that the company is subject to	Y	06/06/2016	
Relevant Transactions w/ related entities	Y	06/06/2016	
Other Transactions	Y	06/06/2016	
Sustainability analysis in the areas:	Y	06/06/2016	
Economical	Y	06/06/2016	
Social	Y	06/06/2016	
Environmental	Y	06/06/2016	
Assessment of the compliance with the Good Governance Principle	Y	06/06/2016	
Ethical Code	Y	06/06/2016	

(*) To be updated in the State-owned Company Sector website



FINANCIAL AND ECONOMIC ANALYSIS

Operating Account

(amounts in thousand euros)

INCOME AND EXPENSES	PERIODS		Change 2017/2016	
	REAL 31-12-2017	REAL 31-12-2016	Amount	%
Provided sales and services	258 650	239 243	19 407	8%
Operating Subsidies	21	17	4	22%
Other income	23 469	26 757	-3 288	-12%
	282 140	266 017	16 122	6%
Sold commodities and consumed materials costs	-6 243	-5 460	-783	-14%
External services and supplies	-159 350	-158 701	-649	0%
Personnel Expenses (w/o compensations and agreement on variables)	-98 514	-96 683	-1 831	-2%
Other expenses	-3 407	-4 830	1 423	29%
	-267 514	-265 674	-1 840	-1%
Operating result of the transportation activity* (EBITDA)	14 626	344	14 282	4156%
Depreciation and amortisation expenses/reversals	-56 860	-55 362	-1 498	-3%
Impairment of depreciable and amortisable investments (losses/reversals)	574	856	-282	-33%
Compensations for the termination of employment	-1 360	-2 689	1 329	49%
Gains/losses attributed to subsidiaries, associated companies and joint ventures	6 960	3 257	3 703	114%
Inventory impairment (losses/reversals)	-412	-266	-146	-55%
Impairment of receivables (losses/reversals)	-437	-290	-147	-51%
Provisions (increases/decreases)	-144	-11 497	11 353	99%
Impairment of non-depreciable and non-amortisable investments (losses/reversals)	0	1 684	-1 684	-100%
Other income (reclassification by deferred taxes)	0	11 025	-11 025	-100%
Other income (sale of basic equipment/scrap)	801	0	801	s/s
Other income (sale Praia da Maçãs)	729	0	729	s/s
Other income (recognition of the sale value of CPCarga)	0	1 634	-1 634	-100%
Other income (invest. grants recog. in written-off material results)	0	276	-276	-100%
Other expenses (write-off of the property Terr. Paço - Order_10759-A/2016)	0	-1 998	1 998	100%
Other expenses (other write-off of rolling stock)	0	-2 596	2 596	100%
Fair value increases/decreases	0	1 292	-1 292	-100%
Operating result	-35 523	-54 331	18 807	35%
Interest and similar income gained	467	1 048	-581	-55%
Payable interest and similar expenses	-76 571	-88 331	11 760	13%
Financial result	-76 104	-87 283	11 179	13%
Result before taxes	-111 627	-141 614	29 987	21%
Income tax for the period	-324	-2 951	2 626	89%
Net result of the period	-111 952	-144 565	32 614	23%

* Before compensations for the termination of employment, fair value, impairment, provisions, depreciations, financing expenses and taxes, and other operations unrelated to the company's activity.

Net Result

The Net Result had an improvement of 23% compared with the previous year (32.6 million euros), going from -144.6 million euros in 2016, to -112 million euros in 2017.

This positive change was mainly due to the growth in provided sales and services associated with passenger transportation and the improvement of the financial result and the results from affiliated companies.

Operating Result of the Passenger Transportation Activity (EBITDA)

In 2017, recurrent EBITDA was positive at 14.6 million euros, representing an improvement of 14.3 million euros comparing with the previous year, mainly due to the following changes:

- *Provided sales and services* increased by 19.4 million euros, highlighting the growth found in revenue from passenger transportation, as previously analysed;
- *Other expenses* decreased by 1.4 million euros, mainly due to the lower amount of expenditure corrections from previous years and of transport tickets offers;
- *Other incomes* decreased by 3.3 million euros, essentially as a result of the renegotiation of the traction energy supply agreement, wherefore the energy expenditure of Medway, S.A. started being directly invoiced by the supplier to that company;
- *Personnel Expenses* (without compensations) increased by 1.8 million euros as a result of the total reversal of temporary pay cuts (during the 1st, 2nd and 3rd quarters of 2016 there was a 40%, 60% and 80% reversal, respectively, reaching 100% from the 1st of October 2016), as well as the partial restitution of progressions and the growth in other bonuses. The decrease in the effective staff should also be noted;
- *Sold commodities and consumed materials* costs increased by 0.8 million euros, were originated by the consumption of traction fuel (+0.5 million euros) and of uniforms (+0.2 million euros);
- As to *External Services and Supplies*, the increases in the headings regarding travels and accommodation (+2.7 million euros), surveillance / safety (+0.5 million euros), use of infrastructure (+0.4 million euros) and advertising (+0.4 million euros) should be noted, even if partially offset by the decrease in traction energy expenses (-3.5 million euros), on account of the renegotiation of the energy supply agreement, according to which energy expenses shall be directly invoiced to *Medway, S.A.*

Operating Result

The Operating Result in 2017 amounted to -35.5 million euros, which translates into an improvement of 18.8 million euros, compared with the previous year.

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

- *Gains attributed to subsidiaries* increased by 3.7 million euros, due to the improvement in results from affiliates, highlighting the positive net result of EMEF amounting to 5.9 million euros;
- *Other expenses (write-off of other rolling stock)* decreased by 2.6 million euros. In 2016, the writing-off of rolling stock had a net impact in the company's accounts of approximately 0.4 million euros, even though such impact was reflected in different headings of the income statement;
- *Other expenses (write-off of the immovable property at Terreiro do Paço)* decreased by 2 million euros, as a result of the write-off of the immovable property held by CP at Terreiro do Paço, following the publication of order 10759-A/2016, from the Offices of the Deputy Secretary of State of Treasury and Finance and of the Deputy Secretary of State of Infrastructure;
- *Compensations for termination of employment* decreased by 1.3 million euros;
- *Other income* increased thanks to capital gains, amounting approximately to 0.7 million euros, from the sale of the immovable property held by CP at Praia das Maçãs, and from income obtained upon the sale of scrap and basic equipment in the amount of 0.8 million euros;
- The favourable change in *Impairment of non-depreciable and non-amortisable investments* decreased by 1.7 million euros, due to the fact that, following the mentioned write-off of rolling stock in 2016, impairments constituted for those assets were reverted;
- Absence of the favourable impact accounted for in *Other income* during 2016, amounting to 1.6 million euros, arising from the disposal of CP Carga;
- *Expenses with depreciations* increased by 1.5 million euros, due to the correction of the useful life of a series of rolling stock and to the reclassification from non-current asset held for sale to fixed tangible asset of an immovable property owned by CP in Barreiro, since its disposal could not be foreseen within a short period of time, leading to the recognition of depreciations from the date in which the asset was classified as non-current asset held for sale.

If not for these effects, depreciations would have decreased in comparison with the previous year, as a result of the end of the useful life of various assets and of the low investment carried out by the company;

- Decrease by 1.3 million euros of the favourable impact arising from holding derivatives, as a result of the termination in 2016 of the last financial risk management agreement in portfolio.

Financial Result

The Financial Result of 2017 was negative at 76.1 million euros, with an improvement of 11.2 million euros (13%) vis-à-vis 2016. The decrease of the financial liability of the company contributed to this fact.

Balance Sheet

(amounts in thousand euros)

HEADINGS	PERIODS		Change 2017/2016	
	31/12/2017	31/12/2016	Amount	%
ASSET				
Non-current Asset	573 946	597 975	-24 029	-4%
Current Asset	43 888	52 743	-8 855	-17%
Asset Total	617 834	650 717	-32 884	-5%
EQUITY AND LIABILITY			0	
Equity which includes:	-2 133 221	-2 529 206	395 985	16%
Net Result of the period:	-111 952	-144 565	32 613	23%
Equity Total	-2 133 221	-2 529 206	395 985	16%
LIABILITY			0	
Non-current Liability	2 230 270	2 641 546	-411 275	-16%
Current Liability	520 785	538 378	-17 593	-3%
Liability Total	2 751 055	3 179 923	-428 868	-13%
Equity + Liability Total	617 834	650 717	-32 884	-5%

Asset

In 2017, CP's Asset decreased by 32.9 million euros, and the following impacts are the most significant:

- *Fixed tangible assets* decreased by 30.2 million euros, resulting from reduced investment to offset the depreciation of fixed tangible assets of the company;
- *Financial holdings – equity method* increased by 6 million euros, namely arising from the application of the equity method to the results from affiliates, with special contribution from EMEF;
- The balance from *State and other public entities* increased by 6.1 million euros, due to the growth of VAT receivable, motivated by the acceptance of delayed billing regarding the use of infrastructures at the end of the year;
- The balance from *customers and other credits receivable* decreased by 0.8 million euros, mainly due to the reduction in the heading of debtors by accrual of income, justified by the issuance of regular invoicing to Medway, S.A., but also due to the termination of the traction electricity re-invoicing agreement entered into with this entity;
- The heading of *Non-current assets held for sale* decreased by 11.1 million euros as a result of the sale of the immovable property in Praia das Maças and of the reclassification to fixed tangible asset of the immovable property owned by the company in Barreiro;

- *Cash and cash equivalents* decreased by 3.2 million euros.

Equity

Capital increases carried out by the Portuguese State throughout 2017 amount to 516.4 million euros.

Increases of statutory capital were approved by Joint Orders from the Deputy Secretaries of State of Treasury and Finance and of Infrastructures, as follows:

- During the month of March, capital increase of 29.3 million euros, to be subscribed by the State in cash. The amount of 19.8 million euros was paid in March, and the remaining sum, amounting to 9.5 million euros, was paid in April;
- During the month of June, capital increase of 12.4 million euros, to be subscribed by the State in cash: The amount of 8.4 million euros was paid in June, and the remaining sum, amounting to 4 million euros, was paid in July;
- During the month of July, capital increase of 28.6 million euros, to be subscribed by the State in cash: The amount of 5 million euros was paid in July, and the remaining sum, amounting to 23.6 million euros, was paid in September;
- During the month of October, capital increase of 16.8 million euros, to be subscribed by the State in cash. The amount was fully paid-up in October;
- During the month of November, capital increase of 418.3 million euros to be subscribed by the State through the conversion of credits held by the Directorate-General of Treasury and Finance that would have matured in November;
- During the month of December, capital increase of 11 million euros, to be subscribed by the State in cash. The amount was fully paid-up in December;

Liability

CP's Liability decreased by 428.9 million Euros in 2017, and the following impacts are the most significant:

- *Loans obtained* decreased by 410.2 million euros, through the use of capital increases provided by the State in order to amortise financing with maturity in 2017;
- The balance from *Suppliers and Other Debts Payable* decreased by 14.7 million euros, mainly due to the reduction in the accrual of expenses with infrastructures, as a result of the acceptance and payment of the corresponding invoicing;
- *Provisions* decreased by 3.7 million euros, arising from the use of provisions constituted for the outcome of the corresponding legal proceedings.

Financing

Financing Policy

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

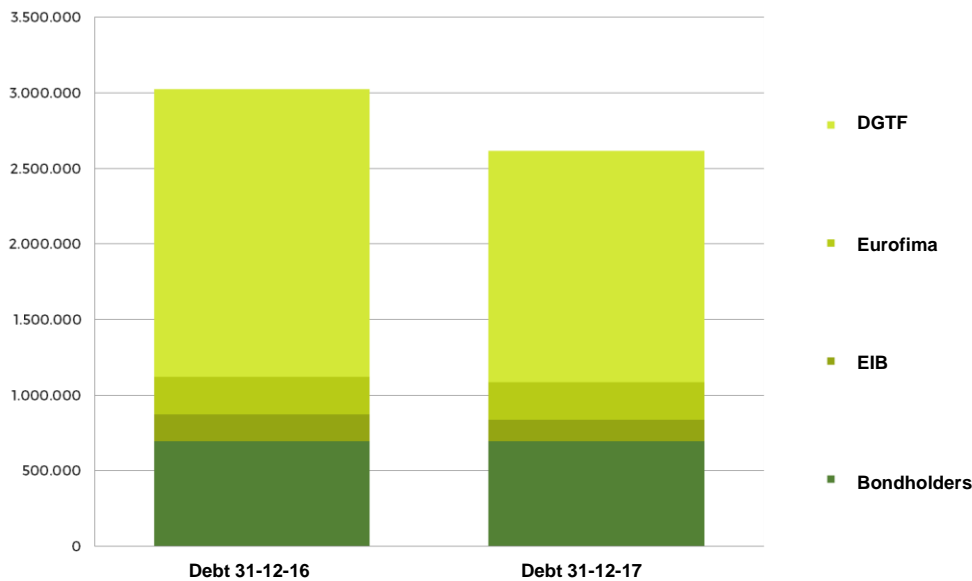
In this context, during 2017, the Portuguese State carried out increases of statutory capital amounting to 516.4 million euros, following the joint orders from the Sector and Financial Ministries (specification in the item regarding changes in Equity), in order to meet the needs associated with debt service (amortisations, interest and other charges), investments and personnel expenses related to the historical agreement on variables.

During the month of December, the company had to take out a loan amounting to 6 million euros in order to ensure the fulfilment of its current operating liabilities.

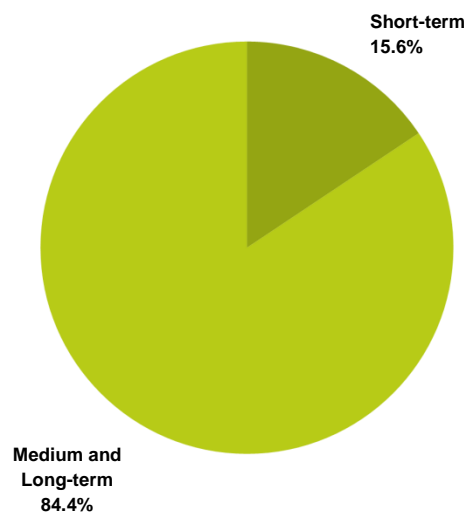
Remunerated Debt

CP's remunerated debt as at 31-12-2017 showed a decrease of approximately 410 million euros (-13.56%) vis-à-vis the previous year, following the amortisation of loans from EIB and the Portuguese State, and in spite of the loan contracted at the end of the year.

At the end of 2017, the debt amounted to approximately 2.6 billion euros, with the following particulars by financing sources:



Medium and long term debt is still predominant (84.4% of total debt), as shown in the following chart:



Co-financing Sources

CP had a non-recoverable financing in 2017 of approximately 1.5 million Euros, as co-financing of investments from the Portuguese State, in the scope of the Programme of Investment and Development Expenses from the Ministry of Interior (PIDDAC).

Said co-financing amount was intended for the "Large Repairs R2 and R3" and "Half-life Intervention of Tilting Trains (CPA)" projects.

CP also received Operating Subsidies for undertaken projects.

2017 Programme of Investment and Development Expenses from the Ministry of Interior (amounts 10³ €)	Amounts
Rolling stock repairs	934
Half-life intervention of Alfa Pendular trains	601
TOTAL	1 536

Operating Subsidies (amounts 10³ €)	Amounts
HORIZONTE 2020 / Shift2Rail IMPACT	3,6
HORIZONTE 2020 / Shift2Rail PIVOT	7,1
Energy Efficiency Fund	10,0
TOTAL	21

Financial costs

Financing costs maintained the downward trend in 2017, essentially due to the preservation of market rates at historically low levels.

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

However, there was an increase of the influence from loans with higher fixed rates, following the amortisations carried out in 2017, boosting the average financing cost which was of 2.70%.

Description (€ ³)	2017	2016	2015	2014	2013	2012
Interest	72 996	82 657	96 508	197 703	200 844	185 516
Surety	1 330	1 414	1 499	1 504	1 804	1 808
Other charges	1 966	1 931	2 781	3 855	7 521	7 107
Financial Costs	76 292	86 002	100 788	203 062	210 169	194 431
Average Debt	2 826 120	3 280 501	3 832 020	4 134 441	3 807 787	3 637 063
Average funding cost	2,70%	2,62%	2,63%	4,91%	5,52%	5,35%

Risk Management Instruments

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



PERSPECTIVES FOR 2018

Forecasts

The prospects for the Portuguese economy over the time horizon 2018-2020 point to a constant moderate recovery of economy and employment, wherefore a gradual acceleration of the Gross Domestic Product (GDP) is expected.

In this context, a boost in mobility needs of communities is foreseen, enhanced by the increase in tourism and the households' disposable income and by the improvement of the labour market.

As for the transportation sector, national and community policies strengthen the focus on Customer satisfaction and the commitment to the railway sector, as a defining element in the mobility of people and goods, and as an important instrument for the economy and energetic policy improvement, channelling a significant part of investment support to this sector.

Strategic Guidelines

The Board of Directors established the following strategic guidelines for 2018-2020, given the recommendations from the Sector and Financial Ministries, the economy forecasts, and the analysis of known opportunities and constraints:

- Strengthen the quality of the rendered service, contributing to a greater satisfaction of Customers and meeting their mobility needs;
- Boost organisation, by strengthening production means and promoting efficiency and productivity, namely:
 - Purchase of rolling stock and implementation of new production models, replacing the current diesel fleet, now obsolete, and eliminating the dependence from RENFE;
 - Rejuvenating the permanent staff and renegotiating the Regulation of Careers and the Company's Agreement, adjusting and incorporating professional careers, strengthening the human capital services, while generating a commitment with the Company's results;
- Create more value, by promoting dialogue with social and political agents and with organisations representing employees and establishing strategic partnerships with the manager of infrastructures and other stakeholders, and creating conditions to enjoy new business opportunities;
- Promote financial balance, by establishing contracting frameworks whether for public service or for infrastructure use, by continuing the recovery of historical debt, by rationalising expenses, by profiting from nonessential assets, and by promoting the sustainability of affiliate companies.

Forecasts 2018

CP expects to maintain the operability of all lines and services currently working, as well as the total fulfilment of liabilities associated with the provided public service which it is subject to, despite of the lack of Public Service Agreements and of the continued absence of compensatory allowances.

Forecasts for 2018 point to the preservation of the sustained growth, which began at the end of 2013, found in the number of transported passengers and income from traffic. This growth relies on the current commercial dynamic and the availability of human and material resources.

To ensure such availability of human resources, it is essential to carry out new recruitment procedures that meet the needs of intermediate managements, which assume a fundamental role in the operating staff management, the replacement of employees who left the company due to retirement or unfitness for the corresponding tasks, and to lower the high levels found in overtime work.

In what concerns rolling stock, the company is faced with significant growth in maintenance expenses in order to uphold its production operability and the transportation safety, however, without ensuring the adequate levels of availability and reliability. Thus, and following the infrastructure investments foreseen in the FERROVIA 2020 Investment Plan, CP is willing to initiate a purchase process for rolling stock, replacing its current diesel fleet, which is outdated and compromised by imminent rupture of the productive capacity, and strengthening its rolling stock fleet for long course services.

Regarding sales, the majority of commercial equipment and information systems present operating obsolescence problems. Although their replacement processes have already been initiated, we expect a growth in maintenance and repair expenses in order to ensure minimum operating levels, in the short term.

Possible cost reduction and containment measures will continue to be implemented in 2018. It is understood, however, that operating expenses are reduced to minimum indispensable levels to ensure operability and the safety of the activity.

These are critical success factors for the fulfilment of the forecasts established by the Company in the Activities and Budget Plan (PAO) 2018-2021:

- Implementation of the IP intervention plan for the improvement of infrastructure's efficiency;
- Possible fulfilment of the intervention plan for the maintenance and repair of rolling stock by EMEF;
- Peaceful environment at the Company and the sector.

RELEVANT FACTS AFTER THE END OF THE FINANCIAL YEAR



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



PROPOSAL FOR THE APPLICATION OF RESULTS

In accordance with the provisions in force, it is proposed that the Net Results of the Financial Year, a deficit of 111,951,646 euros, are transferred to the account of Results brought forward.

Lisbon, 13th of March 2018

The Board of Directors,

President: Dr. Carlos Gomes Nogueira

Voting Member: Eng. Sérgio Abrantes Machado

Voting Member: Dr. Ana Maria dos Santos Malhó



STATEMENT OF CONFORMITY

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

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

Lisbon, 13th of March 2018

The Board of Directors

President: Dr. Carlos Gomes Nogueira

Voting Member: Eng. Sérgio Abrantes Machado

Voting Member: Dr. Ana Maria dos Santos Malhó



FINANCIAL STATEMENTS

5194 21-22 029

E.P. 1424

Individual Balance Sheet as at 31st of December 2017

(amounts in euros)

HEADINGS	NOTES	PERIODS	
		31/12/2017	31/12/2016
ASSET			
Non-current asset			
Fixed tangible assets	7	511 739 175	541 899 337
Financial holdings - equity method	8	34 422 340	28 296 700
Other financial investment	9	27 784 515	27 771 396
Credits receivable	10	-	7 124
		573 946 030	597 974 557
Current asset			
Inventories	12	3 972 428	4 180 996
Customers	13	5 992 396	5 064 378
State and other public entities	14	15 224 009	9 133 207
Other credits receivable	15	3 644 603	5 351 034
Deferrals	16	860 196	615 446
Financial assets held for trading	17	-	4
Non-current assets held for sale	18	5 908 397	16 995 564
Cash and cash equivalents	5	8 285 560	11 402 251
		43 887 589	52 742 880
Total of assets		617 833 619	650 717 437
EQUITY AND LIABILITY			
Equity			
Subscribed capital	19	3 850 091 940	3 333 713 276
Legal reserves	20	24 703	24 703
Other reserves	21	1 306 650	1 306 650
Results brought forward	22	(6 078 189 239)	(5 933 624 420)
Adjustments/other changes in equity	23	205 496 134	213 938 582
Net result of the period		(111 951 646)	(144 564 817)
Minority interests			
Total of equity		(2 133 221 458)	(2 529 206 026)
Liability			
Non-current liability			
Provisions	24	16 463 940	20 188 852
Loans obtained	25	2 205 799 791	2 607 965 827
Other debts payable	26	8 006 555	13 390 899
		2 230 270 286	2 641 545 578
Current Liability			
Suppliers	27	10 697 105	16 763 694
Advance payments from customers	28	-	200 500
State and other public entities	14	332 793	425 595
Loans obtained	25	408 581 209	416 569 188
Other debts payable	26	101 173 684	104 418 908
		520 784 791	538 377 885
Total of liability		2 751 055 077	3 179 923 463
Total of equity and liability		617 833 619	650 717 437

Certified Accountant - Dr. Ana Coelho

President - Dr. Carlos Gomes Nogueira

Voting member - Dr. Ana Maria dos Santos Malhó

Voting member - Eng. Sérgio Abrantes Machado

Individual income statement by natures
 Period ended on the 31st of December 2017

(amounts in euros)

INCOME AND EXPENSES	Notes	PERIODS	
		31/12/2017	31/12/2016
Provided sales and services	29	258 650 217	239 243 464
Operating subsidies	30	20 689	16 929
Gains/losses attributed to subsidiaries, associated companies and joint ventures	31	6 959 833	3 256 950
Sold commodities and consumed materials costs	32	(6 242 781)	(5 459 521)
External services and supplies	33	(159 350 289)	(158 701 092)
Personnel expenses	34	(99 873 791)	(99 371 923)
Inventory impairment (losses/reversals)	12	(412 344)	(266 346)
Impairment of receivables (losses/reversals)	10,13,15	(437 103)	(289 781)
Provisions (increases/decreases)	24	(143 856)	(11 496 936)
Impairment of non-depreciable and non-amortisable investments (losses/reversals)	35	(3)	1 684 347
Fair value increases/decreases	38	-	1 291 916
Other income	36	24 998 663	39 690 757
Other expenses	37	(3 406 878)	(9 423 368)
Result before depreciations, financing expenses and taxes		20 762 357	175 396
Expenses / reversal of depreciation and amortisation	39	(56 859 593)	(55 361 905)
Impairment of depreciable and amortisable investments (losses/reversals)	40	573 768	855 533
Operating result (before financing expenses and taxes)		(35 523 468)	(54 330 976)
Interest and similar income gained	41	466 910	1 047 594
Payable interest and similar expenses	42	(76 570 729)	(88 330 671)
Result before taxes		(111 627 287)	(141 614 053)
Income tax of the period	11	(324 359)	(2 950 764)
Net result of the period		(111 951 646)	(144 564 817)

Certified Accountant - Dr. Ana Coelho

President - Dr. Carlos Gomes Nogueira

Voting member - Dr. Ana Maria dos Santos Malhó

Voting member - Eng. Sérgio Abrantes Machado

Individual income statement by functions

Period ended on the 31st of December 2017

(amounts in euros)

	PERIODS	
	2017	2016
Provided sales and services	258 650 217	239 243 464
Cost of provided sales and services	(260 224 764)	(253 312 066)
Gross result	(1 574 547)	(14 068 602)
Other income	33 430 901	47 424 801
Distribution expenses	(36 605 965)	(37 700 358)
Administrative expenses	(25 636 979)	(27 882 018)
Research and development expenses	-	-
Other expenses	(5 136 878)	(22 104 799)
Operating result (before financing expenses and taxes)	(35 523 468)	(54 330 976)
Financing expenses (net)	(76 103 819)	(87 283 077)
Results before taxes	(111 627 287)	(141 614 053)
Income tax of the period	(324 359)	(2 950 764)
Net result of the period	(111 951 646)	(144 564 817)

Certified Accountant - Dr. Ana Coelho

President - Dr. Carlos Gomes Nogueira

Voting member - Dr. Ana Maria dos Santos Malhó

Voting member - Eng. Sérgio Abrantes Machado

Individual Statement of Changes in Equity during the 2017 period

(amounts in euros)

DESCRIPTION	NOTES	Equity granted to capital owners of the parent company						Total	Non-controlling Interests	Total Equity
		Subscribed Capital	Legal reserves	Other reserves	Results brought forward	Adjustments / Other changes in equity	Net result of the period			
Position at the beginning of the 2017 period	1	3 333 713 276	24 703	1 306 650	(5 933 624 420)	213 938 582	(144 564 817)	(2 529 206 026)		(2 529 206 026)
Changes in the period		-	-	-	-	-	-	-		-
First implementation of the new accounting framework		-	-	-	-	-	-	-		-
Changes in accounting policies	6	-	-	-	-	-	-	-		-
Translation differences of financial statements		-	-	-	-	-	-	-		-
Realisation of revaluation surplus		-	-	-	-	-	-	-		-
Revaluation surplus		-	-	-	-	-	-	-		-
Adjustments by deferred taxes		-	-	-	-	-	-	-		-
Other changes recognised in equity	19 a 23	-	-	-	(144 564 819)	(8 442 448)	-	(8 442 448)		(8 442 448)
	2	-	-	-	(144 564 819)	(8 442 448)	-	(8 442 448)		(8 442 448)
Net result of the period	3	-	-	-	(6 078 189 239)	(111 951 646)	(111 951 646)	(111 951 646)		(111 951 646)
	4 = 2 + 3	-	-	-	(144 564 819)	(111 951 646)	(111 951 646)	(120 384 094)		(120 384 094)
Operations with capital owners in the period		-	-	-	-	-	-	-		-
Capital subscriptions		516 378 664	-	-	-	-	-	-		-
Share premium subscriptions		-	-	-	-	-	-	-		-
Distributions		-	-	-	-	-	-	-		-
Down payments to cover losses		-	-	-	-	-	-	-		-
Other operations		-	-	-	(144 564 819)	-	144 564 817	144 564 817		144 564 817
	5	516 378 664	-	-	(144 564 819)	-	144 564 817	516 378 662		516 378 662
Position at the end of the 2017 period	6 = 1+2+3+5	3 850 091 940	24 703	1 306 650	(6 078 189 239)	205 995 134	(111 951 646)	(2 133 221 458)		(2 133 221 458)

Certified Accountant - Dr. Ana Coelho

President - Dr. Carlos Gomes Nogueira

Voting member - Dr. Ana Maria de Santos Malhó

Voting member - Eng. Sérgio Abrantes Michastelo

(amounts in euros)

DESCRIPTION	NOTES	Equity granted to capital owners of the parent company						Total	Non-controlling interests	Total Equity
		Subscribed Capital	Legal reserves	Other reserves	Results brought forward	Adjustments / Other changes in equity	Net result of the period			
Position at the beginning of the 2016 period	1	2 678 800 000	24 703	1 306 650	(5 655 198 305)	222 450 407	(278 426 115)	(3 031 042 660)		(3 031 042 660)
Changes in the period		-	-	-	-	-	-	-	-	-
First implementation of the new accounting framework		-	-	-	-	-	-	-	-	-
Changes in accounting policies	6	-	-	-	-	-	-	-	-	-
Translation differences of financial statements		-	-	-	-	-	-	-	-	-
Realisation of revaluation surplus		-	-	-	-	-	-	-	-	-
Revaluation surplus		-	-	-	-	-	-	-	-	-
Adjustments by deferred taxes		-	-	-	-	-	-	-	-	-
Other changes recognised in equity	19 a 23	-	-	-	-	(8 511 825)	-	(8 511 825)	-	(8 511 825)
	2	-	-	-	-	(8 511 825)	-	(8 511 825)	-	(8 511 825)
Net result of the period	3	-	-	-	-	-	(144 564 817)	(144 564 817)	-	(144 564 817)
	4 = 2 + 3	-	-	-	-	-	(144 564 817)	(144 564 817)	-	(144 564 817)
Comprehensive result										
Operations with capital owners in the period		-	-	-	-	-	-	-	-	-
Capital subscriptions		654 913 276	-	-	-	-	-	-	-	-
Share premium subscriptions		-	-	-	-	-	-	-	-	-
Distributions		-	-	-	-	-	-	-	-	-
Down payments to cover losses		-	-	-	-	-	-	-	-	-
Other operations		-	-	-	(278 426 115)	-	-	(278 426 115)	-	(278 426 115)
	5	654 913 276	-	-	(278 426 115)	-	-	(278 426 115)	-	654 913 276
Position at the end of the 2016 period	6 = 1+2+3+5	3 333 713 276	24 703	1 306 650	(5 933 624 420)	213 938 582	(144 564 817)	(2 529 206 026)		(2 529 206 026)

Certified Accountant - Dr. Ana Coelho

President - Dr. Carlos Gomes Nogueira

Voting member - Dr. Ana Maria dos Santos Matos

Voting member - Eng. Sérgio Abrantes Machado

(amounts in euros)

CASH FLOW STATEMENT	31-12-2017	31-12-2016
Cash flows from operating activities - Direct method		
Collections from customers	282 024 138	267 682 745
Payments to suppliers	(207 813 593)	(203 514 459)
Payments to employees	(104 010 683)	(101 914 917)
Cash generated by operations	(29 800 138)	(37 746 631)
Income tax payments/collections	(186 579)	(274 381)
Other collections/payments	11 909 018	34 575 186
Cash flows from operating activities (1)	(18 077 699)	(3 445 826)
Cash flows from investment activities		
Payments regarding:		
Fixed tangible assets	(18 966 192)	(14 665 092)
Other assets	(179 516 477)	(132 702 396)
Collections from:		
Fixed tangible assets	1 844 951	472 500
Financial investments	502 505	-
Other assets	179 514 154	132 920 094
Investment grants	1 535 625	1 540 660
Interest and similar income gained	413 672	1 096 918
Dividends	331 688	414 211
Cash flows from investment activities (2)	(14 340 074)	(10 923 105)
Cash flows from funding activities		
Collections from:		
Loans obtained	6 000 000	-
Capital subscriptions and other equity instruments	98 086 724	175 898 192
Payments regarding:		
Loans obtained	(36 055 188)	(117 680 188)
Interest and similar expenses	(38 730 250)	(40 465 338)
Cash flows from funding activities (3)	29 301 286	17 752 666
Change in cash and cash equivalents (4) = (1) + (2) + (3)	(3 116 487)	3 383 735
Influence of exchange differences	(204)	289
Cash and cash equivalents at the start of the period	11 402 251	8 018 227
Cash and cash equivalents at the end of the period	8 285 560	11 402 251

Certified Accountant - Dr. Ana Coelho

President - Dr. Carlos Gomes Nogueira

Voting member - Dr. Ana Maria dos Santos Malhó

Voting member - Eng. Sérgio Abrantes Machado

ATTACHMENTS TO THE FINANCIAL STATEMENTS



Company Identification and Reporting Period (Note 1)

Identification

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

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

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

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

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

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

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

Access to the Infrastructure

The relationship between the CP railway operator and the manager of infrastructure, currently “Infraestruturas de Portugal, SA” (IP), is described in Decree-law no. 104/97 from April 29th, amended by decree-law no. 141/2008, from the 22nd of July 2008.

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

In accordance with article 7, usage fees will be owed to the manager of the infrastructure for the use of the railway infrastructure by companies and clusters of railway transportation. Still in accordance with the same article and with the aim of defending the principle of free competition, usage fees shall be established in order to avoid discrimination between railway transportation companies operating in the infrastructure. These fees shall take into account, namely, the kilometre marking, the composition of rolling stock, the velocity, the load per axle and the time in which the infrastructure is used.

Besides the use of essential services of the railway infrastructure, Decree-law no. 270/2003 from October 28th, amended by Decree-law no. 151/2014 from October 13th, foresees that the typology of the provision of services to companies of railway transportation encompasses everything necessary to the effective exercise of the right of accessing the infrastructure, even the additional and auxiliary services.

In accordance with the 2017 Network Directorate, the additional services are the services connected with the activity regarding the provision of railway transportation services, namely the supply of electrical energy for traction, in accordance with the foreseen proceedings of the applicable law, manoeuvres, and parking of rolling stock. Although IP does not have any obligation to provide these services in case of there being viable and comparable alternatives in the market, it is IP’s policy to provide them in a non-discriminatory manner, any time they are requested and as long as there is available capacity for that purpose.

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

Concession System

On January 1st, 1951, CP began the operation of the transportation in the railway network, within a unique concession system authorized by an agreement entered into between the State

and former “Companhia dos Caminhos de Ferro Portugueses, S.A.”, (C.P.), in accordance with Decree-law no. 38426 from May 9th, 1951.

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

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

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

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

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

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

Public Service Agreement

The conclusion of public service agreements, which established the public service obligations and corresponding financial compensations, is the adequate and necessary instrument for clarifying the relationships between the State and the legal person governed by public law, as

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

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

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

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

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

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

The operations subsidies granted to CP regarding 2017 are registered in the Council of Ministers Resolution no. 133/2017, published in the Portuguese Official Gazette, 1st Series, no. 124 from June 30th, 2016.

It is also worth mentioning that the amounts granted to CP by the State in 2017 correspond exclusively to the State's contribution for passes and the intermodal system Andante, and CP did not receive any additional compensation for the provision of its public service.

Accounting Framework of Preparation of Financial Statements (Note 2)

Accounting Framework

The financial statements of CP – Comboios de Portugal, EPE, regarding the financial year of 2017 were prepared in accordance with the Accounting Standardisation System (SNC), following the provisions of ordinance no. 220/2015 from July 24th, which approves the new Financial Statement models starting on January 1st, 2016.

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

The financial statements, which include the balance sheet, income statement by nature, income statement by functions, statement of changes in equity, cash flow statement, and attached file, were approved by the Board of Directors of the Company on March 13th, 2018, being presented in euros and prepared in accordance with the assumptions of the continuity and of the accrual basis in which the items are recognised as assets, liabilities, equity, income and expenses when they meet the recognition criteria and definitions for these elements within the conceptual framework, in accordance with the financial statements' qualitative characteristics of comprehensibility, relevance, materiality, reliability, reliable representation, substance over form, neutrality, prudence, completeness and comparability.

The accounting policies presented in note 4 were used in the financial statements for the period ended on December 31st, 2017, and for the comparative financial information presented in these financial statements for the period ended on December 31st, 2016.

Derogations of the Accounting Standardisation System (SNC)

There were no derogations made to the provisions of SNC.

Comparative Values

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

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

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

Main Accounting Policies (Note 4)

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

Bases of Measurement

The financial statements were prepared in accordance with the historical cost principle, modified by the application of fair value for the derivative financial instruments, financial assets and liabilities held for trading, with the exception of those for which fair value is not available.

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

Non-current assets held for sale and groups of assets held for sale are registered at the lower value between their book value and fair value deducted from the respective sale costs.

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

Matters requiring a larger index of judgment or complexity, or those for which the assumptions and estimates are considered significant, are presented in the headings "Value judgments", "Main assumptions concerning the future" and "Key sources for Estimation uncertainty" of this note.

Relevant accounting policies

Fixed Tangible Assets

Recognition and valuation

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

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

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

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

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

CP's fixed tangible assets include assets owned by the State (assets set forth in joint order no. 261/99, of March 24th) and which are assigned to the operating activity of the company. Assets made available by the Portuguese State, without transfer of the property of the State, are registered in the financial statements of CP in order to allow an assessment of the economic performance of the Company.

Maintenance and Repair Expenses

Rolling Stock:

- ▶ The expenses incurred with routine maintenance during the useful life of the rolling stock are recognised in operating expenses;
- ▶ The expenses incurred in large and indispensable multi-annual repairs, in order to ensure the continuity of the asset's operation, are recognised in the fixed tangible assets as specific components of rolling stock and depreciated by their estimated useful life in a separate section from the main component. Once each large repair is carried out, its cost is recognised in the carrying value of the item of the fixed tangible asset as replacement, provided that the recognition criteria are met. Any remaining carrying amount of the cost of the previous large repair is not recognised; and

- ✔ The expenses incurred at the end of the useful life of the main component, which include the transformation and modernisation thereof, are recognised in fixed tangible assets and depreciated by the extension of its expected useful life.

Building and Fixed Facilities:

- ✔ The routine maintenance and repair expenses (maintenance agreements, technical inspections, etc.) are recognised in operating expenses;
- ✔ The expenses incurred with plans of multi-annual programmed maintenance are recognised in fixed tangible assets, through the partial or total replacement of the replaced component.

The maintenance and repair of these fixed tangible assets is CP's responsibility during the period in which these are part of their operations. Maintenance and repair costs are accounted for in the results of the period during which they are incurred, in accordance with the accruals principle.

Depreciation

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

Description of the asset	Years
Buildings and other constructions – State	3 to 50
Buildings and other constructions – CP	3 to 50
<i>Rolling Stock:</i>	
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 mentioned in Joint Order no. 261/99 from March 24th) are being depreciated since 1999 at a rate of 2%, in accordance with the Regulating Decree no. 25/2009 from September 14th.

No residual amounts were considered when determining the depreciated amounts.

Government Grants

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

Capitalisation of costs with loans and other directly attributable costs

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

Impairment

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

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

In the absence of public service provision contracting, CP understands that it is not possible to establish the use value in accordance with what has been established by the Accounting Standardisation System, given that there are no specific rules defined for companies providing public service.

However, when there are specific situations showing that an asset may be impaired, in particular when rolling stock ceases to operate, the recoverable amount is determined, and an impairment loss is recognised whenever the net value of an asset exceeds its recoverable amount. Thus, impairment losses are recognised in results. The recoverable amount is determined as the highest between its selling price (net realisable value) and its use value, which is calculated based on the current value of the estimated cash flows which are expected to be obtained from the continued use of the asset and of its disposal at the end of its useful life.

Financial Investments in Subsidiaries and Associated Companies

Subsidiaries

Subsidiaries are all the entities controlled by the company.

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

The existence of control is assumed when the company holds over half of the voting rights or when it holds the power of managing the financial and operating policies of a Company or an economic activity with the aim of obtaining benefits from it, even if the percentage the company holds is less than 50%.

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

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

Associated Companies

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

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

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

Financial derivatives and hedge accounting

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

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

Hedge Accounting

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

- Establish and document the hedging relationship in such way that the hedged risk, the hedging item and the hedged item are clearly identified and that the risk of the hedged item is the same risk for which the hedge with the hedge instrument is being made;
- The risk to be hedged is one of the following: Risk hedging of fixed interest rate or the risk hedging of variability of interest rates, currency risk or price risk; and

- It is expected that the changes in fair value or cash flow of the hedged item, attributable to risk being covered, will compensate almost entirely the changes of fair value or cash flows of the hedging instrument.

Risk Hedging of Fixed Interest Rate

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

Risk Hedging of Variable Rate of Interests, Currency Risk, Merchandise's Price Risk in the Scope of a Commitment

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

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

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

The company does not have any risk management instrument in its portfolio at the moment, whereas the last agreement ended in April 2016. However, even though the financial instruments hired by the Company in the past aimed at hedging the interest rate risk, such instruments did not fully comply with NCFR 27 requirements, mentioned above, in order for them to be classified as financial hedging instruments. For that same reason, they were classified as financial instruments held for trading.

Other Financial Assets/Liabilities

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

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

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

Measurement at cost or amortised cost without impairment losses

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

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

Measuring at Fair Value through Results

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

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

Impairment

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

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

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

Jointly Controlled Entities

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

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

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

Inventories

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

Customers and other accounts receivable

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

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

Cash and cash equivalents

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

Loans and bank overdrafts

Loans are initially recognised in the liability through the received nominal value, which is net of expenses related with issuance. The received nominal value corresponds to the respective 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 in interest expenses using the effective interest rate method.

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

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

All remaining loans are classified as non-current liability.

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

Non-current assets held for sale and discontinuing operations

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

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

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

Foreign currency transactions

Functional and presentation currency

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

Transactions and balances

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

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

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

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

Revenue recognition

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

The services provided by CP are usually concluded between each reporting period. The income resulting from CP's activity is recognised in the income statement, at the time in which the service is provided, which concerns the date of the beginning of the trip, and when it is likely

that the revenue and expenses amount is reliably measured and, also, that the economic benefits will revert to CP.

Recognition of Expenses and Income

Expenses and income are accounted for in the period to which they refer, regardless of their payment or reception, in accordance with the underlying assumption of the accrual basis (economic periodisation). The prepared financial statements provide information not only on past transactions involving the payment and reception of cash but also on obligations of future payment and resources representing cash to be received in the future. The accrual-based accounting is carried out through the use of the other accounts receivable and payable heading, as well as the deferrals heading.

Provisions

Provisions are recognised when (i) the company has a legal or constructive obligation arising from a past event (ii) it is likely that there will be an outflow of resources in order to settle the obligation and (iii) when a reliable estimate of the amount of such obligation may be performed.

The provisioned value is the amount considered to be necessary in order to deal with estimated economic losses. When the time effect of the money is material, the provision amount is shown by the current value of the expenses expected to be necessary to settle the obligation.

Interest and similar Income obtained and Interest and Similar Expenses incurred

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

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

Profit Tax

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

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

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

The company does not recognise any deferred tax assets or liabilities in 2017, as it considers that it is not expectable that the group of companies, covered by the special taxation scheme, will receive future taxable profits that allow the use of accumulated tax losses of CP or generate income tax payments.

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

CP is the controlling company of a group of companies which is taxed in accordance with the special taxation scheme for the consolidated result, as mentioned in note 11.

Contingent assets and liabilities

Contingent assets

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

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

Contingent liabilities

A contingent liability occurs when there is:

- A possible obligation resulting from past events and whose existence will only be confirmed by the occurrence, or non-occurrence, of one or more uncertain future events which are not entirely under the entity's control; or
- An obligation of past events but that is not recognised because (i) it is unlikely there will be an outflow of resources incorporating economic benefits in order to settle the obligation; or (ii) the amount of the obligation cannot be measured with a sufficient degree of reliability.

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

Subsequent Events

The presented financial statements reflect the subsequent events occurred until March 13th, 2018, date in which they were approved by the Management Board in accordance with the provisions in note 2.

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

Value Judgments

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

Main Assumptions Concerning the Future

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

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

- CP's operating situation displays sustainability, regarding for instance the preservation of the positive EBITDA of the transportation activity in 2017, and its considerable improvement vis-à-vis 2016, which indicates the existence of future sustainability factors;
- The State has granted all its support to the company, namely in what concerns the necessary support to the company's funding, with the aim of ensuring the debt service and the operation and investment needs; and
- It is also worth mentioning the importance of the service CP provides nowadays to the Portuguese economy, since in 2017 CP transported 122 million passengers (+7 million transported passengers compared with 2016), as a factor of vital importance for the functioning of the economic activity, enhancing the need for the State to ensure the support necessary to the continuity of CP.

Key sources for Estimation Uncertainty

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

The estimates are based on the knowledge existing at any given moment and on the actions planned to be carried out, which are permanently reviewed based on the available information.

Alterations 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 for estimation uncertainty at the balance sheet date, which have a significant risk of causing a material adjustment to the carrying values of assets and liabilities during the accounting period, are:

Useful Life of Fixed Tangible Assets

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

Fair Value of the Financial Instruments

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

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

Doubtful Collections

Impairment losses concerning doubtful credits are based on the assessment carried out by CP regarding the likelihood of recuperation of the balances of accounts receivable, old balances, debt annulments and other factors. There are certain circumstances and facts which might alter the estimates of impairment losses of balances of receivables vis-à-vis the considered assumptions, including alterations of the economic environment, of the sectorial trends, of the deterioration of the credit standing from the main customers, and of significant non-compliance. This assessment process is subject to several estimates and judgements. The alterations of these estimates may imply the establishment of different impairment levels, thus resulting in different impacts in the results.

Provisions

Provisions are liabilities of an uncertain amount or temporal event. Taking the principle of prudence into account, CP has created provisions whenever there is an obligation (legal or constructive), derived from a past event in which an outflow of resources to settle the obligation is likely and, thus, a reliable estimate of such obligation can be carried out. As for 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 of the estimated value of such loss. The alterations of these estimates may imply impacts on results.

Non-Current Assets Held for Sale

Non-current assets held for sale shall be recognised at the lowest value between their net book value and their fair value, deducted from selling costs. In order to determine fair value, namely regarding rolling stock, and taking the absence of an active market into account, CP uses the amount from recent transactions with similar material as reference, adjusting that amount to the technical characteristics of the material and the existing demand. The existence and amount of impairment to be recognised is established based on the estimated selling cost, whereas the actual impact will only be known at the time of the effective sale of the assets - which may imply variations of significance in results.

Cash Flow (Note 5)

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

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

As at December 31st, 2017, all cash flow balances and their equivalents are available for use.

The cash flow statement regarding the financial year of 2017 shows negative cash flows from operating activities by approximately 18.1 million euros. However, there is an improvement of about 14.7 million euros compared with the previous year.

For such purpose, it is important to highlight in operating flows, in spite of the increase by 14.3 million euros in collections from customers vis-à-vis the previous year, and as a result of the increase in provided sales and services related to passenger transportation, that there was a combined increase in payments to suppliers and personnel (allowing career progressions) by 6.4 million euros.

However, the most significant impact is accounted for in the heading of other collections/payments, which shows a decrease of approximately 22.7 million euros, due to the fact that 2016 was an extraordinary year in the sense that arrears from Medway (former CP Carga) were recovered.

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

Cash and Cash equivalents

Cash and cash equivalents comprises the following balances:

(amounts in euros)

Description	31/12/2017	31/12/2016
Cash	418 744	393 733
Cash equivalents	7 866 816	11 008 518
Sub total	8 285 560	11 402 251
Bank overdrafts	-	-
Total	8 285 560	11 402 251

Disaggregation of the Values under Cash and Cash equivalents

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

(amounts in euros)

Description	31/12/2017	31/12/2016
Cash		
Central cash	716	2 946
Petty cash	2 600	2 600
Treasury Fixed Cash Fund	10 569	10 200
Train station cash	404 859	377 987
	418 744	393 733
Demand deposits		
Banco Português de Investimento	2 609 657	2 847 738
Banco Santander	-	533 249
Caixa Geral de Depósitos	853	23 395
Inst. Gestão Crédito Público	5 256 306	7 596 636
Millennium BCP	-	7 500
	7 866 816	11 008 518
Sub total	8 285 560	11 402 251
Bank overdrafts	-	-
Total	8 285 560	11 402 251

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

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

Fixed Tangible Assets (Note 7)

At the end of 2017, CP presented a fixed tangible asset organised by fixed asset categories, as presented in the following table:

(amounts in euros)		
Description	31/12/2017	31/12/2016
Gross amount:		
Lands and natural resources	19 895 484	19 133 999
Buildings and other constructions	87 929 248	75 061 374
Basic equipment	1 389 127 605	1 376 332 408
Transportation equipment	1 287 880	1 287 880
Administration equipment	21 909 346	21 348 316
Other fixed tangible assets	62 485 920	61 844 405
Ongoing investments	6 038 697	3 030 493
Advance payments for investment purposes	2 768 742	4 238 522
Subtotal	1 591 442 922	1 562 277 397
Accumulated depreciation and impairment:		
Depreciation of the period	56 859 593	55 361 905
Accumulated depreciation of previous periods	1 017 128 507	958 726 740
Impairment losses of the period	(573 768)	855 533
Impairment losses of previous periods	6 289 415	5 433 882
Subtotal	1 079 703 747	1 020 378 060
Net book value	511 739 175	541 899 337

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

The movements in the heading of fixed tangible assets throughout 2017 are summarised in the following table:

(amounts in euros)

Description	Opening Balance	Additions	Disposals	Assets classified as held for sale	Decommissioning	Transfers	Other adjustments	Closing Balance
Gross value:								
Lands and natural resources	19 133 999	-	-	761 485	-	-	-	19 895 484
Buildings and other constructions	75 061 374	-	-	11 903 329	-	964 545	-	87 929 248
Basic equipment	1 376 332 408	479 619	(39 210)	658 336	(2 185)	11 792 249	(93 612)	1 389 127 605
Transportation equipment	1 287 880	-	-	-	(336 808)	-	-	1 287 880
Administration equipment	21 348 316	797 132	-	-	-	100 706	-	21 909 346
Other fixed tangible assets	61 844 405	328 978	-	-	-	312 537	-	62 485 920
Ongoing investments	3 030 493	12 804 951	-	-	-	(9 796 747)	-	6 038 697
Advance payments for investment purposes	4 238 522	1 903 570	-	-	-	(3 373 290)	-	2 768 742
	1 562 277 397	16 314 190	(39 210)	13 323 150	(338 993)	-	(93 612)	1 591 442 922
Accumulated depreciation and impairment:								
Buildings and other constructions	33 797 968	3 643 130	-	2 853 322	-	-	-	40 294 420
Basic equipment	914 641 608	50 003 671	(39 210)	658 336	(2 185)	-	(93 612)	965 168 608
Transportation equipment	1 244 069	21 874	-	-	-	-	-	1 265 943
Administration equipment	19 642 191	853 305	-	-	(336 789)	-	-	20 158 707
Other fixed tangible assets	44 762 809	2 337 613	-	-	-	-	-	47 100 422
Fixed Tang. Assets -Accum. Impair. Losses- Basic Equipmen	6 289 415	(573 768)	-	-	-	-	-	5 715 647
	1 020 378 060	56 285 825	(39 210)	3 511 658	(338 974)	-	(93 612)	1 079 703 747
Total	541 899 337							511 739 175

The most significant investments, concluded in the financial year of 2017, regard essentially to occasional repairs of the type R2 and R3 and half-life intervention for tilting trains.

Concerning write-offs, the most significant heading is associated with administration equipment, as a result of the equipment write-off, with a book value of virtually zero.

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

The change in the heading of lands and natural resources and buildings and other constructions is worth highlighting in comparison with the previous year, resulting from the reclassification of the immovable property designated River Terminal of Barreiro to fixed tangible asset, since its disposal cannot be foreseen in a near future.

As at December 31st, 2017, the following fixed tangible assets were granted as loan guarantee obtained by CP from Eurofima:

		(amounts in euros)
Description		Book value
Railcars		197 565 780
	Total	197 565 780

Financial Holdings – Equity Method (Note 8)

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

(amounts in euros)

Description	Type	31-12-2017			31-12-2016		
		Gross amount	Impairment	Net Amount	Gross Amount	Impairment	Net Amount
EMEF, SA	Investment	17 300 824	-	17 300 824	11 310 537	-	11 310 537
EMEF, SA	Loans	13 000 000	-	13 000 000	13 500 000	-	13 500 000
SAROS, SA	Investment	471 786	-	471 786	382 641	-	382 641
FERNAVE, SA	Investment	2	-	2	2	-	2
FERNAVE, SA	Loans	2 600 000	-	2 600 000	2 600 000	-	2 600 000
ECOSAÚDE, SA	Loans	297 495	-	297 495	300 000	-	300 000
OTLIS, ACE	Investment	242 222	-	242 222	203 520	-	203 520
TIP, ACE	Investment	510 011	-	510 011	-	-	-
Total		34 422 340	-	34 422 340	28 296 700	-	28 296 700

The following movements in these financial holdings were made in 2017, as per the following table:

(amounts in euros)

	Opening Balance	Additions	Disposals	Equity Method	Other changes	Closing Balance
Gross amount						
EMEF, SA	24 810 537	-	-	5 990 287	(500 000)	30 300 824
SAROS, SA	382 641	-	-	395 368	(306 223)	471 786
FERNAVE, SA	2 600 002	-	-	-	-	2 600 002
ECOSAÚDE, SA	300 000	-	-	-	(2 505)	297 495
OTLIS, ACE	203 520	-	-	64 167	(25 465)	242 222
TIP, ACE	-	-	-	510 011	-	510 011
Subtotal	28 296 700	-	-	6 959 833	(834 193)	34 422 340
Impairment	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-
Total	28 296 700	-	-	6 959 833	(834 193)	34 422 340

The increase of EMEF's financial holding during 2017 through the application of the Equity Method should be noted, as well as from TIP, who presents positive equities in the financial statements of 2017, contrary to 2016.

Amortisations of loans carried out by the companies EMEF and Ecosaúde, amounting to 500,000 euros and 2,505 euros respectively, and the distribution of dividends from Saros and Otlis, ACE, amounting to 306,223 euros and 25,465 euros, respectively, are also noted.

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

(amounts in euros)

Name of the associated company	% of the holding	Reference date	Assets	Liabilities	Equity	Income	Net Result
EMEF, SA	100	31-12-2017	55 165 243	37 864 419	17 300 824	75 092 687	5 920 902
SAROS, SA	100	31-12-2017	572 014	100 227	471 787	559 302	395 369
FERNAVE, SA	100	31-12-2017	502 393	3 689 352	(3 186 959)	870 031	(287 288)
ECOSAÚDE, SA	100	31-12-2017	643 286	734 483	(91 197)	2 086 912	668
TIP, ACE	33	31-12-2017	16 247 290	15 176 850	1 070 440	7 404 127	709 599
OTLIS, ACE	14	31-12-2017	5 950 266	4 278 188	1 672 078	6 593 052	492 246

Other Financial Investments (Note 9)

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

At the date of each period of financial reporting, CP assesses the impairment of these financial assets, recognising an impairment loss in the income statement if there is objective evidence of such impairment.

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

(amounts in euros)

Description	Method	31-12-2017			31-12-2016		
		Gross Amount	Impairment	Net Amount	Gross Amount	Impairment	Net Amount
CP Carga, SA	Acquisition cost	80 000	(80 000)	-	80 000	(80 000)	-
MLM, SA	Acquisition cost	12 721	(12 721)	-	12 721	(12 721)	-
METRO DO PORTO, SA	Acquisition cost	249 399	(249 399)	-	249 399	(249 399)	-
METRO-MONDEGO, SA	Acquisition cost	3 595	-	3 595	3 595	-	3 595
ICF	Acquisition cost	382 269	(382 269)	-	382 269	(382 269)	-
EUROFIMA	Acquisition cost	27 760 679	-	27 760 679	27 760 679	-	27 760 679
BCC	Acquisition cost	1 460	-	1 460	1 460	-	1 460
APOR	Acquisition cost	5 000	-	5 000	5 000	-	5 000
Obrigações CONSOLIDADO 1942	Acquisition cost	662	-	662	662	-	662
Work compensation fund	Acquisition cost	13 119	-	13 119	-	-	-
		28 508 904	(724 389)	27 784 515	28 495 785	(724 389)	27 771 396

The movement of these financial holdings in 2017 is analysed in the following table:

(amounts in euros)

	Opening Balance	Additions	Disposals	Fair Value	Other changes	Closing Balance
Gross Amount						
CP Carga, SA	80 000	-	-	-	-	80 000
MLM, SA	12 721	-	-	-	-	12 721
METRO DO PORTO, SA	249 399	-	-	-	-	249 399
METRO-MONDEGO, SA	3 595	-	-	-	-	3 595
ICF	382 269	-	-	-	-	382 269
EUROFIMA	27 760 679	-	-	-	-	27 760 679
BCC	1 460	-	-	-	-	1 460
APOR	5 000	-	-	-	-	5 000
Obrigações CONSOLIDADO 1942	662	-	-	-	-	662
Work compensation fund	-	13 119	-	-	-	13 119
	28 495 785	13 119	-	-	-	28 508 904
Impairment						
CP Carga, SA	(80 000)	-	-	-	-	(80 000)
MLM, SA	(12 721)	-	-	-	-	(12 721)
METRO DO PORTO, SA	(249 399)	-	-	-	-	(249 399)
ICF	(382 269)	-	-	-	-	(382 269)
	(724 389)	-	-	-	-	(724 389)
Total	27 771 396	13 119	-	-	-	27 784 515

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

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

The only change in this heading, during the financial year of 2017, is related to the contributions required by law for the work compensation fund, through new work agreements entered into by the company.

Credits Receivable (Note 10)

The particulars of this heading are analysed as follows:

Description	(amounts in euros)	
	31/12/2017	31/12/2016
Gross Amount:		
Sundry debtors - current account +1 year	975 110	975 110
Miscellaneous	-	7 124
Subtotal	975 110	982 234
Accumulated Impairment		
Impairment of the period - Other medium to long term debts to third parties	-	-
Impairment of previous periods - Other medium to long term debts to third parties	(975 110)	(975 110)
Subtotal	(975 110)	(975 110)
Net book value	-	7 124

Income Tax (Note 11)

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

CP does not account for deferred tax assets connected with the reporting of tax losses, impairments and temporary provisions which have not been accepted for tax purposes, since it considers that there are no expectations that the aforementioned group of companies – which is under the special taxation scheme – will obtain future taxable profits which enable the use of CP's accumulated tax losses. At the end of 2017, the total deductible tax losses of the CP Group amounted approximately to 508 million Euros, which may be used between 2017 and 2027.

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

At the end of the financial year of 2017, the autonomous taxation estimate to be paid by CP in 2018 was recognised in accounts, amounting to 324,359 euros.

Inventories (Note 12)

As at December 31st, 2017, CP presented the following amounts of inventory, detailed by classification:

(amounts in euros)

Description	31/12/2017	31/12/2016
Gross Amount:		
Goods	-	-
Raw, auxiliary and consumable materials	9 394 911	9 191 135
Advance payments for purchasing purposes	-	-
	9 394 911	9 191 135
Accumulated impairments		
Impairments of the period	(412 344)	(266 346)
Impairments of previous periods	(5 010 139)	(4 743 793)
	(5 422 483)	(5 010 139)
Net Book Value	3 972 428	4 180 996

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

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

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

Bearing in mind the application of this new criterion, adjusted to the reality of the company, an impairment loss of €412,344 was recognised in 2017, as identified in the following table:

(amounts in euros)

Description	Opening Balance	Losses	Reversal	Settlement	Closing Balance
Inventory impairments					
Goods	-	-	-	-	-
Raw, auxiliary and consumable materials	(5 010 139)	(412 344)	-	-	(5 422 483)
Total	(5 010 139)	(412 344)	-	-	(5 422 483)

Customers (Note 13)

As at December 31st, 2017 the heading of customers had the following amounts:

(amounts in euros)

Description	31/12/2017	31/12/2016
Gross Amount:		
Current account customers		
General	4 732 867	4 135 092
Associated companies	430 745	178 916
Joint ventures	19 250	488 910
Other related parties	809 534	261 460
Customers - accumulated impairment losses	2 179 805	1 687 242
Subtotal	8 172 201	6 751 620
Accumulated impairment		
Impairment losses of the period	(492 563)	(278 677)
Impairment losses of previous periods	(1 687 242)	(1 408 565)
Subtotal	(2 179 805)	(1 687 242)
Net book value	5 992 396	5 064 378

The movements of impairment losses are analysed as follows:

(amounts in euros)

Description	Opening Balance	Losses	Reversals	Closing Balance
Impairment losses				
General customers	1 687 242	492 563	-	2 179 805
Total	1 687 242	492 563	-	2 179 805

Ageing of receivables from customers are presented as follows:

(amounts in euros)

Description	up to 90 days	Between 90 and 180 days	Between 180 and 360 days	Over 360 days
General customers	3 441 076	552 430	708 618	30 743
Associated companies	430 745	-	-	-
Joint ventures	299 847	(218 441)	29	(62 185)
Other related parties	727 377	82 155	-	2
Total	4 899 045	416 144	708 647	(31 440)

State and Other Public Entities (Note 14)

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

(amounts in euros)		
Description	31/12/2017	31/12/2016
Asset		
Income tax	1 265 022	1 216 982
Special payment on account	1 201 660	1 149 930
Withholding tax	63 362	67 052
VAT	13 043 783	7 023 331
VAT receivable from Nov. and Dec.	12 659 217	5 646 857
VAT requested refunds	384 566	1 376 474
VAT withholding tax receivable	880 964	880 418
Total	15 224 009	9 133 207
Liability		
Income tax	324 359	396 507
Income tax withholdings	4 725	23 518
Social Security contributions	2 805	2 925
Other taxes	904	2 645
Total	332 793	425 595

The main change is essentially due to the increase of the heading of VAT receivable, as a result of the acceptance, at the end of IP's invoicing year regarding the charges for the use of the infrastructure.

As for special payments on account (financial years of 2011 and 2012), the inspection process for reimbursement has been completed, and is pending the refund of amounts.

Other accounts receivable (Note 15)

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

(amounts in euros)

Description	31/12/2017	31/12/2016
Gross Amount:		
Advance payments to suppliers:		
EMEF-EMP. MANUT. EQUIP. FERROV. S.A.	3 279	3 279
SISCOG-SISTEMAS COGNITIVOS, LDA.	128 391	128 391
REDE FERROV. NACIONAL, E.P.E.	2 120	2 120
Current account Suppliers - debit balance	2 544	4 693
Other debtors - Employees	42 677	17 565
Sundry debtors - current accounts	1 986 099	2 187 890
Sundry debtors - Doubtful collection	3 131 746	3 187 206
Sundry creditors – debit balance	115 222	103 268
Sundry creditors-dep. given collateral	368 210	220 261
Sundry creditors –VAT- operations to be settled	98 044	136 044
Debtors/creditors- sundry – invoicing to be issued	(403)	(1 289)
Sundry debtors/creditors – health insurance	183 129	193 218
Sundry creditors –ODC- galp frota card/via verde [electronic toll]	-	31 371
Other accounts receivable/payable – deposits to be settled	(780)	-
ODC – business units/other	162 719	157 622
Debtors by accrual of income	553 352	2 166 601
Accumulated impairment		
Impairment of the period - out. div. terceiros	55 460	32 929 850
Impairment previous periods-Other debts to third parties- short term and medium and long term	(3 187 206)	(36 117 056)
Subtotal	(3 131 746)	(3 187 206)
Net book value	3 644 603	5 351 034

The reduction vis-à-vis 2016 is mainly found in the heading of debtors by accrual of income, which had a higher balance of approximately 1.6 million euros in 2016. This reduction is due to the issuance of regular invoicing of 2017 to Medway, S.A. regarding the rental of locomotives, and others, but also due to the termination of the traction electricity re-invoicing agreement with this entity.

The movements of impairment losses are analysed as follows:

(amounts in euros)

Description	Opening Balance	Losses	Use	Reversals	Closing Balance
Impairment losses					
Other third party debts	3 187 206	75 267	92	(130 819)	3 131 746
Total	3 187 206	75 267	92	(130 819)	3 131 746

Deferrals (Note 16)

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

Description	(amounts in euros)	
	31/12/2017	31/12/2016
Asset		
Expenses to be recognised		
Deferrals - recognised expenses - other-miscellaneous	860 196	615 446
Total	860 196	615 446
Liability		
Income to be recognised		
Deferrals.-recognised income-other deferrals-recognised income	-	-
Total	-	-

Financial Assets Held for Trading (Note 17)

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

Description	(amounts in euros)	
	31-12-2017	31-12-2016
Financial assets	-	4
Total	-	4

At the reference date for the presentation of these Financial Statements, the company has no amounts accounted for in the heading of financial assets held for trading. The only existing amount as at 31st of December, 2016, corresponded to the value from shares belonging to Millennium BCP, transferred from the company Fergráfica, S.A. following the liquidation of the latter company, which were disposed of during 2017.

Non-Current Assets Held for Sale (Note 18)

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

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

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

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

After the establishment of these impairments, the rolling stock classified in the non-current assets held for sale category got a value equal to zero as per the particulars below reported as at December 31st, 2017:

(amounts in euros)

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

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

(amounts in euros)

Description	31/12/2017	31/12/2016
Assets		
Lands and natural resources	84 796	1 744 117
Buildings and other constructions	139 204	9 567 050
Basic equipment	5 684 397	5 684 397
Total	5 908 397	16 995 564

The change accounted for in 2017, in comparison with the previous year, is originated in the heading of lands and natural resources and buildings and other constructions, resulting from the reclassification of the immovable property designated River Terminal of Barreiro to fixed tangible asset, since its disposal cannot be foreseen in a near future. An agreement with Transtejo for the use of this immovable property is under negotiation.

Concerning buildings classified as non-current assets held for sale, it is also worth mentioning that the company did not identify any proof of existing impairment compared with the previously recognised, remaining strongly committed to the sale of this asset.

Subscribed Capital (Note 19)

In accordance with article 3 of Decree-law no. 59/2012 of March 14th which defines CP's Statutes, the statutory capital of the company is of 1,995,317,000 Euros, which is entirely held by the Portuguese State and is meant to meet the company's permanent needs. This amount is entirely paid-up as at December 31st, 2017.

In 2015 and 2016, it was determined by joint orders of the Sector and Financial Ministries to increase the statutory capital of CP, EPE, by 683,483 million euros (in 2015) and by 654,913 million euros (in 2016), having been paid-up during the corresponding years, which allowed the

company to cover the payments resulting from historic debt (amortisations and financial costs) as well as investment.

During 2017, and in accordance with the law in force, it was equally determined that the statutory capital of CP, EPE, would be increased by 516.4 million euros following the joint orders from the Sector and Financial Ministries, to be paid up by the State as follows:

- March / April – 29.3 million euros in cash;
- June/July – 12.4 million euros in cash;
- July/September – 28.6 million euros in cash;
- October – 16.8 million euros in cash;
- November – 418.3 million euros, by conversion of credits;
- December – 11 million euros in cash;

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

The heading of subscribed Capital therefore presents, in accumulated terms, an increase of 516.4 million euros in 2017, corresponding to the capital amount paid-up by the State during the period.

Thus, at the end of 2017, the company presents a subscribed capital of 3,850,091,940 euros.

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

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

Other Reserves (Note 21)

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

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

Results Brought Forward (Note 22)

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

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

Rolling Stock

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

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

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

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

Other fixed tangible assets

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

Adjustments/Other Changes in Equity (Note 23)

The particulars of this heading are analysed as follows:

Description	(amounts in euros)	
	31/12/2017	31/12/2016
Allowances	114 006 126	122 448 574
Financial repair	91 357 368	91 357 368
Transitional adjustments	132 640	132 640
Total	205 496 134	213 938 582

The heading of financial restructuring reflects the liability undertaken by the State in accordance with the Protocol from August 24th, 1993, concerning the 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 restructuring carried out in the scope of Decree-law no. 361/85.

The amount of the heading of allowances essentially concerns allowances received for rolling stock, whereas decreases accounted for in this element of the capital, of allocation, result in income of the financial year, in a systematic and rational basis during the useful life of the asset, of a part of that allowance, in the same proportion in which the depreciations are recognised. The particulars of the heading of allowances are shown in the following table:

(amounts in euros)

Description	31/12/2017	31/12/2016
59300004 Reserve Grants - Rolling Stock	(433 343)	495 395
59300100 FEDER-Sub Proj 12UQE	(4 091 726)	4 965 660
59300700 PIDDAC-Sub Proj 12+4UQE	(3 822 482)	4 169 978
59300800 FEDER-Sub Proj 12+4UQE	(10 447 351)	11 397 095
59301001 PIDDAC-Sub Proj 34UQE/UTE	(2 540 202)	2 857 727
59301002 PIDDAC-Sub Proj 19UDD	(382 625)	433 493
59301003 PIDDAC-Sub Proj 21ALLAN	(661 934)	702 904
59301004 PIDDAC-Sub Proj 42UQE	(342 904)	382 808
59301005 PIDDAC-Sub Proj 34UME	(16 753 970)	17 841 400
59301006 PIDDAC-Sub Proj 57UTE Silicon	(14 038 418)	14 878 163
59301009 PIDDAC-Sub Proj 57CORRAIL	(468 786)	532 646
59301010 PIDDAC-Sub Proj 12Locomotives	(390 009)	390 009
59301013 PIDDAC-Sub Proj Contactless Ticket	(172 860)	920 931
59301014 PIDDAC-Improv. Interface Branch Line Lousã	(162 680)	190 568
59301024 PIDDAC-SubProj Change Max Veloc 45 Modern Carriag.	(50 383)	77 727
59301025 PIDDAC-Repl.Wheelset Transmission Boxes UDD's450	(384 919)	422 829
59301027 PIDDAC-Modernisation of 4 railcars 3500	(995 313)	1 100 313
59301028 PIDDAC-Large Repair R2 - 453	-	8 297
59301029 PIDDAC-Large Repair R2 - 2334	(294 630)	322 037
59301030 PIDDAC-Large Repair R2 - 2340	(290 062)	317 469
59301031 PIDDAC-Large Repair R2 - 2326	(222 146)	242 341
59301032 PIDDAC-Large Repair R3 - 9635	(32 662)	54 437
59301033 PIDDAC-Large Repair R2 - 464	-	22 377
59301034 PIDDAC-Large Repair R2 - 2197010	(67 997)	86 972
59301035 PIDDAC-Large Repair R2 - 2403	(181 412)	197 780
59301036 PIDDAC-Large Repair R2 - 2404	(417 244)	454 060
59301037 PIDDAC-Large Repair R2 - 360	(26 227)	48 707
59301039 PIDDAC-Large Repair R2 - 2405	(292 578)	317 130
59301040 PIDDAC-Large Repair R2 - 468	(8 296)	33 186
59301041 PIDDAC-Large Repair R2 - 2197025	(117 540)	133 753
59301042 PIDDAC-Large Repair R2 - 463	(33 518)	58 656
59301043 PIDDAC-Large Repair -Gr R-R2 461	(83 794)	146 640
59301044 PIDDAC-Large Repair R2 469	(53 419)	91 126
59301045 PIDDAC-Large Repair R2 2197012	(89 283)	99 997
59301046 PIDDAC-Large Repair R2 2197034	(115 574)	129 443
59301047 PIDDAC-Large Repair R2 2197011	(70 038)	78 360
59301048 PIDDAC-Large Repair R2 2197020	(115 574)	129 443
59301049 PIDDAC-Large Repair R2 8597004	(46 892)	52 000
59301050 PIDDAC-Large Repair R2 8597007	(69 642)	77 999
59301051 PIDDAC-Large Repair R2 1415	(150 953)	162 715
59301052 PIDDAC-Large Repair R2 2197028	(116 730)	130 599
59301053 PIDDAC-Large Repair R2 1997008	(57 785)	64 650
59301054 PIDDAC-Large Repair R2 2197019	(132 911)	146 780
59301055 PIDDAC-Large Repair R2 0451	(94 268)	131 976
59301056 PIDDAC-Large Repair R2 2197027	(132 911)	146 780
59301057 PIDDAC-Large Repair R2 1997002	(139 203)	150 265
59301058 PIDDAC-Large Repair R2 3154	(330 624)	354 816
59301059 PIDDAC-Large Repair R2 9634	(98 966)	120 958
59301060 PIDDAC-Large Repair R2 2197007	(132 911)	146 780
59301061 PIDDAC-Large Repair R2 3266	(262 047)	280 877
59301062 PIDDAC-Large Repair R2 0458	(205 208)	-
59301063 PIDDAC-Large Repair R2 0457	(77 874)	-
59301064 PIDDAC-Large Repair R2 1997004	(89 471)	-
59301065 PIDDAC-Large Repair R2 1997009	(58 166)	-
59301066 PIDDAC-Large Repair R2 2197015	(87 559)	-
59301067 PIDDAC-Large Repair R2 2197016	(59 423)	-
59301068 PIDDAC-Large Repair R2 2197001	(88 482)	-
59301069 PIDDAC-Large Repair R2 1413	(111 745)	-
59301070 PIDDAC-Large Repair R2 3260	(56 502)	-
59301071 PIDDAC-R1 CPA's (Tilting train) 4000	(596 471)	-
59301101 FEDER-Sub Proj 19UDD	(790 925)	896 076
59301102 FEDER-Sub Proj 21ALLAN	(1 293 103)	1 373 141
59301103 FEDER-Sub Proj 34UME	(29 845 204)	31 779 552
59301104 FEDER-Sub Proj 57UTE Silicon	(18 000 718)	19 113 387
59301107 FEDER-Sub Proj 57CORRAIL	(939 987)	1 068 037
59301108 FEDER-Sub Proj 12Locomotives	(903 370)	903 370
59301700 FEDER-Improv. Interfaces Branch Line Lousã	(348 588)	414 264
59301800 FEDER-Contactless Ticket-CPLX	(35 588)	201 696
Total	(114 006 126)	122 448 574

Provisions (Note 24)

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

(amounts in euros)

Description	Opening Balance	Additions	Uses	Reversals	Closing Balance
Ongoing legal actions	4 278 619	19 205	3 080 000	-	1 217 824
Work accidents and occupational illnesses	10 916 157	43 899	788 768	-	10 171 288
Railway accidents	1 792 051	-	-	68 814	1 723 237
Financial Investments	3 146 775	306 168	-	156 602	3 296 341
Other	55 250	-	-	-	55 250
Total	20 188 852	369 272	3 868 768	225 416	16 463 940

The change in the heading of provisions is mainly due to the transfer of the liability value determined in accordance with the agreement entered into with the Organisations Representing Employees regarding the incorporation of variable bonuses in the concept of remuneration used for the calculation of holiday compensation and holiday allowances, which is no longer considered as a provision of legal proceeding and is transferred to the heading of other debts payable. The impact of this agreement amounted to 27.2 million euros in 2015 and was fully recognised on that date as personnel expenses.

Liabilities for work accidents and occupational illnesses were calculated based on the actuarial assessment of the liabilities of the company as at December 31st, 2017, with allowances for work accidents occurred until December 31st, 1999. This calculation was carried out by a third party (CGD PENSÕES).

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

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

Discount rate: 1.75%.

Pensions' growth rate: 1.0%.

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

Period for payment of the work accident pensions: life annuities.

Effective date of the calculations: December 31st, 2017.

Loans Obtained (Note 25)

At the end of the financial year of 2017 the heading of loans obtained presented the particulars of the following table:

(amounts in euros)

Description	31-12-2017	31-12-2016
Non-current		
Credit institutions and financial companies		
Bank loans	114 711 667	142 778 875
Debenture loans	700 000 000	700 000 000
Applic. of Effective Rate Debenture Loans	(6 453 876)	(6 869 048)
Other funders	1 397 542 000	1 772 056 000
Total	2 205 799 791	2 607 965 827
Current		
Credit institutions and financial companies		
Bank loans	28 067 209	36 055 188
Other funders	380 514 000	380 514 000
Total	408 581 209	416 569 188

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

(amounts in euros)

Description	31/12/2017	31/12/2016
Non-current		
Credit institutions and financial companies		
Bank loans		
Up to 1 year	28 067 209	36 055 188
From 1 to 5 years	105 845 000	110 245 542
Over 5 years	8 866 667	32 533 333
Debenture loans		
From 1 to 5 years	500 000 000	500 000 000
Applic. of Effective Rate Debenture Loans	(313 588)	(429 855)
Over 5 years	200 000 000	200 000 000
Applic. of Effective Rate Debenture Loans	(6 140 288)	(6 439 193)
Other funders		
Up to 1 year	380 514 000	380 514 000
From 1 to 5 years	1 345 542 000	1 622 056 000
Over 5 years	52 000 000	150 000 000
Total	2 614 381 000	3 024 535 015

As at December 31st, 2017, future payments of the outstanding capital regarding non-current loans obtained are analysed as follows:

(amounts in euros)

Description	2018	2019	2020	2021	2022	2023 and following	Total
Credit institutions and financial companies							
Bank loans	28 067 209	20 685 000	37 693 333	23 800 000	23 666 667	8 866 667	142 778 876
Finance leases							-
Debenture loans		499 686 412				193 859 713	693 546 124
Securities market							-
capital stakeholders							-
Parent company - supplies and other loans							-
Other affiliate companies - supplies and other loans							-
Subsidiaries, associated companies and joint ventures							-
Other funders	380 514 000	381 514 000	481 514 000	381 514 000	101 000 000	52 000 000	1 778 056 000
Total	408 581 209	901 885 412	519 207 333	405 314 000	124 666 667	254 726 379	2 614 381 000

Other Debts Payable (Note 26)

The heading of other accounts payable is analysed as follows:

(amounts in euros)

Description	31/12/2017	31/12/2016
Non-current		
Creditors by expenditure growth	8 006 555	13 390 899
Total	8 006 555	13 390 899
Current		
Investment fund providers	808 073	(21 580)
Creditors by outstanding subscriptions	35 477 347	38 665 181
Other debtors and creditors	7 827 089	4 461 264
Creditors by expenditure growth	56 979 203	61 214 587
Employees	25 836	36 393
Advance payments from customers	56 136	63 063
Total	101 173 684	104 418 908

Regarding non-current liability, in 2017, the recognition of the liability concerning the settlement of historic debt arising from the integration of variable bonuses for the calculation of holiday allowances and holidays still remains, following the agreement entered into with the Organisations Representing Employees, which shall be paid until the financial year of 2019. The amounts payable in the subsequent year are transferred to current asset in accordance with the signed agreements.

The reduction in current liability is essentially due to the reduction of accrued interest payable as a result of the amortisation of some financing. This reduction of financing was achieved mainly through capital increases granted by the Portuguese State. It is also worth noting the decrease in the need for accrual of expenses associated with external services and supplies, since invoicing was registered in 2017. For the reduction of current liability, the change in exchange rates of Swiss francs is highlighted, which corresponds to the currency of appreciation of shares subscribed and not paid-up of Eurofima, which decreased the value of said shares as at 31.12.2017 upon conversion.

Suppliers (Note 27)

The heading of suppliers shows the following particulars:

Description	(amounts in euros)	
	31/12/2017	31/12/2016
Suppliers current account		
General	4 833 349	11 001 901
Subsidiary companies	4 248 376	284 685
Associated companies	803 191	808 178
Joint ventures	(14 746)	4 448 533
Other related parties	750 886	223 330
Invoices received and pending approval	76 049	(2 933)
	10 697 105	16 763 694

In 2017, there was an overall decrease of outstanding balances to general suppliers, such as the decrease of the average time for payment by 15 days, and the decrease of the debt to Infraestruturas de Portugal, SA, in the amount of 7.8 million Euros stands out as a contribution to such fact. In what concerns outstanding balance to subsidiaries, it is due to the increase by 4 million euros associated with the invoicing issued by EMEF during December.

Advance Payments from Customers (Note 28)

This heading presents the following amounts:

Description	(amounts in euros)	
	31/12/2017	31/12/2016
Advance payments from customers	-	200 500
	-	200 500

The disposal certificate of the immovable property Praia das Maças was carried out in 2017 and the advance payment received in 2016 was settled.

Provided Sales and Services (Note 29)

Provided sales and services have the following particulars:

(amounts in euros)

Description	2017	2016
Provided services		
Passengers	257 691 658	237 540 173
Networks	761 467	760 569
Maint./lease/clean. rolling stock	1 416 819	1 508 525
Rescue train	896 917	896 917
Compensation for damage	388 900	1 212 272
Cleaning/ Safety	133 621	131 433
Computer/accounting/ other services	835 773	1 169 559
Other Metro Mondego	649 439	638 038
Other services	3 684 441	2 548 106
Discounts and rebates in sales	(7 808 818)	(7 162 128)
Total	258 650 217	239 243 464

The heading of provided sales and services increased by approximately 19.4 million euros, as a result of the growth in passenger services, namely in one-way ticket sales, presenting an accumulated growth of 13.6 million euros, vis-à-vis the same period in the previous year.

Operating Subsidies (Note 30)

The operating subsidies recognised in income during the financial years of 2017 and 2016 are identified in the following table:

(amounts in euros)

Description	2017	2016
Miscellaneous allowances		
IEFP Training	-	16 929
Energy Efficiency Fund	10 000	-
Project Shift2Rail-IMPACT	3 578	-
Project Shift2Rail-PIVOT	7 111	-
Total	20 689	16 929

It is also worth mentioning that the amounts granted to CP by the State in 2017 correspond exclusively to the State's contribution for passes and the intermodal system Andante, and CP did not receive any additional compensation for the provision of its public service.

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	2017	2016
Losses		
Application of the equity method	-	(107 988)
Gains		
Application of the equity method	6 959 833	3 364 938
Total	6 959 833	3 256 950

The increase of gains allocated to subsidiaries, associated companies and joint ventures, is due to the improvement in the results from the Group's companies, namely EMEF, Saros, TIP and Otlis.

Sold Commodities and Consumed Materials Costs (Note 32)

Sold commodities and consumed materials costs are as follows:

(amounts in euros)

Description	2017	2016
Goods	-	-
Raw, auxiliary and consumable materials	6 242 781	5 459 521
Total	6 242 781	5 459 521

The expense with fuel consumption, as raw-material for the provision of railway passenger transportation service, represents 77% (4,805,802 euros) of the total amount of the heading raw-materials, subsidiaries and consumption. Expense with fuel consumption increased due to the increase in fuel price.

The consumption of other products (uniforms) also had a considerable increase in 2017 in order to meet the improvement needs arising from flaws in the operating staff's uniforms.

External Services and Supplies (Note 33)

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

Description	(amounts in euros)	
	2017	2016
Sub-agreements:		
Cleaning facilities	(256 574)	(244 576)
Cleaning rolling stock	(2 594 909)	(2 361 061)
Surveillance	(1 919 303)	(2 087 451)
Additional and auxiliary services	(1 568 279)	(1 710 890)
Restoration services	(2 784 636)	(2 506 098)
CP/Renfe Agreement	(4 495 362)	(4 348 823)
Other sub-agreements	(6 533 039)	(6 458 369)
Specialised services:		
Maintenance and repair	(34 612 197)	(35 134 879)
Specialised works	(446 020)	(492 369)
Surveillance and safety	(803 329)	(262 611)
Use of rolling stock	(471 459)	(471 459)
Other specialised works	(2 402 903)	(1 793 810)
Materials	(176 362)	(198 190)
Energy and fluids:		
Electricity	(23 107 211)	(26 617 185)
Fuels	(159 338)	(180 394)
Water	(124 021)	(122 832)
Other	(20)	-
Travels, accommodation and transport	(3 728 431)	(1 015 298)
Contº CP/ACE (EMEF/Siemens)	(4 717 504)	(4 849 636)
Miscellaneous services:		
Rents and leases:		
Infrastructure usage fee	(56 175 213)	(55 789 977)
Other rents and leases	(11 220 051)	(11 065 870)
Communication	(528 763)	(512 711)
Insurance	(253 435)	(202 463)
Other services	(271 930)	(274 140)
Total	(159 350 289)	(158 701 092)

In 2017, despite the cost containment efforts, there was a slight increase in the heading of external services and supplies amounting to 649 thousand euros.

This increase was mainly influenced by the agreement entered into between the company and labour unions, upon which a transportation bonus is granted to operating staff from the commercial and traction professions starting from 2017, in order to address duly substantiated situations, a bonus that did not exist in 2016. This increase was essentially offset by the reduction of expenses with traction energy, caused by the re-negotiation of the energy supply agreement whereas the energy expenditure started being directly invoiced to Medway, S.A..

Personnel Expenses (Note 34)

The heading of personnel expenses has the following particulars:

(amounts in euros)

Description	2017	2016
Remuneration of governing bodies	(365 899)	(337 182)
Remunerations of personnel	(77 020 433)	(75 196 705)
Compensations	(1 359 861)	(2 688 722)
Charges on remuneration	(17 066 801)	(16 633 886)
Insurance for work accidents and occupational illnesses	(2 338 650)	(2 479 540)
Social action expenses	(244 072)	(204 849)
Other personnel expenses	(1 478 075)	(1 831 039)
Total	(99 873 791)	(99 371 923)

The increase accounted for in this heading vis-à-vis 2016 is caused by the total reversal of the temporary pay cuts, which began in January 2016 and reached 100% in paid remunerations as of October 1st 2016, and by the partial restitution of progressions and the growth in other bonuses.

The particulars of employees from the permanent staff as at December 31st, 2017 and 2016, by position in Administration/superior management and professional category is presented as follows:

Description	31/12/2017	31/12/2016
Governing bodies *	6	6
Directors/senior management	267	272
Upper management	253	258
Middle management	14	14
Middle managers	225	230
Highly qualified professionals	2 111	2 130
Semi-skilled professionals	72	70
Total	2 681	2 708

* Includes three members belonging to the Supervisory Board

Impairment of Non-Depreciable and Non-Amortisable Investments (Note 35)

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

Description	(amounts in euros)	
	2017	2016
Losses		
In financial investments	(3)	(11)
Reversals		
Non-current assets held for sale	-	1 684 358
Total	(3)	1 684 347

There were no impairments with financial investments or non-current assets held for sale in 2017.

Other Income (Note 36)

The heading of other income has the following particulars:

Description	(amounts in euros)	
	2017	2016
Supplementary income	9 132 043	12 590 861
Inventory gains	7 076	3 871
Remaining financial assets	3 461 517	3 620 550
Non-financial investments	766 326	3 500
Other	11 631 701	23 471 975
Total	24 998 663	39 690 757

There was a decrease of the heading of other incomes in 2017, mainly due to the following elements:

- End of the energy invoicing to Medway, S.A. (former CP Carga) arising from the conclusion of a new agreement which foresees the issuance of invoicing from the energy supplier directly to mentioned company (as per note 33);
- The heading of other, includes in 2016 the reclassification of the liability with work accidents and occupational illnesses, in the amount of approximately 11.5 million euros, which was again deemed as provision due to the non-acceptance from the sector and financial Ministries regarding CP's application to join the special scheme for deferred tax assets.

Other Expenses (Note 37)

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

Description	(amounts in euros)	
	2017	2016
Taxes	(151 898)	(144 680)
Inventory losses	(20 826)	(18 753)
Non-financial investments	(19)	(4 593 655)
Other	(3 234 135)	(4 666 280)
Total	(3 406 878)	(9 423 368)

There was a reduction in the heading of other expenses in 2017, mainly due to the following elements:

- ✔ Write-off of the Terreiro do Paço Terminal in 2016, following the publication of Order no. 10759-A/2016, from the Offices of the Deputy Secretary of State of Treasury and Finance and of the Deputy Secretary of State of Infrastructure, with a negative impact of approximately 2 million euros in the company's accounts;
- ✔ Write-off of rolling stock carried out in 2016, with a negative impact in accounts from that year of approximately 2.6 million euros.

Increases/Decreases of Fair Value (Note 38)

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

Description	(amounts in euros)	
	2017	2016
Gains		
Financial instruments	-	1 291 916
Total	-	1 291 916

The company has no financial derivatives at the end of 2017.

The fair value gain recognised in 2016 was caused by expiration of the last release procedure regarding the portfolio of derivatives, in April 2016, upon the expiration of the last financial risk management instrument held in CP's portfolio, along with the amortisation of the Eurofima loan that served as base for said derivative. The assessment of these derivatives was ensured by a third party.

Expenses/Reversals of Depreciation and Amortisation (Note 39)

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

Description	(amounts in euros)	
	2017	2016
Expenses		
Fixed tangible assets	(57 000 846)	(55 361 905)
Intangible assets		
Reversals		
Fixed tangible assets	141 253	-
Intangible assets		
Total	(56 859 593)	(55 361 905)

Expenses that were accounted for are the result of depreciation/amortisation of goods in accordance with their determined useful lives and particulars presented in note 4. The expected useful lives of goods are revised annually, in order to verify their accuracy. The registered reversal is due to an adjustment to the useful life of rolling stock, which was adjusted in 2017.

Impairment of Depreciable and Amortisable Investments (Note 40)

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

Description	(amounts in euros)	
	2017	2016
Losses		
Fixed tangible assets	(455 819)	-
Reversals		
Fixed tangible assets	1 029 587	855 533
Total	573 768	855 533

The change in the heading of impairment reversals is due to the completion of the repairs of damaged rolling stock. The change in the heading of impairment losses is due to the impairment accounted for in rolling stock repairs.

Interest and Similar Income Gained (Note 41)

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

Description	(amounts in euros)	
	2017	2016
Interest gained	466 910	1 047 594
Total	466 910	1 047 594

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

Payable Interest and Similar Expenses (Note 42)

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

Description	(amounts in euros)	
	2017	2016
Interest charges	(72 996 596)	(82 656 759)
Other expenses and losses	(3 574 133)	(5 673 912)
Total	(76 570 729)	(88 330 671)

During the financial year of 2017, the heading of payable interest and similar expenses decreased approximately by 11.8 million euros mainly due to the amortisation of financing owned by the company, arising from capital increases granted by the State for that purpose.

Related Parties Disclosure (Note 43)

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

With reference to December 31st, 2017, the shareholder structure of the Company (Direct holdings), is presented in the following table:

Holdings	(Holding %)	
	31/12/2017	31/12/2016
EMEF, SA	100%	100%
CP CARGA, SA *	5%	5%
FERNAVE, SA	100%	100%
SAROS,Lda	100%	100%
ECOSAÚDE, SA	100%	100%
TIP, ACE	33%	33%
OTLIS, ACE	14%	14%

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

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

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

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

(amounts in euros)

Description	2017	2016
Sales and service provisions		
Subsidiaries		
EMEF, SA	4 851 081	5 511 354
FERNAVE, SA	210 544	340 633
SAROS,Lda	3 354	418 502
ECOSAÚDE, SA	25 990	27 005
Associated companies		
TIP, ACE	4 763 721	3 953 898
OTLIS, ACE	4 666 344	4 217 819
Indirect holding companies		
EMEF / SIEMENS, ACE	758 498	636 139
total	15 279 532	15 105 350
Expenses		
Subsidiaries		
EMEF, SA (*)	(32 179 410)	(30 123 212)
FERNAVE, SA	(531 594)	(862 966)
ECOSAÚDE, SA	(809 166)	(861 436)
Associated companies		
TIP, ACE	(625 661)	(664 877)
OTLIS, ACE	(217 144)	(216 237)
Indirect holding companies		
EMEF / SIEMENS, ACE	(4 897 837)	(5 061 583)
Total	(39 260 812)	(37 790 311)
Investment		
Subsidiaries		
EMEF, SA	11 841 041	9 213 022
Associated companies		
TIP, ACE	353 373	-
Total	12 194 414	9 213 022

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

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

(amounts in euros)

Description	31/12/2017	31/12/2016
Assets		
Investment		
Subsidiaries		
EMEF, SA	13 000 000	18 713 382
FERNAVE, SA	2 600 000	2 600 000
ECOSAÚDE, SA	297 495	300 000
Customers and other accounts receivable		
Subsidiaries		
EMEF, SA	38 690	-
FERNAVE, SA	430 078	250 080
SAROS,Lda	32	613
ECOSAÚDE, SA	54	2 083
Associated companies		
TIP, ACE	430 745	178 916
OTLIS, ACE	360 434	-
Indirect holding companies		
EMEF / SIEMENS, ACE	79 830	196 695
Liabilities		
Suppliers and other accounts payable		
Subsidiaries		
EMEF, SA	(939 252)	(287 160)
FERNAVE, SA	(18 601)	69
ECOSAÚDE, SA	(72 944)	(90 103)
Associated companies		
TIP, ACE	(988 081)	(971 541)
OTLIS, ACE	(424 936)	(416 319)
Indirect holding companies		
EMEF / SIEMENS, ACE	(487 386)	(469 435)
Total Asset + Liability	14 306 158	20 007 280

Guarantees and Sureties (Note 44)

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

(amounts in euros)

Company	Amount
EMEF (letter of intent)	861 777
EMEF (surety)	1 312 500
Fernave (guarantee)	114

Guarantees provided in favour of CP:

(amounts in euros)

Company	Amount
Guarantees and sureties provided to CP by the State	642 778 876
Guarantees and bank sureties provided to CP by bank entities in favour of third parties	165 042 *

* includes escrow account at IGCP amounting to 150.000€

Relevant Events after the Balance Sheet Date (Note 45)

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

Proposal for Application of Results (Note 46)

In accordance with the provisions in force, it is proposed that the Net Results of the Financial Year, a deficit of 111,951,646 euros, are transferred to the account of Results brought forward.



COMBOIOS DE PORTUGAL

