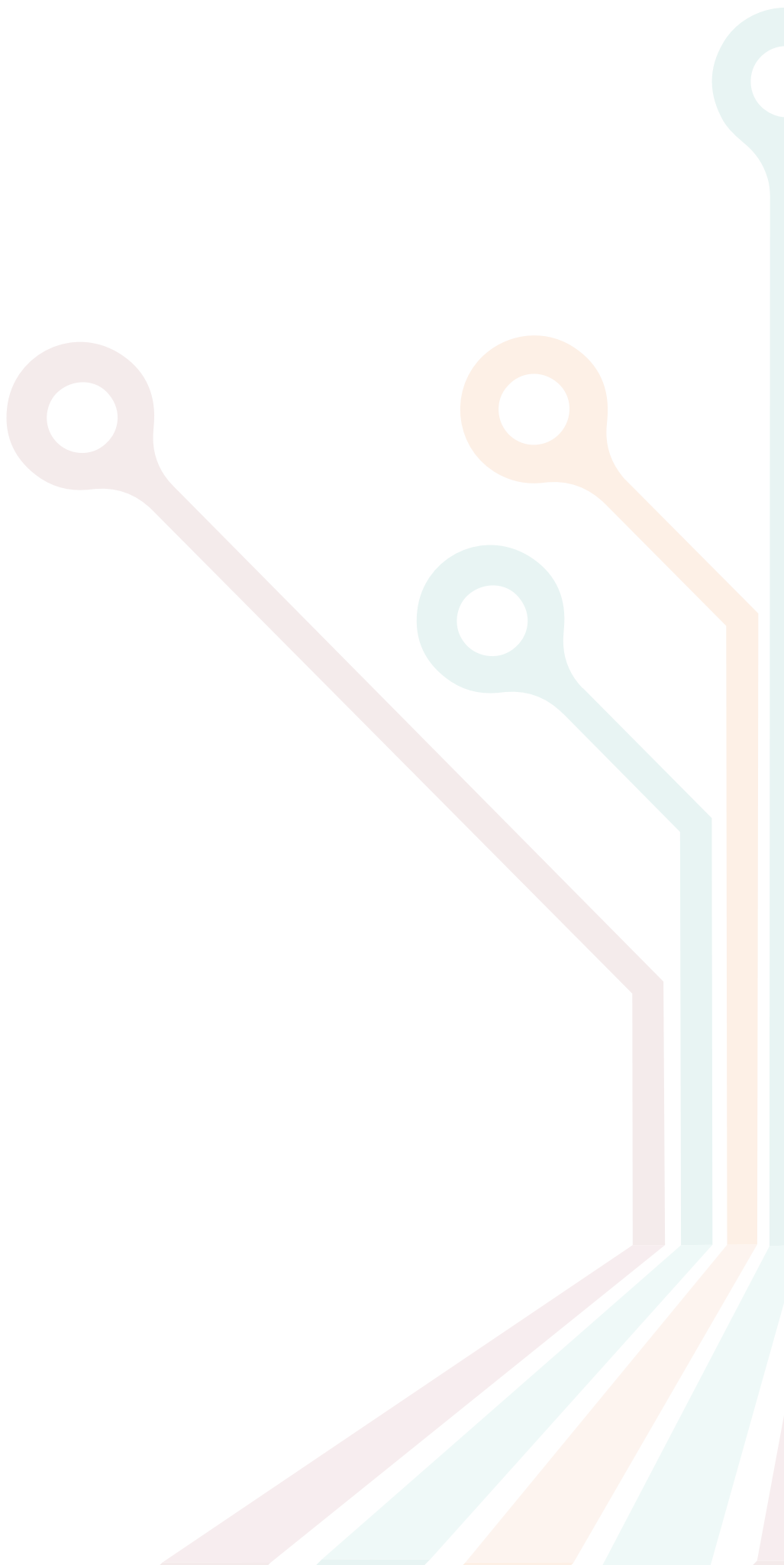




**Infraestruturas**  
de Portugal

# MANAGEMENT REPORT

2018



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**Part I**  
**Consolidated**  
**Management Report**  
**2018**



# 1. ABOUT THE REPORT

**Infraestruturas de Portugal, SA publishes, for the first time, the Integrated Report for the year 2018 in a model that combines financial and non-financial information, according to the latest reporting guidelines published by the International Integrated Reporting Council (IIRC) and the legal guidelines that set the framework for the State-owned Enterprises Sector and large companies, with the necessary adaptations to the company's reality.**

The IP Group has evolved in recent years with a broader focus on the management of multimodal mobility, and on the vast network of infrastructure under its responsibility. It operates under the motto WE CONNECT PLACES, with an extensive impact on the country's economic and social development.

In this context, we are confident that the option of integrated reporting, in line with national and international best practices, will help us better understand our business strategy and the transfer of value to our stakeholders (employees, shareholders, customers, regulators, suppliers, partners, etc.) to whom this Report is addressed.

The various business areas and the performance of the different capitals (human, intellectual, social, natural and financial) are presented, in addition to the model which supports the company's strategy and not to mention the IP Group's great challenge in the short term, which is the modernisation of the National Railway Network through the Railways Investment Programme 2020.

How the material aspects impact on our ability to create value in the short, medium and long term are presented throughout the report, in a process that we consider dynamic and that we shall improve by listening to our stakeholders.

All of these aspects, which are part of the Management Report, are presented and developed from the IP Group's perspective, not only because of the size and preponderance of IP in relation to other Group companies, but also because of the existence of a common corporate strategy.

Parts II and III of this report present the individual and consolidated financial statements and the re-

lated notes to the accounts, Part IV is composed of IP's Corporate Governance Report and part V contains the Standard GRI Table (GRI - Global Reporting Initiative).

The financial Statements of the IP Group were prepared on the basis of a going concern and in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), issued and in force on 31 December 2018.

IP's 2018 Corporate Governance Report was prepared in accordance with the manual provided by the Technical Unit for Monitoring and Supervision of the State-owned Enterprises Sector (UTAM).

The disclosure of non-financial information follows the guiding principles of the Global Reporting Initiative (GRI) and complies with the mandatory publication provisions of Decree-Law 89/2017 of 28 July and art. 66 B of the Companies Code.

The Management Report and the Financial Statements were approved by the General Supervisory Board, certified by the statutory auditor Vitor Almeida e Associados, SROC, Lda, and audited by the external entity RCA - Rosa, Correia & Associados, SROC, S.A.

## **Inclusive Language**

Due to the length of the text, we have not used gender-inclusive language. The only reason for this decision is to make the report easy to read and it does not put at risk our conviction and our practice of combating all forms of sexist communication.



ANTÓNIO LARANJO  
Infraestruturas de Portugal, S.A.  
Chairman



## 2. CHAIRMAN'S STATEMENT

2018 was a challenging year, while always bearing in mind that our mission is fundamental for Sustainable and Secure Mobility, a very important factor for building a more decentralised and cohesive Portugal. In 2018, we faced problems together, overcame difficulties, found solutions and achieved results.

IP once again ends the year in this context, with a clearly positive economic result. The IP Group's consolidated net profit was EUR 85.7 million, with EBITDA reaching EUR 619 million. Core revenue, derived directly from the mobility services provided by IP, grew by 2.7% in 2018, amounting to EUR 1,087 million. This value is mainly due to the increase in the volume of traffic on the road network.

It should be noted that this positive economic result occurs in a context of an 8% increase in maintenance expenses for the road and rail network. This implements one of the objectives for 2018, but also for the following years, which involves increasing investment in maintenance in order to promote continuous improvement of service levels and traffic safety on the network under IP management.

The results achieved in 2018 are not only confined to the present or merely to positive economic results. The activities carried out in 2018 were very important for the consolidation of two factors, among others, that are decisive for the future of IP: investment in the modernisation and expansion of the road and rail network and investment in human resources.

## INVESTMENT IN THE MODERNISATION AND EXPANSION OF THE ROAD AND RAIL NETWORK

In the context of the modernisation and expansion of the network, the following very important investments are under our responsibility:

- The launch of maintenance works on the 25 de Abril Bridge, IP3, or the Mondego Mobility System, are only 3 examples where the fundamental purpose of guaranteeing Safe Mobility on all our infrastructure stands out;
- The dynamization of the economy, through the PVAE - Business Areas Enhancement Programme, a surgical investment with high added value that will complete key links to foster the competitiveness of our business sector;
- The Ferrovias 2020 Programme, with the modernisation of the rail network as its main objective, will provide better connections from our ports to Spain and to Europe, making passenger and freight transport more competitive.

We worked with the Government in the preparation of PNI 2030, the National Investment Programme for the next decade, which will replace PETI 3+.

## HUMAN RESOURCES

The development of our workers is a decisive aspect for the IP Group's growth and sustainability.

2018 was also a crucial year for the consolidation of this objective. We highlight the fundamental steps that were taken for the signing of the Collective Bargaining Agreement, already implemented in the first quarter of 2019, and which is a fundamental instrument for the harmonisation of schemes. That Agreement is based on a policy of valuing our employees which promotes equality and balance in the teams.

In 2018, the Company's staff renewal policy was also pursued, particularly in the areas of traffic, maintenance and engineering, with the admission of 11 new employees to the Group's staff. This is a relevant fact which should be emphasised, since this renewal of staff, which we intend to step up in the coming years, will ensure the passing on of knowledge between generations, thus maintaining within the Company a unique know-how of road and rail infrastructure management that it is essential to maintain.

We also want to conciliate. That is why IP has joined, as a "standard-bearer" company, the Conciliation Programme for professional, personal and family life, recently launched by the Government. It has also sought to encourage measures that facilitate the lives of employees, such as flexible scheduling, improving access to workplaces or measures to support parenting and education.

It is also a reference for Social Responsibility. Our participation in society is not confined to the management of infrastructure. We have an increasingly important role in the area of social responsibility, of which the involvement and participation of IP Group volunteers in various initiatives related to the tragic fires of 2017 is to be highlighted. Volunteers also participate in the Food Bank Against Hunger, or in the implementation of new editions of the Volunteering for Nature - LIFE LINES project, which aims to develop environmental protection measures in defence of biodiversity.

In summary, 2018 was, based on all the above, clearly positive. We shall maintain the same strategy in 2019, following up on ongoing projects, but always bearing in mind the obligation to be at the forefront of innovation in mobility, as a driving force to improve the services provided, creating new solutions and products that increase efficiency and leverage development.

A final word of thanks to all employees for their dedication and professionalism, as well as to the Shareholder, Supervisory Bodies and other Stakeholders for the collaboration and confidence shown.

Thank you all...

## 3. ABOUT US

Infraestruturas de Portugal, S.A. (IP) is a public company that results from the merger between Rede Ferroviária Nacional - REFER, E.P.E. (REFER) and EP - Estradas de Portugal, S.A. (EP). The merger entered into force on 1 June 2015, as provided for in Decree-Law 91/2015 of 29 May.

IP is responsible for the management of road infrastructures, in accordance with the General Concession Contract for the national road network concluded with the State. IP also provides the public service for the management of the infrastructure of the National Railway Network (RFN), under a system of delegated powers from the Portuguese State, through the implementation of a Programme Contract for the railway sector.

We are the largest Portuguese group in the management of transport infrastructure and aim to provide a safe, efficient and sustainable multimodal mobility service.

In this context, IP is a reference company at national and international level, which combines unique know-how, through the experience and skills of its staff, with a keen appetite for and openness to innovation, a decisive factor in the current context of continuous evolution of mobility services.



### 3.1 The IP Group

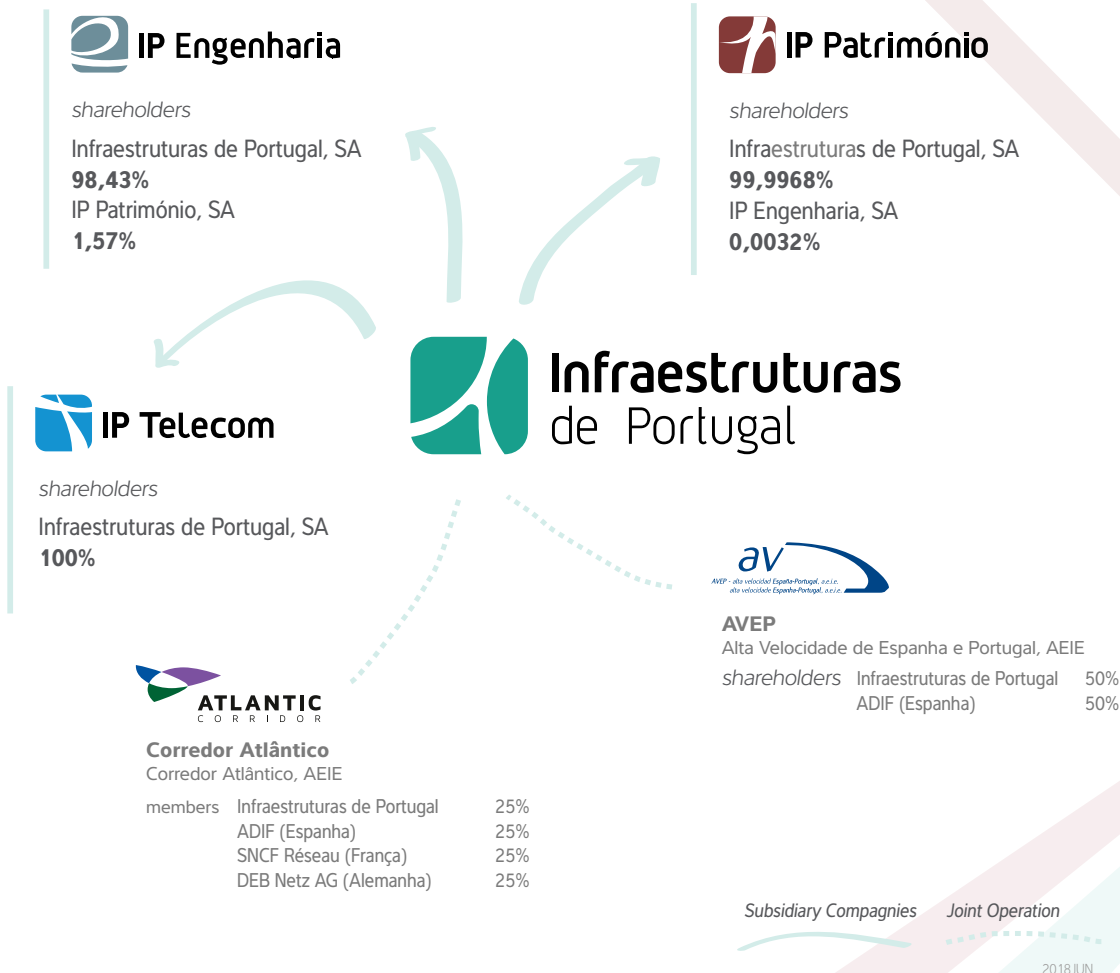
The **IP Group** incorporates the technical know-how necessary for good performance on road and rail infrastructure in the areas of design, construction, financing, maintenance, operation, redevelopment, extension and modernisation of the national road and rail networks, which includes, in relation to the latter, the command and control of traffic.

IP currently has a stake in the share capital of three companies: IP Engenharia, IP Património and IP Telecom. In 2018, GIL – Gare Intermodal de Lisboa merged with IP Património into a single company responsible for the entire business of commercial

operation of spaces associated with the road and rail infrastructure.

The subsidiaries aim to set up profit centres for the purpose of optimising the IP Group's non-core revenue, making the excess capacity of assets not used in the main activities profitable.

IP also holds a stake in the share capital of Atlantic Corridor and AVEP – Alta Velocidade Espanha/Portugal, entities formed with European companies similar to IP and whose objective is, respectively, to promote the competitiveness of rail freight transport and to conduct preliminary studies of the Porto-Vigo and Madrid-Lisbon-Porto corridors.





## 3.2 Mission, Vision and Values

### MISSION

The purpose of IP is to plan, design, construct, finance, maintain, operate, rehabilitate, extend and modernise the national road and railway networks, including the command and control of train movements in the railway domain.

### VISION

To position Infraestruturas de Portugal as a manager of multimodal mobility, enhancing asset management and ensuring the provision of a safe, efficient and sustainable service, with added value from the profitability of complementary assets.

### VALUES

Orientam a nossa forma de atuação.

#### ETHICS

Act with respect for ethical principles, namely transparency, good faith, and honesty

#### SAFETY

Act with respect for people's lives and their physical integrity, the attribute that most marks our service

#### SUSTAINABILITY

Act oriented towards economic, social and environmental sustainability



## 3.3 Our networks

### 3.3.1 Road Network

**The total length of the network operated by IP is currently 15,114 km, of which 14,110 km is directly managed and 1,004 km is under concessions.**

The classification of roads in the National Road Network is defined in the National Road Plan - Decree-Law No. 222/98 (with amendments), with the following hierarchy: IP (Motorways), IC (A Roads) and EN (B Roads).

- IP (Main Itinerary) 2 316 km
- IC (Complementary Itinerary) 1 909 km
- EN (National Road) 4 887 km

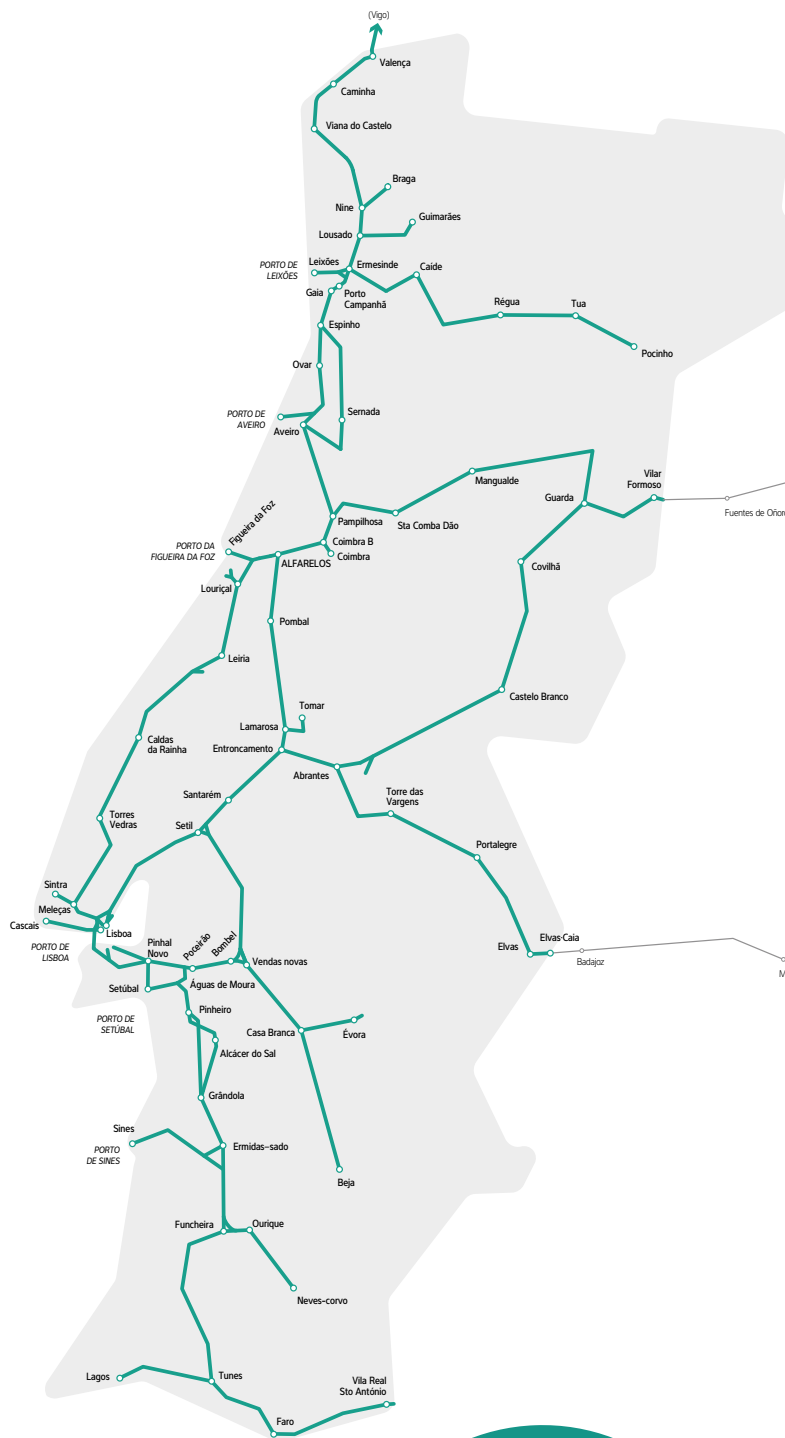
In addition, IP incorporates in its network 3,477 km of regional roads, 3,781 km of "unclassified" roads to be handed over and 1,368 km of "unclassified" roads with IP or IC functions (not transferred until the construction of the IP or IC).

In terms of network dynamics, the return to direct IP management of a total length of 455 km of roads previously under concessions was completed in 2018, due to the reduction in scope of the Pinhal Interior and Transmontana AE subconcessions.

No new roads were opened to traffic in 2018.

With regard to the changes in classification of roads not classified in the National Road Plan, 28 km were placed under the control of four municipalities in 2018.





### 3.3.2 Railway Network

The lines and branches of the national railway network (in operation and not in operation) have a total length of 3,621 km.

Seventy percent of the network is in operation, corresponding to 2,546 km, of which 1,935 km is single track and 611 km multitrack.

The length of the electrified network (1,639 km) corresponds to 64% of the total network in operation.

The Convel speed control system associated with electrical or electronic signalling systems is installed on about 67% of the network in operation (1,695 km). The Solo-Train Radio supplementary safety system is implemented on 59% of the network in operation (1,510 km).

The Solo-Train Radio is undergoing modernisation, evolving into a digital technology GSM-R (Global System for Mobile Communications – Railways), which results from the application of the European Interoperability Directives, and is implemented on 25 km of the network. There are 116 km of network in operation with GSM-P (the letter "P" signifies that the communications are made over the Public Network).

In 2018, there were 440 railway stations in operation, 407 exclusively for passenger service, 10 exclusively for freight service and 23 for combined services.



### 3.3.3 Trans-European Transport Network

**Part of the national road and rail network is integrated into the Trans-European Transport Network, which aims to strengthen the social, economic and territorial cohesion of the Union and to create an efficient and sustainable single European transport area.**

The European Union's objective with this network is to provide more user benefits and ensure inclusive growth focusing on modal integration, interoperability and the coordinated development of infrastructure, especially for cross-border sections and at bottlenecks.

It is composed of two levels: the global network, to be completed by the end of 2050, and the main network, integrated into the Atlantic Corridor, to be completed by the end of 2030 and comprising the strategically most important parts of the global network to achieve the development objectives of TEN-T.

Around 1800 km of the national rail network are part of the global network, of which 900 km are part of the main network. 800 km of the road network form part of the main network.



Global and Main Road Network

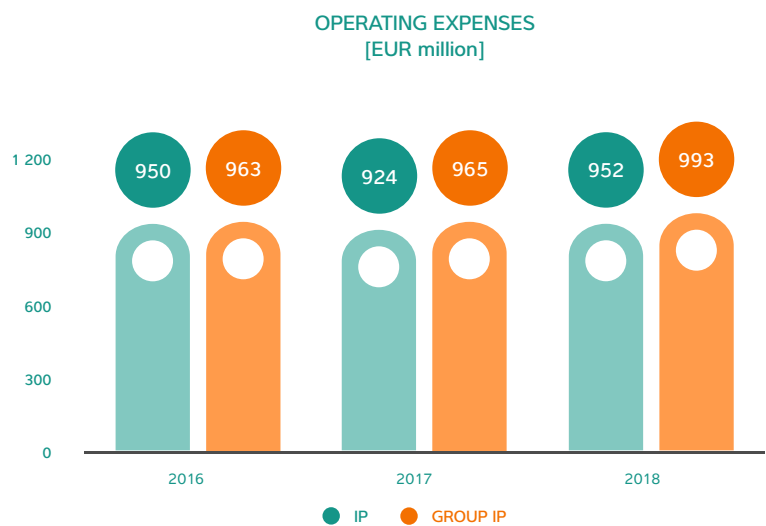
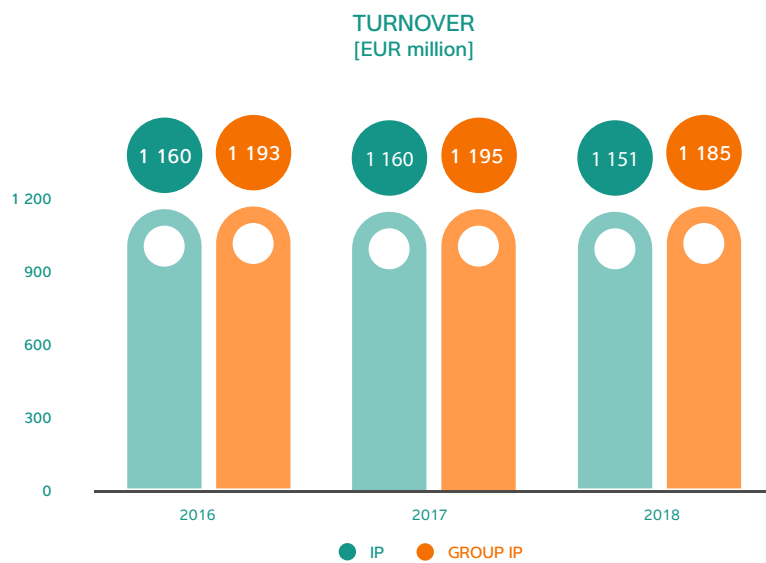


Global and Main Rail Network

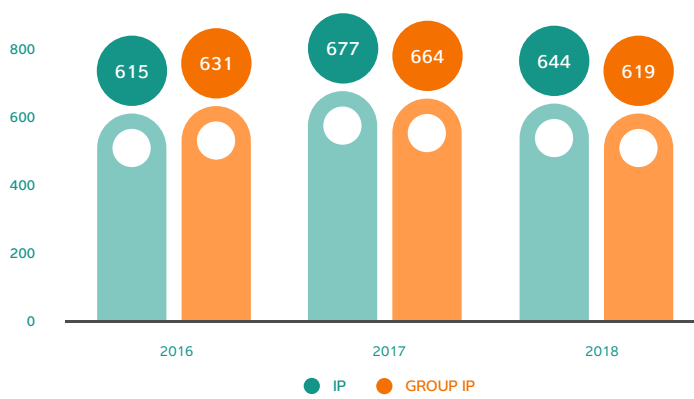
## 3.4 Main indicators

### 3.4.1 Financial Capital

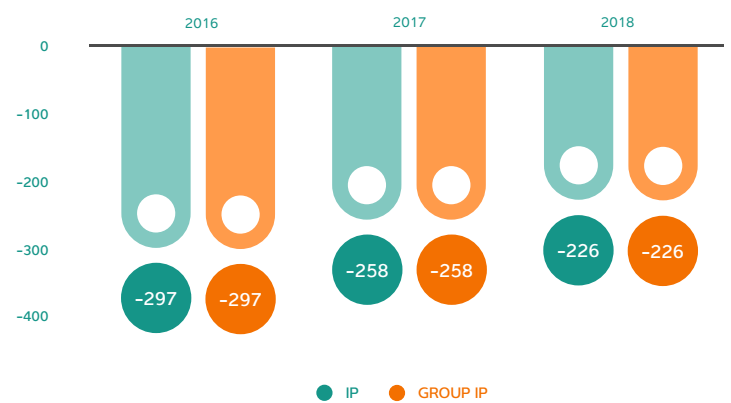
Net Profit of EUR 86 million. The decrease compared to 2017 is due to the increase in expenses for network maintenance and the increase in tax for the year.



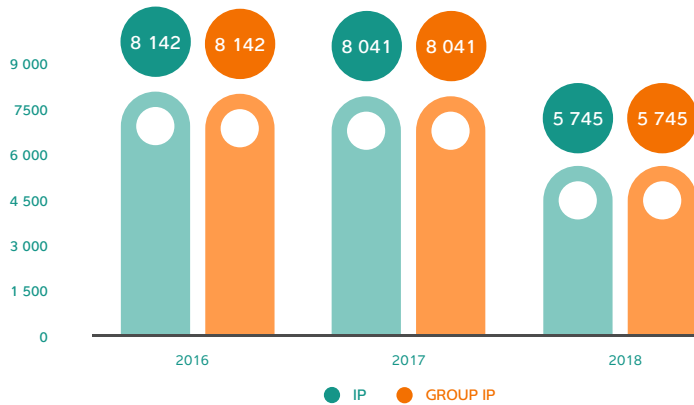
EBITDA  
[EUR million]



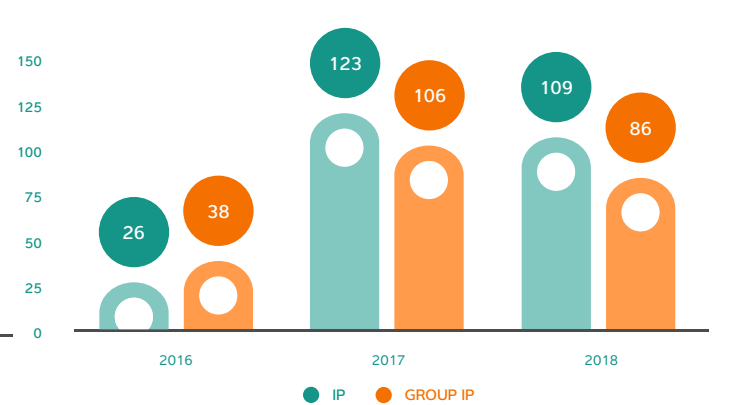
FINANCIAL RESULT  
[thousand EUR]



DEBT  
[EUR million]

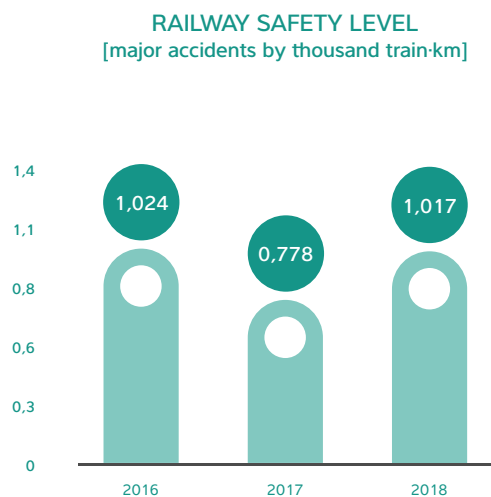
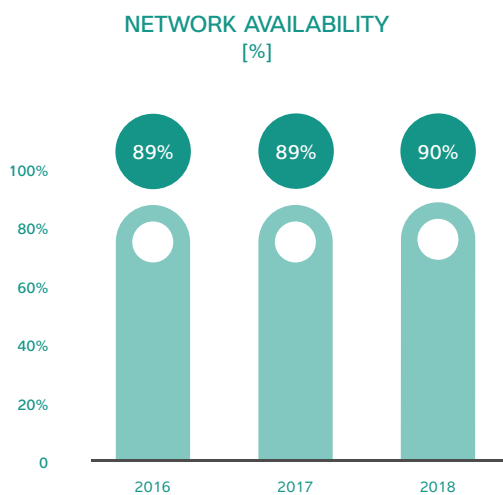
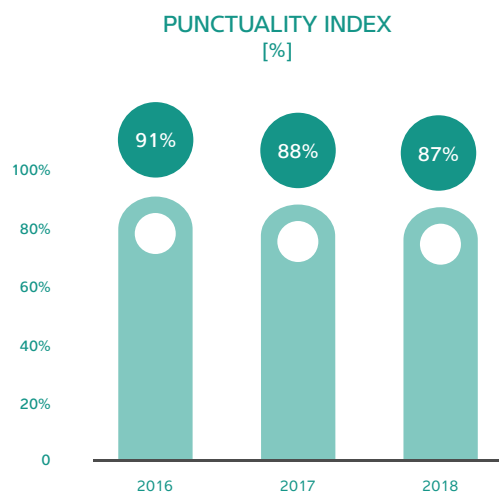
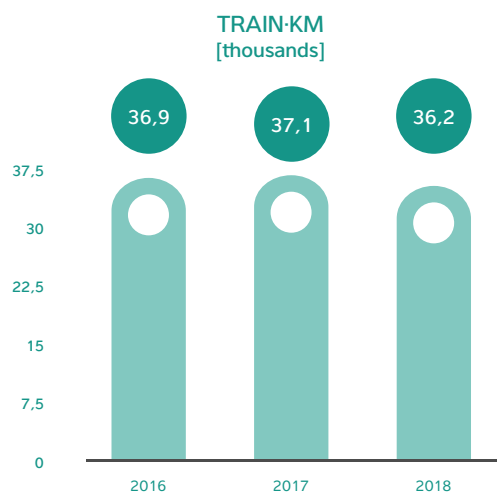


NET PROFIT  
[thousand EUR]



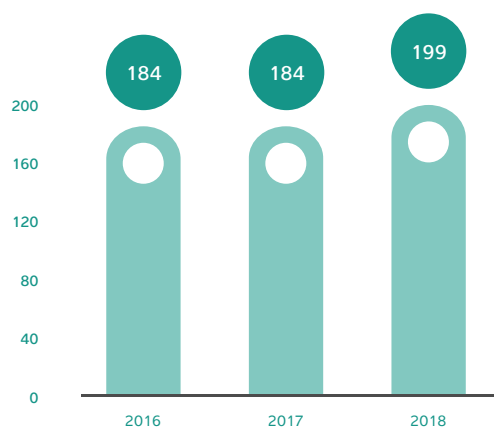
### 3.4.2 Operational

Despite the increase in rail network interventions in 2018 (maintenance and investment), operational indicators remain stable.

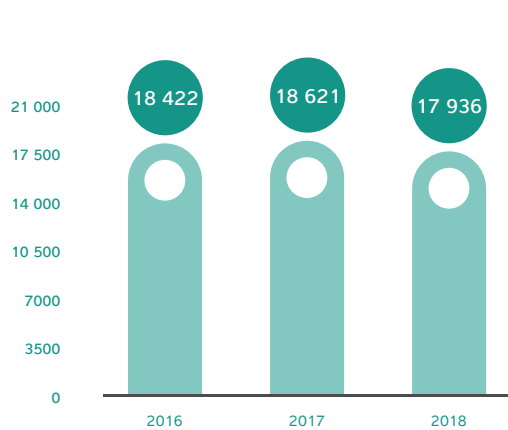


There has been a reversal in the downward trend in deaths in the road network, but an improvement in the severity in built-up areas.

DEATHS (ROAD)  
[No.]



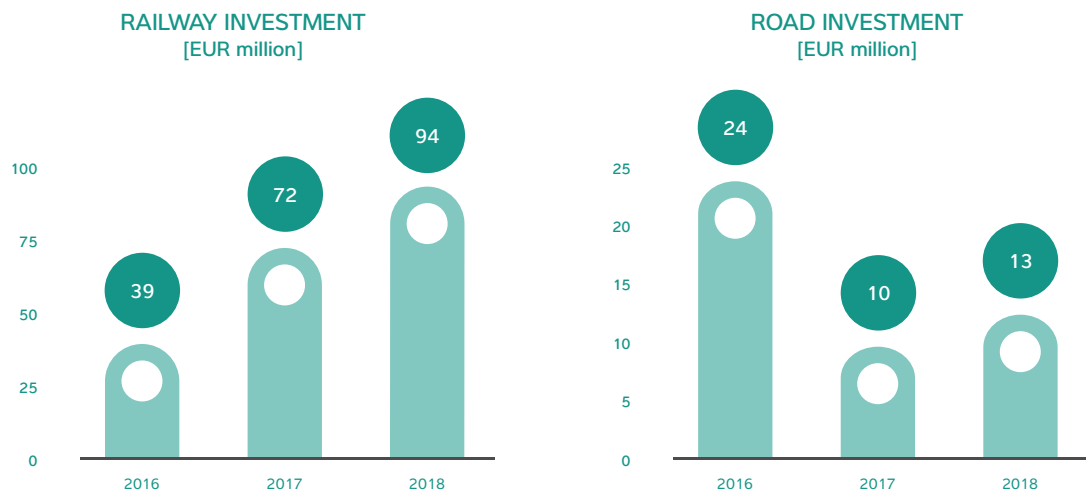
INDICATOR OF SEVERITY IN BUILT-UP AREAS  
[Index]





### 3.4.3 Investment

Railway investment increased by about 30% in 2018, driven by the 2020 Railway Programme.

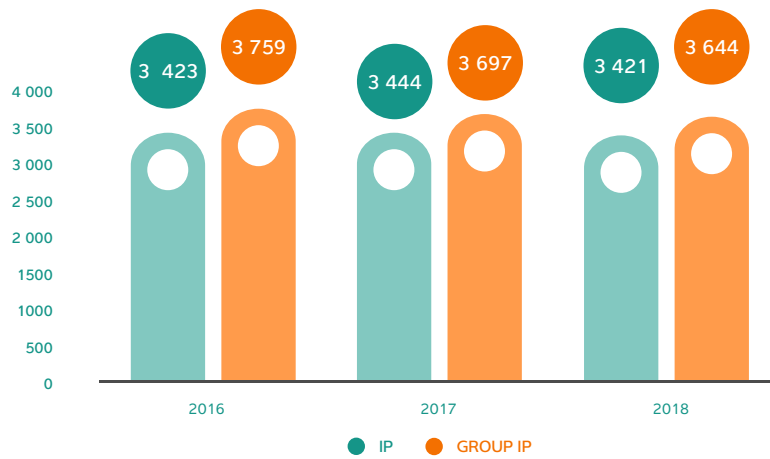


Investment in own network,  
excluding Road Partnerships.

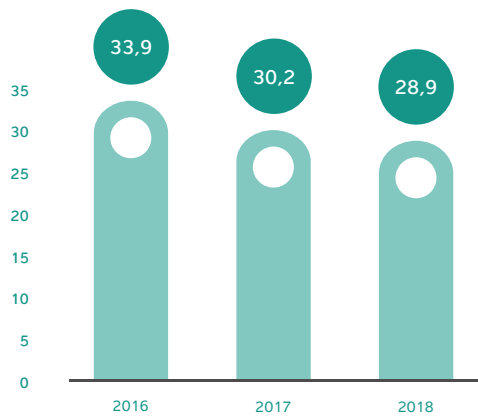
### 3.4.4 Human Resources

An increase in employee training hours in 2018 and a reduction in the Workplace Accidents Index.

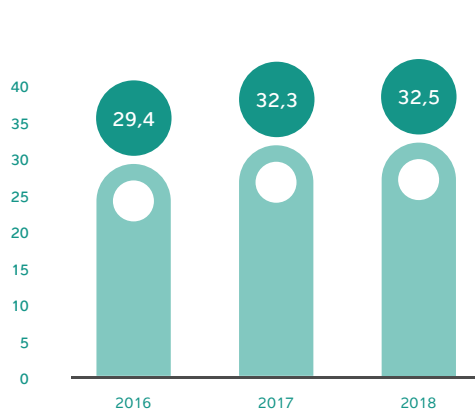
AVERAGE WORKFORCE  
[No.]



WORKPLACE ACCIDENTS INDEX  
[Index]

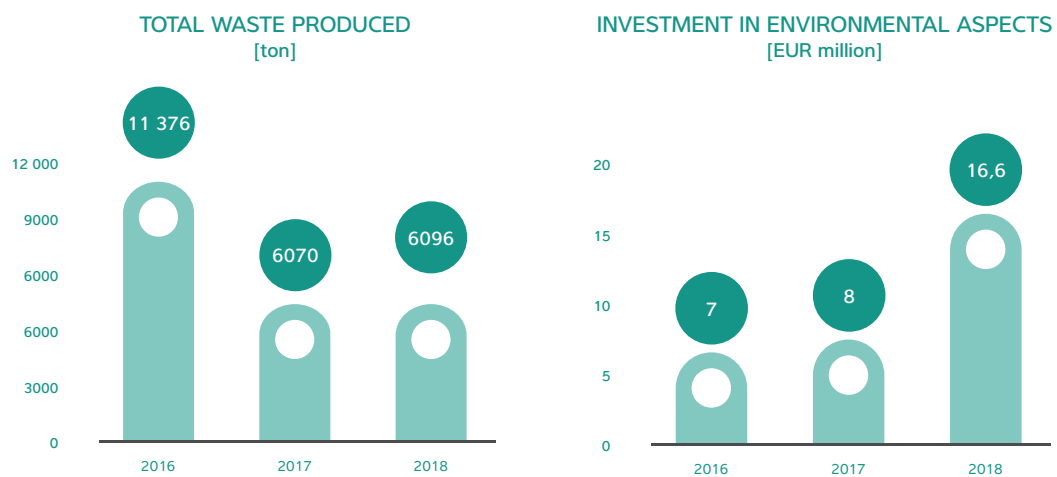


TRAINING HOURS  
[per Employee]



### 3.4.5 Natural Capital

In 2018, the IP Group achieved more than 107% in environmental investment.



## 3.5 Highlights of the Year

### MARCH

#### FERROVIA 2020 - SOUTH INTERNATIONAL CORRIDOR

**Launch of the Call for Tenders for the Construction of the Évora (North) - Elvas section and the Award of the Modernisation Contract for the Elvas-Caia section of the East Line**

To mark this historic moment, the European Commissioner for Transport, Violeta Bulc and the Prime Minister of Portugal unveil a commemorative plaque at Elvas Station.



#### FERROVIA 2020 - North International Corridor Award of the Modernisation Contract for the Beira Baixa Line - Covilhã/Guarda Section

The ceremony to mark the start of modernisation works took place at Covilhã Station and was attended by the Minister of Planning and Infrastructure, Pedro Marques, and the European Commissioner for Transport and Mobility, Violeta Bulc.



#### + PAI [FATHER] MEASURE

This is a measure signed under the Equality Plan and in the Agreement between IP and the iGen - Business Forum for Equality that aims to encourage sharing in the conjugal and parental relationship.

On 19 March, "Father's Day", IP published some good examples of the fathers who joined this action, symbolically considering them Fathers of the Year!



#### Earth Hour

On 24 March, IP was once again associated with Earth Hour 2018, sponsored by the NGO "World Wide Fund for Nature". We turned off the decorative lights on the 25 de Abril Bridge between 8.30 p.m. and 9.30 p.m., thus participating in the worldwide anti-global warming movement.





## APRIL

### Safety Drill on 25 de Abril Bridge

Infraestruturas de Portugal, in collaboration with the National Civil Protection Authority (ANPC), undertook an exercise aimed at testing the Integrated Emergency Plan of the 25 de Abril Bridge.

### Presentation of IP's annual results

In 2017, IP registered a net profit, standing at EUR 122.9 million, which represents a rise of EUR 96.9 million (+367%) compared to 2016.

## MAY

### Signing of the Contract to Build the "Mondim de Basto to EN210 Connection"

Infraestruturas de Portugal signed the contract for the construction of the Mondim de Basto to EN210 connection, with an investment of EUR 7.6 million. The ceremony was held in the Mondim de Basto municipal council building and attended by the Secretary of State for Infrastructures, Guilherme d'Oliveira Martins.

## JUNE

### FERROVIA 2020 - North-South Corridor Completion of the Modernisation of the North Line, Alfarelos- Pampilhosa Section

Infraestruturas de Portugal signed Works Contract A Alfarelos Station. The ceremony was attended by the Minister of Planning and Infrastructure, and aides, to mark the conclusion of the Modernisation Works Contracts for the North Line, Alfarelos-Pampilhosa section.

**Ceremony for the signing of the safety commitment between IP and the Municipality of Lagoa and Commemoration of the International Level Crossing Awareness Day.**

## JULY

### **Launch of the call for tenders for works between Penacova Node and the Rio Dão Bridge and for Duplication of the IP3 between Coimbra and Viseu**

The ceremony took place next to the Raiva node in Penacova of the IP 3, and was attended by the Prime Minister, António Costa.

### **FERROVIA 2020 – North International Corridor Launch of the Call for Tenders for Modernisation of the Beira Alta Line, in the Guarda-Cerdeira section and the Call for Tenders for Signalling on several Railway Lines**

The ceremony took place at Guarda Station and was attended by the Minister of Planning and Infrastructure, Pedro Marques

### **Completion of the EN4 Rehabilitation Work between Montijo and Pegões**

IP concluded the work to redevelop the section of the EN4 between EN118 in Montijo and the junction with EN10 in Pegões, with a length of 25.5 kilometres.

### **FERROVIA 2020 – Supplementary Corridor Award of the Douro Line Modernisation Contract for the Caíde-Marco section**

Marco de Canaveses Station hosted the presentation of the contract for the completion of the Electrification and Full Track Renovation (RIV) of the Douro Line section between Caíde and Marco de Canaveses.

### **FERROVIA 2020 – North-South Corridor Award of the Electrification and Modernisation Contract for the Minho Line, Viana do Castelo-Valença Section**

The ceremony was held at the Valença Station and was attended by the Minister of Planning and Infrastructure, Pedro Marques.



## SEPTEMBER

### **Award of the Redevelopment Contract for the IC1 - Alcácer do Sal – Grândola**

This investment of more than EUR 4.6 million aims to restore safe road conditions and encompasses two innovation and development partnerships.

### **IP at the European Mobility Week**

The 2018 European Mobility Week - an initiative of the European Commission - had the motto "Mix and Move!" to highlight the importance of multimodality.

IP took part in this week by internally promoting the demonstration of vehicles with "environmentally-friendly" technology.



## OCTOBER

### **Business Areas Enhancement Programme Launch of the Contract for the construction of the connection of the Escariz Business Park to the A32 motorway**

The launch of the contract for the construction of the new road link connecting the Escariz Business Park, from the EN326, to the A32 motorway at Pigeiros, took place at the Escariz Business Park in Arouca.

### **Business Areas Enhancement Programme Launch of the Contract to Connect the Formariz Business Park to the A3 motorway**

The ceremony to launch the call for tenders for this contract was held at Fly London headquarters, located in the Formariz Business Park, and it included a speech by the Prime Minister, António Costa.

### **Consolidated Report and Accounts - 1st Half of 2018**

The IP Group achieved a consolidated net profit at the end of the first half of this year of EUR 47.4 million, 2% higher than the same period of 2017.

## NOVEMBER

### **Business Areas Enhancement Programme Accessibility improvements of Felgueiras Industrial Zone to the A11 motorway**

The ceremony to launch the public call for tenders for the construction design of the new EN101 and ER207 bypass, in Felgueiras, was held at the head office of Bolflex, in the Cabeça de Porca Industrial Area.

### **Signing of the Contract for Completion of the A25 motorway Works**

The Contract for the construction of the final section of the A25 motorway, linking Vilar Formoso and the border crossing, was signed. The EUR 13.2 million investment, co-financed by the European Union, aims to improve the road link with Europe.

### **FERROVIA 2020 - North-South Corridor Conclusão da Obra de Eletrificação da Linha Minho, Troço Nine-Barcelos**

A viagem no comboio de teste com tração elétrica contou com a presença do Ministro do Planeamento e das Infraestruturas, Pedro Marques.

### **Blood and Bone Marrow Collection**

For more than a decade IP has been associated with the Portuguese Institute of Blood and Transplantation (IPST), in an initiative in which many employees take part, as indicated in the number of donations obtained.

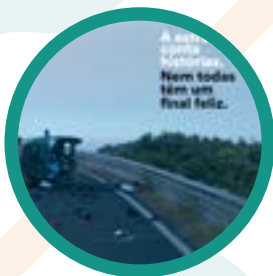
### **CONSTRUIR AWARDS 18**

The Pillar 7 experience garnered the Construir 18 Award in the category of "Engineering – Best Public Project"

The Construir Magazine Awards are aimed at honouring and celebrating the efforts and talent of companies and professionals of various Construction sectors.







### RDI Challenges Programme

The RDI (Research, Development and Innovation) Challenges Programme was initiated in 2018. It aims to find solutions to the IP Group's RDI needs that can be met through collaboration with the scientific, technology and business communities.

### Road Safety Campaign Advert

An advertisement was recorded for World Day of Remembrance for Road Traffic Victims, which was marked in November. This awareness campaign was promoted by FEVR (European Federation of Road Traffic Victims), ACA-M (Association of Citizen Drivers) and Estrada Viva (League of Associations for Road Citizenship, Safe and Sustainable Mobility). IP supported its implementation.

## DECEMBER

### Award of the 25 de Abril Bridge Conservation Contract

The signing of the Award of the Conservation Contract of 25 de Abril Bridge took place at the 25 de Abril Bridge Interpretation Centre - Pillar 7 Experience.

### Christmas Solidarity Campaign

This year, the proceeds from the Christmas Solidarity Campaign went to the Yellow Heart Association, which provides support to elderly people in situations of loneliness and/or dependency. The campaign collected a considerable volume of products.

# 4. OUR STRATEGY

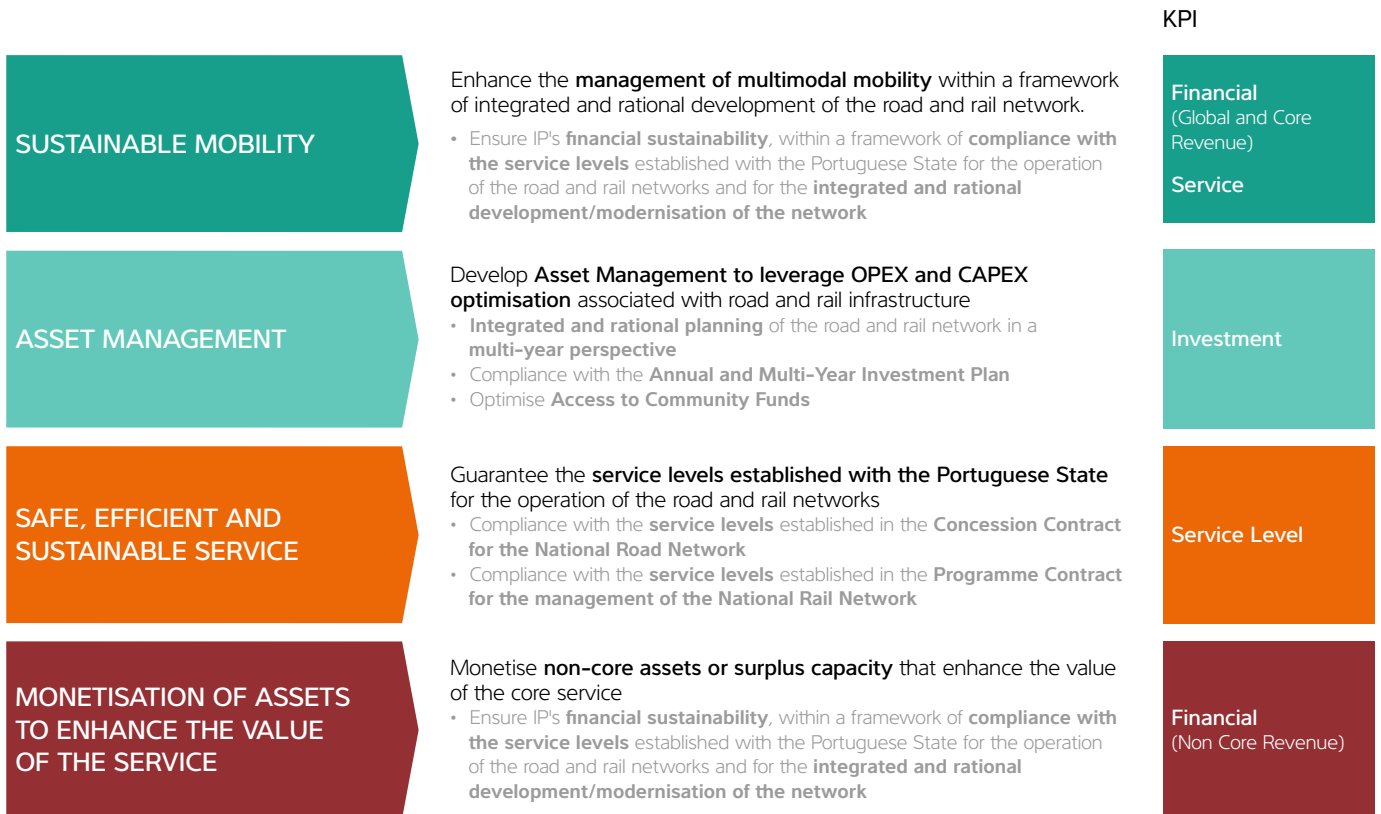
## 4.1 Strategic Objectives

The IP Group's Strategic Plan was developed based on the major objectives of the merger, which include the integrated development of the road and rail network, the increase in revenue (core and non-core), the capture of internal and external synergies, the articulation of the regional presence, always with a view to ensuring the sustainable management of national road and railway infrastructures.

Considering also:

- The analysis of internal and external contexts,
- The needs and expectations of stakeholders, and
- The macro trends of the Mobility and Transport System,

four major strategic objectives were defined for the IP Group's activities, which are intended to be converted into quantitative impacts:





## 4.2 Context Analysis

### 4.2.1 External Context

**The European Union's transport policy has strongly pursued the objective of recovering a market share for both passenger and freight rail transport through a broad programme of investments in railway infrastructure and policies to encourage the accounting separation of infrastructure from transport operations, seeking to open up the market and thus stimulate competition.**

The railway investment plan for infrastructure is fundamental for the promotion of a more modern and efficient network. The major focus in the road infrastructure remains the efficient maintenance and preservation of the existing network.

The analysis of the external context identifies a set of threats and opportunities which influence the design of the Activity and Budget Plans.

In the opportunities' column, the economic recovery stands out, reflected in the increase in road and rail traffic, albeit with a tendency to level off, and the increase of port traffic, the availability of community funds and the State Budget for investment, in particular in railways.

In the threats' column, we must point out, in the short term, the market's low responsiveness to the needs of the current investment programme and the inevitable budgetary constraints on a public company that contributes to the achievement of State goals. In the long term, but with effects already felt in the present, climate change raises risk and maintenance costs, with impacts on business continuity, and there is the global threat to infrastructure security introduced by the new forms of terrorism.

### 4.2.2 Internal Context

The IP Group continues to be a benchmark for differentiated technical skills - engineering, command and control of rail traffic, inspection, asset management, concession management, among others, using state-of-the-art technology in many of the activities undertaken.

A planning and control model, an important tool to support management and decision-making, is also perfectly developed and consolidated.

On the other hand, there is the recurrent existence of limited financial resources, which imposes even more demands on management.

The demographic question (an ageing workforce and low employee renewal) and the high dependence on external services in some activities, along with a limited supply in the national market, particularly on the railways, are also constraints to the development of the activity.

### 4.2.3 Macro Trends of the Mobility and Transport System

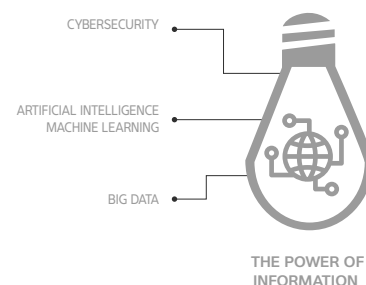
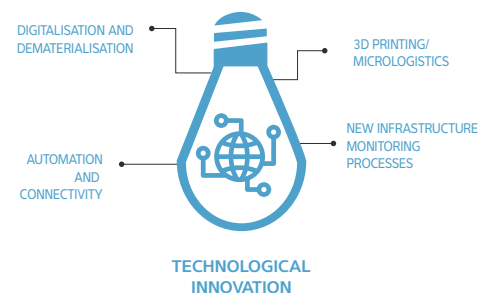
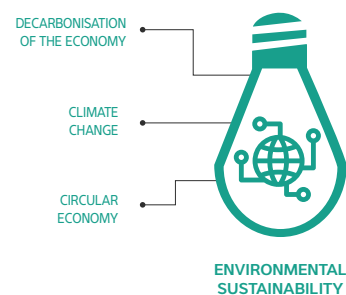
The 21st century will be fruitful in evolutions and revolutions, many of which will have profound consequences on the mobility system and transport infrastructure.

In the global context, it is imperative to achieve greater environmental sustainability which, together with decarbonisation of the economy, will lead to the definition of low carbon trajectories, especially in the mobility life cycle, with the progressive adoption of technologies and alternative, cleaner and renewable fuels. More sustainable and renewable energy production is also a major focus of the decarbonisation of the economy, where linear infrastructures can play an important role in energy generation.

Environmental and economic concerns also require the application of the circular economy to infrastructure, and climate change will force infrastructure to become more robust and resilient.

The trend is for infrastructure to cease to be mono-functional. It will find uses beyond its primary use for traffic. The automation of transport itself, construction methods and logistics operations, together with an increase in connectivity, will cause big changes in mobility and the logistics chain as we know them today. The existence of self-driving cars, connected in a network, may allow for safer mobility and centralised, more intelligent and efficient management.

Sensors on vehicles and infrastructure will allow everything to be monitored in real time. The management of this information on a large scale, coupled with the adoption of artificial intelligence and machine learning, will allow not only real-time mobility management but also more efficient and targeted management of infrastructure assets.

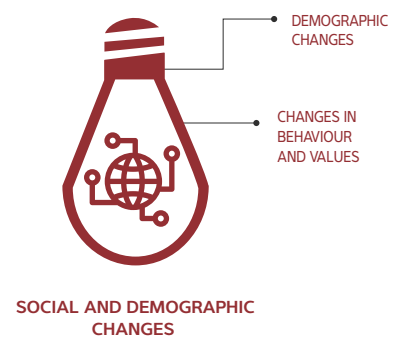
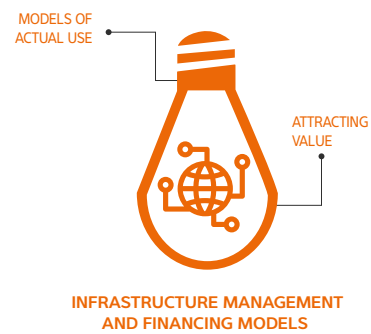


Another aspect that must be guaranteed at the infrastructural level is communications. It is essential that the entire transport and mobility network has network coverage and capacity to support telecommunications and data exchange.

Transport infrastructure management and financing models themselves have changed a lot throughout the world. Moreover, if infrastructure can be leveraged to be more than traffic channels, new business models can emerge which are capable of financing them.

All these trends will present major challenges, especially in terms of transport infrastructure. However, there is uncertainty associated with the timing, planning and implementation of these developments. Some evolutions are consensual, but the moment when they occur is not.

Our challenge is to incorporate this uncertainty when building future scenarios and to ensure that, regardless of the scenario, our infrastructures guarantee basic and fundamental aspects such as accessibility, reliability, safety and resilience.



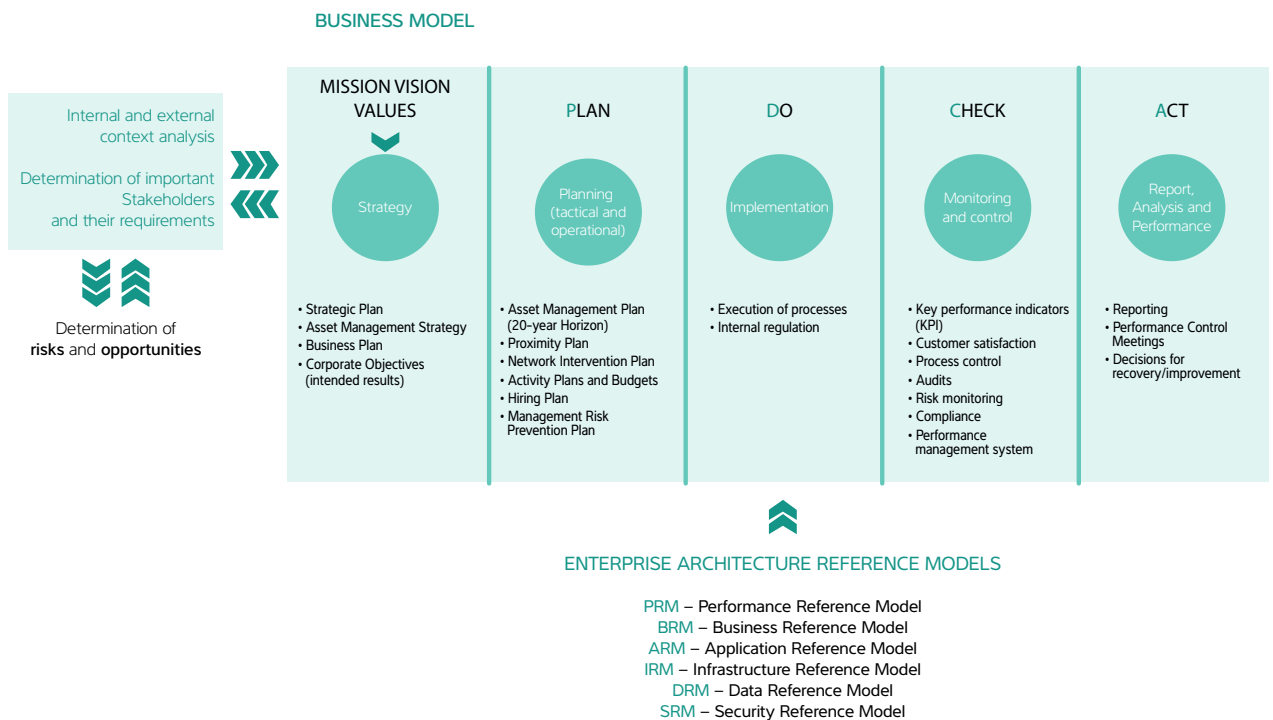
## 4.3 Business Model

The IP Group's business model is based on strict management of its assets, with a view to creating value for stakeholders. It is developed around the strategy and purpose of the organisation by identifying and analysing stakeholders and analysing the internal and external contexts.

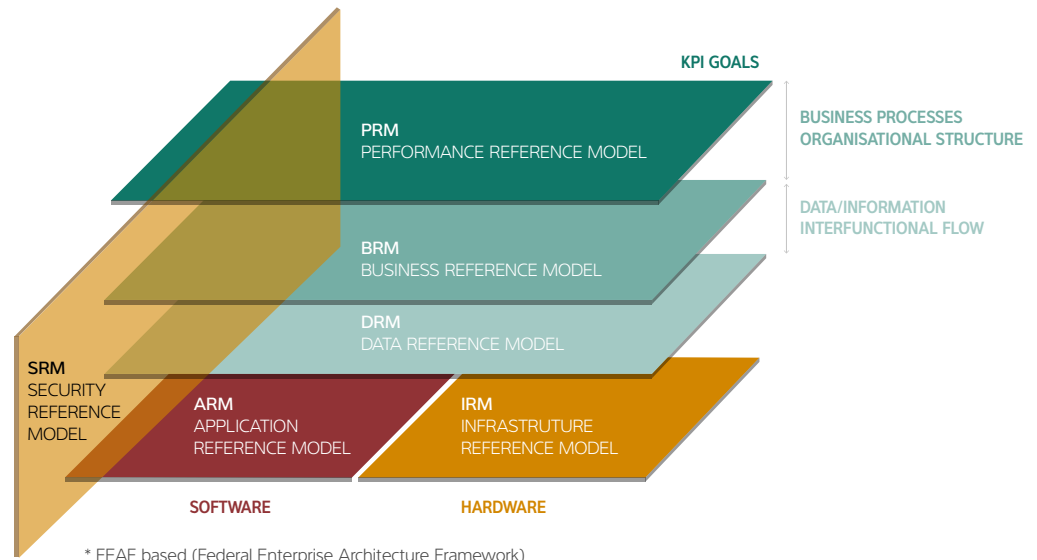
The model is based on the PDCA improvement cycle (Plan, Do, Check and Act) and an enterprise

architecture that integrates several reference models (PRM, BRM, DRM, ARM, IRM and SRM).

This management allows the identification of medium and long-term improvement actions supported by diverse planning mechanisms and a robust project management methodology that involves several areas of the IP Group's activity, with a permanent orientation to the customer/user of the road and rail infrastructure.



In support of the business model, the IP Group's enterprise architecture was defined based on 6 reference models which are interrelated with the various levels of the organisation.



## 4.4 IP Group Value Chain

**The value chain supports the implementation of the organisation's business model in the various phases of the PDCA improvement cycle.**

The achievement of the intended short, medium and long-term results is supported on the performance of the activities of all the organisation's processes, according to the Group's value chain:

- Macro business processes or IP core (IP business processes);
- Macro processes supporting IP and subsidiaries;
- Specific macro processes for subsidiaries.

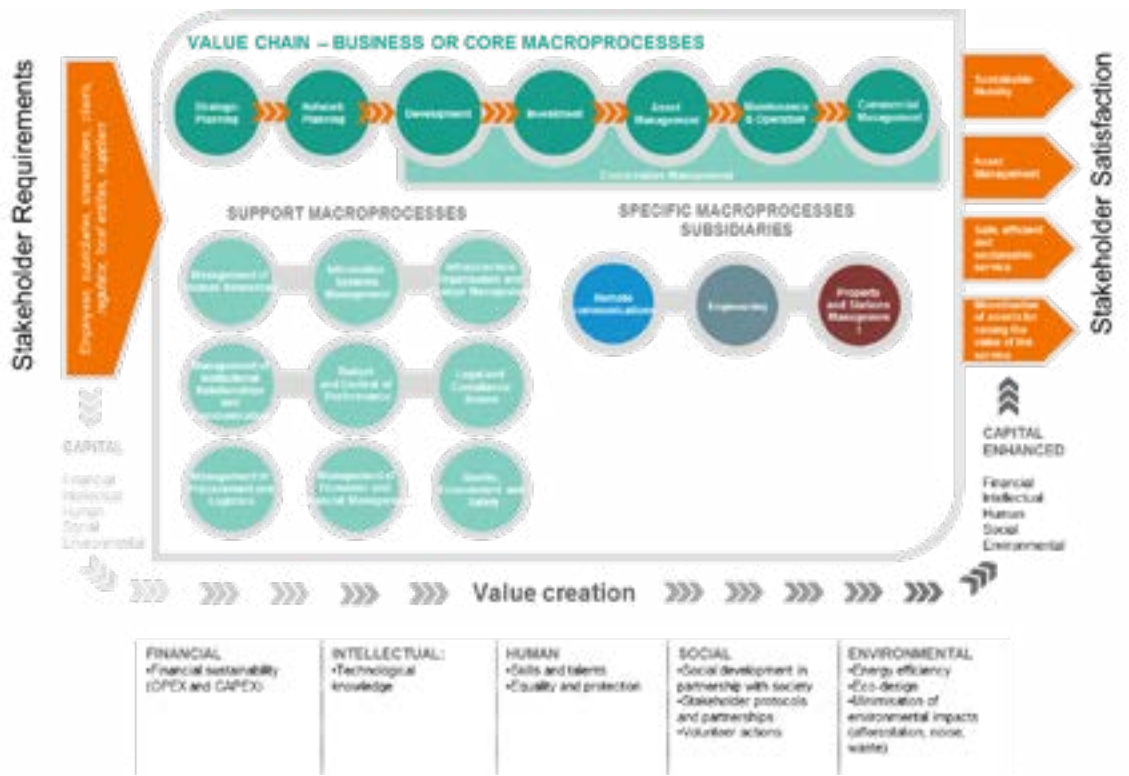
The value chain supports the implementation of the Organisation's business model in the various

phases of the PDCA improvement cycle and is based on:

- The requirements and expectations of stakeholders;
- The means or capital necessary for the transformation and creation of value for the market (financial, intellectual, human, social and environmental); and
- P's internal and external strategy guidelines.

In addition, IP has been consolidating an approach to improve process performance based on the BPM – Business Process Management principles, which has created an internal dynamic which enables the identification of critical activities and opportunities for improvement that lead to efficient performance in the "production" of the outputs and, consequently, of the results intended by the Organisation (outcomes).







## 4.5 Stakeholders

The IP Group's response to the requirements and expectations of stakeholders is ensured by the various processes in the value chain, as well as by the various communication and relationship mechanisms and channels available in the Organisation.

In the table below you can consult the information about the internal and external stakeholders and what they expect from IP in the context of its activity.

STAKEHOLDER GROUP	NETWORKS	STAKEHOLDERS	INTEREST WHAT DOES IT EXPECT FROM IP?	REFERENCE/RESPONSE DOCUMENTS	NATURE OF INTEREST
IP Group Employees		IP Group Employees	<ul style="list-style-type: none"> <li>• Recognition</li> <li>• Remuneration policy</li> <li>• Social benefits and career</li> <li>• Company facilities (nursery school, canteen, etc.),</li> <li>• Training</li> <li>• Harmonisation of HR practices (including no gender pay discrimination)</li> <li>• Working conditions.</li> </ul>	<ul style="list-style-type: none"> <li>• Individual performance management and assessment system – "Path to Excellence"</li> <li>• Training Plan</li> <li>• Company Agreement, Career Regulation.</li> </ul>	
Shareholder	Road	Portuguese State	<ul style="list-style-type: none"> <li>• Sustainable Mobility</li> <li>• Efficient Management (Quality vs Cost)</li> <li>• Good Reputation</li> <li>• Service</li> </ul>	• Concession Contract	Obligation
	Railway			• Programme Contract	
	Telecommunications			–	
Clients	Road	Private or collective users of the NRN (National Road Network)	<ul style="list-style-type: none"> <li>• Safety</li> <li>• Information</li> <li>• Accessibility</li> <li>• Network availability</li> <li>• Reduced costs</li> </ul>	–	Expectation
		Concessionaries	• Collaboration in the contractual relationship	• Contracts	Obligation
	Railway	Railway Operators	<ul style="list-style-type: none"> <li>• Fair Fares</li> <li>• Information</li> <li>• Availability/Punctuality/Reliability</li> <li>• Safety</li> <li>• Reduced costs</li> </ul>	<ul style="list-style-type: none"> <li>• Network Map</li> <li>• Network Access (Dec-Law 151/2014)</li> </ul>	Obligation
		Railway service customers			Expectation
	Telecomunicações	Users	<ul style="list-style-type: none"> <li>• Information</li> <li>• Availability/Reliability</li> <li>• Reduced costs</li> </ul>	• SLA	Expectation
Regulator	Road	IMT ANSR	• Compliance with the concession contract	<ul style="list-style-type: none"> <li>• NRN/PCQ Concession Agreement</li> <li>• PRN</li> </ul>	Obligation
	Railway	AMT IMT	<ul style="list-style-type: none"> <li>• Compliance with the programme contract</li> <li>• Compliance with Safety requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Programme Contract</li> <li>• Safety Authorisation (EU Regulation no. 1169/2010)</li> </ul>	Obligation
	Telecomunicações	ANACOM	<ul style="list-style-type: none"> <li>• Compliance with legal and regulatory requirements</li> <li>• Reporting correct and timely information</li> </ul>	<ul style="list-style-type: none"> <li>• Registration</li> <li>• Scope: GSM-R network and services; Public communications network.</li> </ul>	Obligation
Local Entities	Road	Municipal councils CCDR Neighbours	<ul style="list-style-type: none"> <li>• Equitable and transparent treatment.</li> <li>• Accessibility</li> <li>• Information</li> </ul>	<ul style="list-style-type: none"> <li>• Road Act (Law 34/2015)</li> <li>• Public Railway Domain (Law 276/2003)</li> <li>• Agreements</li> </ul>	Expectation/ Obligation
	Railway				
	Telecomunicações				
Suppliers	Road	Sub-concessionaires Companies: Design and Construction; Conservation and Maintenance; Consultants; Utilities Suppliers	<ul style="list-style-type: none"> <li>• Contractual compliance.</li> <li>• Equitable and transparent treatment (CCP compliance)</li> </ul>	• Contracts	Expectation/ Obligation
	Railway				
	Telecomunicações				

## 4.6 Risk Management

### 4.6.1 Risk Management Process

**Risk management is a cross-cutting activity which encompasses the organisation as a whole and, as such, constitutes an important management support tool which enables the identification and control of the risks to which IP Group companies are exposed<sup>1</sup>, especially those with potential to affect the full achievement of corporate objectives.**

Following the effective risk management and controls implemented, the IP Group's governance model incorporates the 3 "lines of defence" model into its organisational structure:

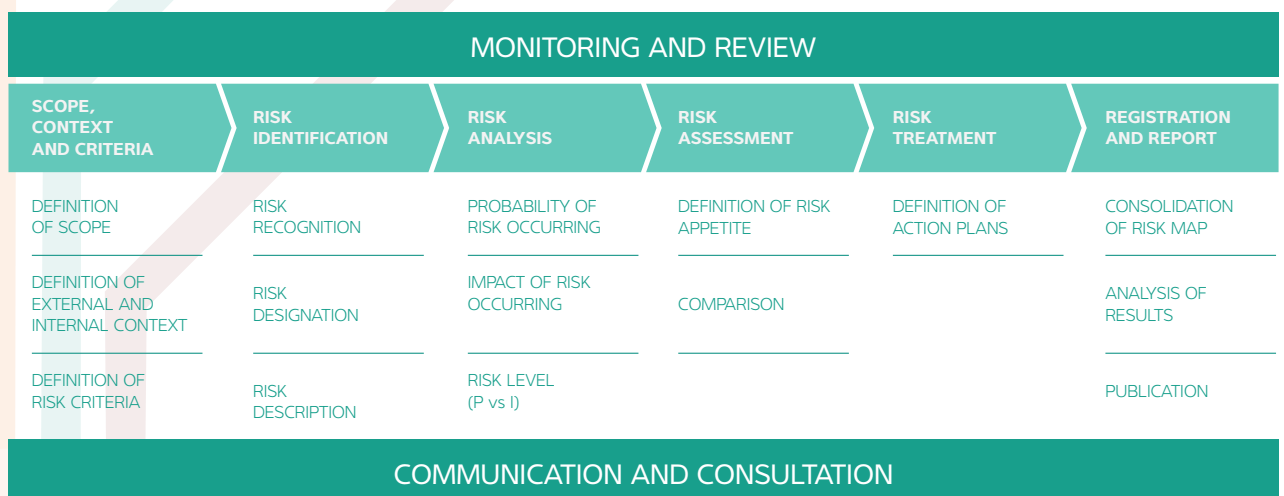
- Operational Managers (1st line of defence): responsible for the development and implementation of internal policies, controls and procedures which ensure that activities are in accordance with the defined goals and objectives;
- Risk Management, Compliance and Corporate Planning and Management Control (2nd line of defence): incorporates the risk management department, the Compliance department and a management control system;
- Internal Audit (3rd line of defence): The Internal Audit Department is responsible for ensuring the compliance, functioning and adequacy of risk management, control and governance processes.



<sup>1</sup> These include corruption, collusion, fraud and information leaks, as well as the respective and necessary preventive and mitigation controls

The risk management process implemented is based on an integrated and cross-cutting corporate strategy, defined in line with the Group's business objectives and based on NP ISO 31000:2018. The responsibilities attributed to its personnel are perfectly identified and described.

In addition to allocating the main responsibilities, the procedure defines the methodology to be applied and characterises the activities associated with the respective phases.



According to the methodology defined, IP periodically and methodically analyses relevant external and internal circumstances to carry out its mission, recognising and characterising what may have an impact on the achievement of strategic objectives, as well as on the Group's processes and main activities.

Analysis is carried out of the identified risks, in which the probability of the occurrence of the risk and its impact (criticality) is considered, applying the following criteria for this purpose:

- The probability of occurrence is analysed according to the following table:

RANKING		UNLIKELY	REMOTE	OCCASIONAL	LIKELY	VERY LIKELY
		1	2	3	4	5
Description	Qualitative	The occurrence of risk is practically impossible	The occurrence of risk is remote but conceivable	The risk may occasionally occur	The risk is likely to occur	It is almost certain that the risk will occur
	Probability ranges	0.00 * ≤ P < 0.05 (*no occurrence expected)	0.05 * ≤ P < 0.15 (*occurs once every 20 years on average)	0.15 * ≤ P < 0.35 (*occurs once every 7 years on average)	0.35 * ≤ P < 0.65 (*occurs once every 3 years on average)	0.65 * ≤ P < 1 (*occurs at least once every 1.5 years on average)

Table note: Probability ranges should only be taken into account if the history is known.

- The impact of each risk is analysed in four strands, as set out in the following table:

RANKING	THREATS					
	VERY LOW	LOW	AVERAGE	HIGH	VERY HIGH	
	1	2	3	4	5	
<b>Financial impact <sup>(1)</sup></b> (cost)	I ≤ 6000€	6000€ < I ≤ 30000€	30,000€ < I ≤ 150,000€	150,000€ < I ≤ 750,000€	I > 750,000€	
<b>Impact on human life</b>	No impact (no bodily injury)	Injuries without any disability	Injuries with temporary disability	Injuries with permanent disability	Death	
<b>Legal impact <sup>(1)</sup></b> (Fines/Penalties/Interest)	I ≤ 500€	500€ < I ≤ 2500€	2500€ < I ≤ 5000€	5000€ < I ≤ 20,000€	I > 20,000€	
<b>Reputational Impact <sup>(1) and (2)</sup></b>	<b>Qualitative</b>	No impact	Slightly affects IP's image	Significantly affects IP's image	Greatly affects IP's image	Bad reputation
	<b>Quantitative</b>	• No negative media coverage	• Negative regional media coverage of less than 10 days	• Negative regional media coverage for 10 or more days	• Negative national media coverage of less than 10 days	• Negative international media coverage • Negative national media coverage for 10 or more days

<sup>(1)</sup> The amounts indicated always refer to the sum of all the impacts that could potentially occur during a year.

Example concerning Legal Impact:

The occurrence of a risk is subject to a fine of 3,000 euros

If the risk is expected to occur 3 times in a 1-year period, the impact to be taken into account should be: 3 fines x 3,000.00 euros = 9,000.00 euros

Thus, the classification to be considered should be level 4 - HIGH, relative to the range € 5,000 < I ≤ € 20,000.

<sup>(2)</sup> The quantitative description of the level of media coverage should only be taken into account if the news history is known.

The final impact of the risk is determined on the basis of the classification assigned to each of the four impact strands. The joint application of the classification of probability and final impact determines the level of risk according to the following formula:

$$\text{Risk Level} = \text{Probability (P)} \times \text{Impact (I)}$$

The determination of the treatment to be applied is defined on a four-level scale, as shown in the following figure:

RISK LEVEL		RISK RESPONSE	
INTERVALS	SCALE		
[1; 4]	Low	Accept	No action is identified to change the likelihood or impact of the risk. The consequences of the risk are accepted, if it occurs, on the basis of an informed decision. <sup>(1)</sup>
[5; 9]	Moderate	Mitigate/Share	Mitigate - Actions are defined to reduce the probability of the risk, its impact or both.
[10; 16]	High		Share - Actions are taken to reduce the likelihood or impact of the risk by transferring or sharing the same or part of it with third party(ies).
[17; 25]	Very high	Avoid	The activities that give rise to the risk are eliminated (decision not to start or not to continue the activity that carries the risk)
Any interval	Any level of risk		

<sup>(1)</sup> Except in cases where the risk has an impact of level 5 on any of the four strands considered.

Following the risk assessment<sup>1</sup>, o Dono do Risco (gestão operacional) identifica e descreve a(s) proposta(s) de controlo(s) a implementar, incluindo a identificação dos responsáveis, custos e prazos previstos de implementação e o risco residual esperado após a implementação. Este processo de implementação

the Risk Owner (operational management) identifies and describes the control proposal(s) to be implemented, including the identification of those responsible, estimated implementation costs and deadlines and residual risk expected after implementation.

As a dynamic process, the IP Group's risk management model also envisages that, in the context

of continuous improvement, an annual review of all the activities of the risk management process is carried out. In other words, the entire context is rechecked, and the results of the identification, analysis and evaluation of the risks found remain up to date and adequate to the reality. Moreover, new risks are identified if justified.

In addition to the risk assessment activities and the determination of the respective controls, the IP Group's risk management model also includes mechanisms for monitoring, communication/disclosure and review of the process itself.

This proactive, integrated and structured corporate risk management approach has contributed to a better understanding of the company's business and to the dissemination of "risk-based thinking" within the organisation.

1 Each of the four risk level ranges corresponds to a response – accept, treat (mitigate and/or share) or avoid



## 4.6.2 2018 Results

The average level of risk increased slightly in 2018 due to the intensification of the Investment Plan and the need to strengthen the workforce in some specific operational areas.

In 2018, activities implemented since 2015 have continued and been reinforced:

- Update of the IP Group Global Risk Chart;
- Continuous monitoring of the implementation of the organisation's risk controls;
- Carrying out internal awareness raising actions;
- Preparation and dissemination of the IP Group's Report on the Implementation of the Risk Management Plan for Corruption and Related Offences (available for consultation on the website of Infraestruturas de Portugal, S.A)<sup>2</sup>.

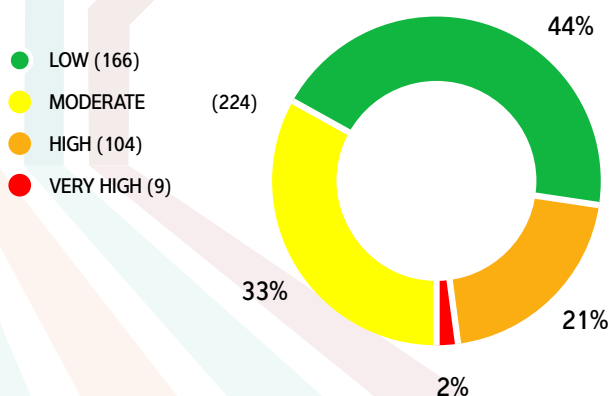
The reanalysis of the IP group's global risk chart took into account the relevant external and internal circumstances in the context of the IP activity with impact on the achievement of the strategic objectives, namely:

- The reorganisation of the Group in 2018, and consequent redeployment of tasks and objectives;
- The intensification of the execution phase of the works contracts of the "Ferrovia 20/20" Project;
- The continued need to strengthen human resources in specific areas.

As a result, the average level of risk increased in 2018 to 7.3 (7.2 in 2017), although the total number of risks identified on the IP Group chart decreased to 503 (534 in 2017) with the following distributions:

<sup>2</sup> <http://www.infraestruturasdeportugal.pt/sobre-nos/governo-societario/informacao-de-gestao>

RISK LEVEL DISTRIBUTION IN IP GROUP



IP GROUP RISK MATRIX

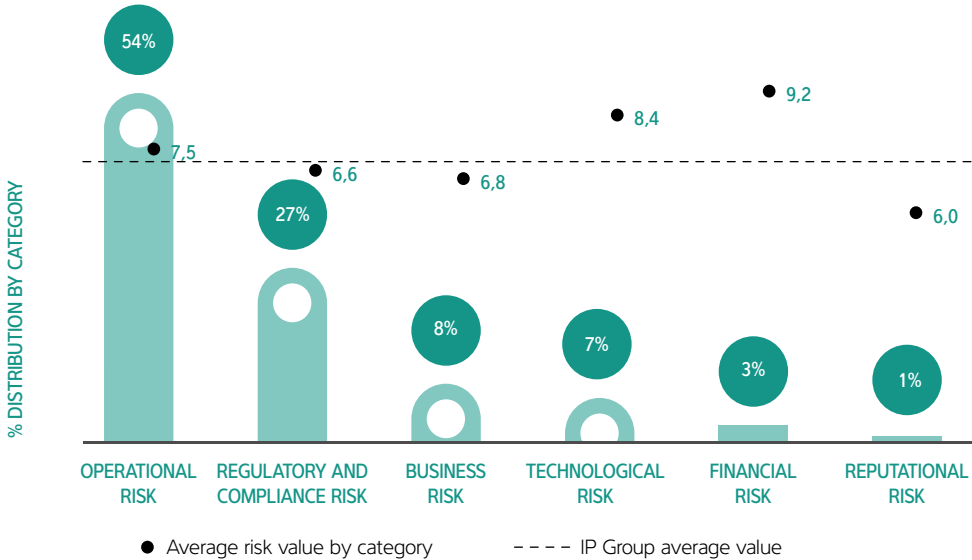
	1	2	3	4	5
5	10	35	17	8	1
4	13	72	36	6	
3	17	65	51	9	1
2	10	96	17	7	
1		15	12	3	2
	1	2	3	4	5

Regarding the risks directly related to corruption phenomena and related offences, and considering the group of 503 corporate risks faced by the IP Group, 44 risks were identified, which represent approximately 9% of the total risks mapped.

Risks are grouped into 6 relevant categories. The distribution of these in 2018 was as follows:

CATEGORIES OF RISK	DEFINITIONS	DISTRIBUTION BY CATEGORY
Financial Risk	Risks associated with liquidity, interest rate and credit	3%
Business Risk	Risks associated with planning, design, performance, monitoring and control, in the areas that contribute to the business of the Group Companies	8%
Operational Risk	Risks associated with internal processes, infrastructures, human resources and outsourcing	54%
Regulatory and Compliance Risk	Risks associated with laws, regulations, standards, contracts, codes of conduct, established practices or ethical principles	27%
Reputational Risk	Risks associated with the perception of the public image of the institution by shareholders, customers, suppliers, employees, press agencies, public opinion in general and other stakeholders	1%
Technological Risk	Risks associated with critical technology infrastructures, information security, system integrity and flexibility	7%

It should be noted that Operational Risks represent 54% of the total of the risks mapped and that the Financial, Technological and Operational risks present an average inherent risk higher than the IP Group average (7.3).



## 4.7 Innovation

**For the IP Group, innovation is a dynamic agent for the improvement of the services provided that creates new solutions and products which increase efficiency and generate new business.**

The conditions were created in 2018 to carry out studies and areas for coordination of innovation projects that contribute to the strategic thinking about the positioning of the IP Group in the mobility and transport sector.

In this way, the IP Innovation Plan continued to be invigorated and implemented, under which the company has already participated in 27 international RDI projects, 20 of which are in progress, co-financed by several European programs, such as the H2020 and CEF, among others, involving almost 100 employees from the IP Group.

In the last year, the company has completed three international innovation projects co-financed by the European Commission:

### *CAPACITY4RAIL*

Development of new concepts for the maintenance and creation of resilient railway infrastructure, as well as optimisation of operations and intermodal integration;

### *INFRAALERT*

Development of an expert-based information system, using machine learning, to support and automate the management of linear infrastructure (road and rail) assets, from inspection to maintenance;

### *OPTIMUM*

Development of a model for the application of dynamic toll rates to heavy goods vehicles, contributing to the optimised and more efficient use of road infrastructure.

In 2018 alone, IP made 43 new innovation applications to the SIFIDE (27), CEF (6), Portugal 2020 (3), Horizon 2020 (5) and INTERREG (2) funding programmes. In the same year, the Group saw 26 new innovation applications approved by the SIFIDE (19), H2020 (5), PT2020 (1) and INTERREG (1) funding programmes.

In the same year, the RDI Challenges Programme was started, which aims to find solutions to the IP Group's RDI needs that can be met by collaboration with the scientific, technological and business communities. These RDI needs may be those already felt by the IP Group in its activity, or they may consist of future challenges, given the evolution trends of mobility and society. In this context, the IP Group's 50 RDI Challenges portfolio was developed, which it intends to disseminate to the academic and scientific community in 2019.

This programme will support the establishment of protocols for collaboration with external communities for the implementation of RDI projects, both in the framework of research theses and in innovation partnerships which can benefit from available Community support and funds.





# 5. BUSINESS AREAS

## 5.1 Asset Management

**The management of the assets that comprise IP's rail and road networks is oriented to the optimisation of the life cycle of the assets and driven by sustainability criteria, aiming to provide an infrastructure with high levels of reliability, quality and safety.**

The asset management strategy focuses on the promotion of skills, tools or actions that systematically ensure compliance with this objective.

In order to implement this strategy, up-to-date information must always be available from two strands:

**Strand I:** the assets to be managed, the portfolio of assets and information regarding their status, condition or performance, as well as their significance to the organisation, i.e. the potential impact on its objectives;

**Strand II:** the expectations of stakeholders, external or internal to the organisation, shareholders or customers, informed by a sense of the value expected to be obtained from the assets themselves, both in terms of their profitability and their availability or reliability.

By combining these two strands, the best framework for good decisions and specifically investment decisions can be established.

### STRAND I

In this context, tools are developed to make it possible to know the impact of short-term economic decisions on the long-term cost-performance-risk aspects, through:

- a) Methodologies to gauge the condition status of the assets, the level of use they undergo and their position in the life cycle;
- b) Models of differentiated management according to the service level, or availability for operation, to which their performance should correspond;
- c) Identification of the effective intervention needs according to the service levels required and also the most appropriate interventions to carry out, the time in the asset's life cycle and the respective impact on its performance;

d) Identification of the risks associated with the decisions not to carry out the recommended interventions at the right time;

e) Planning, with a 20-year vision, analysing cost scenarios which assess the corresponding risk and performance, as well as the resulting renewal liability.

To this end, it is essential that all infrastructure inspection and diagnosis actions are carried out in accordance with the technical manuals and the best asset management practices, aiming to obtain knowledge in respect of the assets.

### INFRASTRUCTURE INSPECTION AND DIAGNOSIS

IP aims to provide adequate human resources, quantity and skills, as well as technologically advanced equipment, enabling the company to have a thorough knowledge of the state of the infrastructure and diagnostic capacity, while simultaneously seeking autonomy and capacity for action.

The set of information regarding the condition of infrastructure is compiled and analysed so that it can be quickly made available and reviewed in a planning context. The results obtained by the existing management systems at the company lead to preventive actions rather than reactive interventions, the latter being characterised by a greater risk, more disruption of the networks and larger investment requirements.

After compilation, the inspection information (technical and detailed) is processed and transformed into management and decision-support information, substantiated in the annual publication of the State of Infrastructure Report.

Planning of infrastructure interventions is enshrined in the Asset Management Plan, reviewed



annually, which is an instrument to promote the alignment between the business strategy and the needs of the assets and that intends to identify which interventions will be carried out, at what time and at what cost.

It presents an operational approach for the short-term horizon that focuses on the first years of the plan, identifying all the actions that must be carried out to ensure fulfilment of the organisation's objectives, framing the necessary resources and the current restrictions, prioritising multi-criteria analysis and assessing the cost, risk and performance associated with execution. In a strategic approach it presents management options for the long-term horizon of the consequences resulting from the implementation of the short-term plan, allowing the necessary financial resources in the future to be estimated.

The risk management strand very significantly integrates the management of the assets of IP, not only in the construction of the Asset Management Plan but also with particular relevance in the identification of mitigation actions and special monitoring to be developed.

## STRAND II

It incorporates the objectives and targets related to the condition of the infrastructure and its availability, contained in both the Road Concession Contract and the Programme Contract for the management of the rail network, both of which are entered into with the Portuguese State.

These objectives and targets are transposed directly into the management activity, through asset management objectives aligned with the IP Group's Asset Management Policy and strategic guidelines.

## ASSET MANAGEMENT SYSTEM

### **IP is one of the first companies in the country to receive the 55001 - Asset Management certification**

The year 2018 concludes a development cycle in which IP has consolidated its Asset Management System, which is used to direct, coordinate and control asset management activities, to provide more efficient risk control and to ensure that the objectives are achieved on a consistent basis.

At the end of 2018, IP was audited according to the NP ISO 55001:2016 standard framework and was awarded certification.

The asset management system is constantly evolving to maintain consistency with its context, organisational objectives and the asset portfolio. Compliance with the ISO 55001 requirements is a demonstration of IP's discipline in terms of asset management practices and is intended to imbue the organisational culture with a spirit of continuous improvement and a focus on excellence.



KEY AREA	ASSET MANAGEMENT OBJECTIVES (AMO)	IP STRATEGIC GUIDELINES
+ Quality	<b>1.1 To make the RFN available to the users, guaranteeing conditions of equality, reliability and safety of the operation</b> according to the terms of the programme contract entered into with the State.	Safe, efficient and sustainable service
	<b>1.2 To make the NRN available in a good state of operation, maintenance and safety to users</b> , in accordance with the concession agreements entered into with the State.	Safe, efficient and sustainable service
+ Value	<b>2.1 Optimise the life-cycle cost of assets</b> , promoting the balance between OPEX and CAPEX investments, through the development of infrastructure investment plans, supported by the three-pronged evaluation of cost, risk and performance.	Asset Management Sustainable Mobility
	<b>2.2 Ensure that decision-making processes are clear and transparent</b> , supported by knowledge of assets and aligned with the expectations of the various stakeholders.	Asset Management Sustainable Mobility
+ Compliance	<b>3.1 Manage infrastructures in order to prioritise safety</b> for users, operators and personnel working for IP.	Safe, efficient and sustainable service
	<b>3.2 Manage infrastructure with thoroughness and transparency</b> , in compliance with legal and regulatory requirements.	Safe, efficient and sustainable service
+ Competence	<b>4.1 Promote the development of an asset management model</b> , through tools and systems to support the company's information management, and in line with best asset management practices.	Asset Management
	<b>4.2 Promote the development of the asset management system</b> as a language that is transversal to the diverse areas of IP, aligned with the ISO 55001 and ISO 9001 Standards, and with a view to continuous improvement.	Asset Management

## 5.2 Network Maintenance

### 5.2.1 Railway Network

**Safety, availability, reliability and sustainability are the basic pillars of the activity to maintain the railway infrastructure.**

IP has human resources and technologically advanced equipment, which afford it a thorough knowledge of the state of the infrastructure, allow it to prioritise its investments and support the diverse maintenance and renovation actions imposed on the 2,546 km network which it operates and manages.

Based on the experience gained in diverse technical areas: **Track and Geotechnics; Catenary and Traction Energy; Signalling; Low Voltage; Civil Construction and Bridges and Tunnels**, IP carries out the maintenance and renovation of the railway infrastructure following the best international practices and the fulfilment of demanding requirements and safety standards.

Railway maintenance carries out the diverse activities in a continuous cycle from inspection to execution, taking into account the characteristics of the infrastructure, the type of operation and the service objectives of each line.

IP, with exclusive and unique know-how, maintains inspection and supervision functions in-house, with execution activities generally carried out externally.

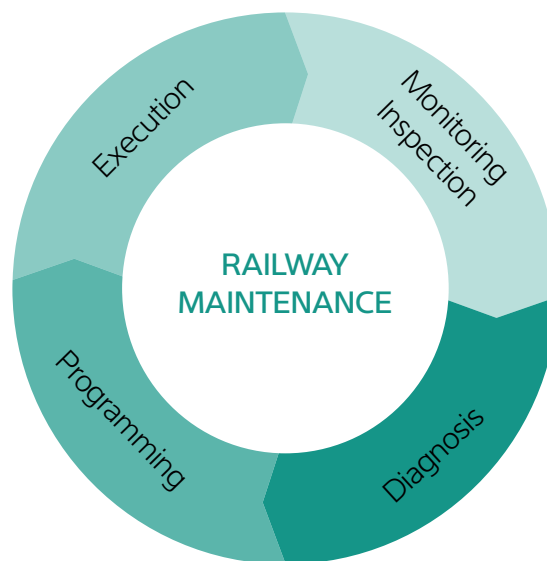
The maintenance and renovation of the railway are supported by two management tools:

**Maintenance investments**, guaranteed by IP's operating budget through multi-year contracts in the various disciplines, comprising three components:

- Systematic Preventive Maintenance (SPM), performed according to a previously defined roadmap;
- Conditioned Preventive Maintenance (CPM), performed upon express request of IP, as a result of the inspection and diagnosis of the infrastructure;
- Corrective Maintenance (CM), for the repair of anomalies.

In 2018, the amount spent on these interventions stood at EUR 69.7 million, representing an increase of 24% on the previous year.

**Investments in Long-Duration Infrastructure** in the renovation component, which in 2018 stood at EUR 22.0 million (excluding the Ferrovie 2020 Investment Programme), which represents an increase of 37% on the previous year.



## 5.2.2 Road Network

### Network Supervision

IP carries out the Network Supervision activity, which translates into the operational need to periodically patrol the roads, due to the stratification of the network, evaluated by criteria such as Average Daily Traffic (ADT), commercial activity (Licences), existing resources and network service levels compliance requirements.

The Operation results in patrols of the network by the Mobile Inspection and Support Units (UMIA), which have travelled throughout the 18 districts of

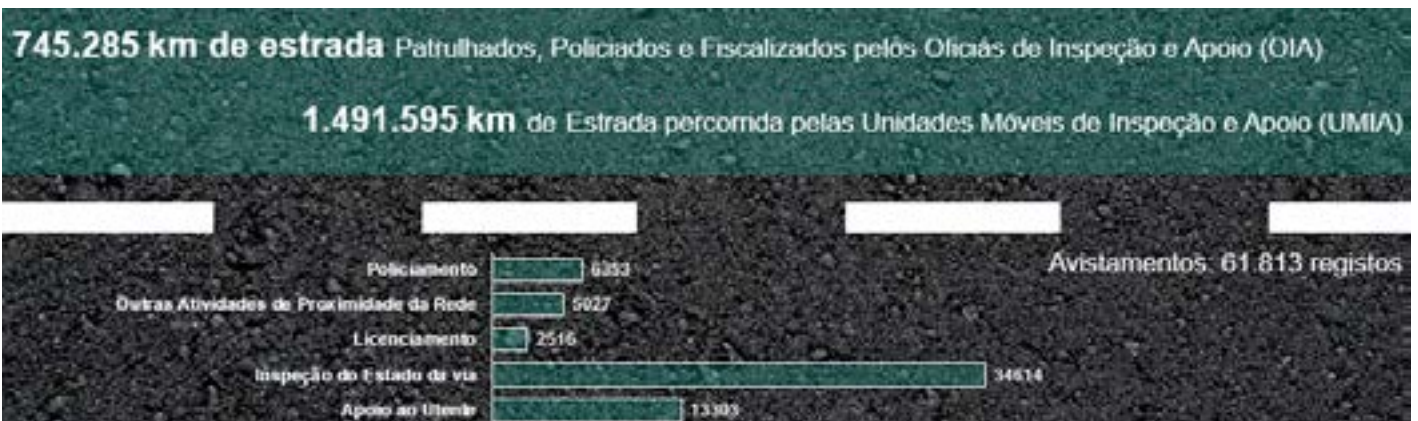
the country, about 1,500,000 km of road, corresponding to more than 746,000 km of supervised network.

The main function of the UMIA is to systematically and continuously monitor the roads by collecting and recording information on faults or notable happenings arising from unexpected events that do not result from the normal wear and tear of the road and its components.

In summary, the activity in 2018 resulted in:

### CURRENT MAINTENANCE

Current Conservation Management is a systematic



process of inspection and intervention, preventive and reactive, in order to ensure the maintenance, repair and replacement, in appropriate conditions of functionality, of all components of the road.

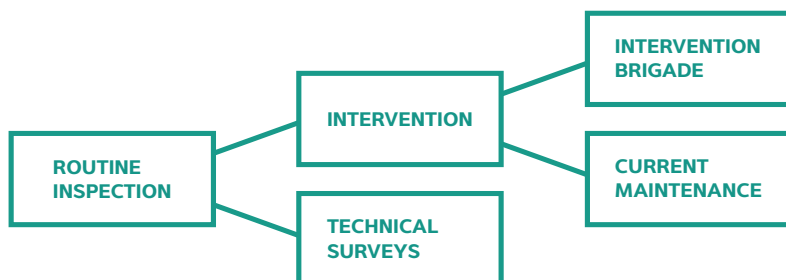
The operational activity is anchored in current maintenance contracts of a multi-year nature, and its intervention is complemented by the Intervention Brigades.

• **Current Maintenance Contracts**

The management of current maintenance contracts comprises a series of phases that culminate in intervention on the road network. Each job carried out goes through the identification of needs, technical validation, prioritisation, planning and finally the Order of Execution, under the current maintenance contracts or, alternatively, by the Intervention Brigades.

• **Intervention Brigades**

The intervention brigades carry out activities based on a sporadic activity model, in "Emergency", "Preventive or Corrective" and "non-core" situations, which do fit into the current and systematic preventive maintenance framework.



**Urgent Interventions**



- Cleaning of drainage systems
- Signage of damaged safety rails
- Road cleaning after adverse weather conditions
- Cleaning oil on surface
- Snow cleaning and ice removal
- Removal of obstacles
- Route clearing
- Filling in holes
- Replacement of vertical signalling and placement of temporary danger signalling

**Preventive or Corrective Interventions**



- Advertising removal
- Pavement cleaning
- Maintenance and cleaning of drainage elements and water lines in the zone of the road
- Maintenance of vertical signalling
- Cutting plant cover, deforestation and sporadic vegetation control
- Preventive treatment of snow and ice

**Interventions non-core**



- Repair and assembly of signals
- Stockage of materials
- Support for Routine Inspections
- Cleaning leftover plots
- Support to the DAMB for noise monitoring at night
- Support for pilgrims
- Support for interventions in the Technical Channel
- Maintenance work on machinery and other company facilities
- Support in signalling large-scale jobs (IP or third parties)



### Winter Activities

Winter Activities constitute an important component of road safety interventions in the winter.

Due to the country's orography and climatic conditions, these are mainly focused on the districts of Bragança, Coimbra, Guarda, Castelo Branco, Viana do Castelo, Vila Real and Viseu, and may also occur in Aveiro, Braga and Porto.

### Serra da Estrela Snow Clearing Centre

The Serra da Estrela Snow Clearing Centre (CLN) was created in 1971, located at an altitude of 1650 m, along the EN339 road in Piornos. It is an operational post where resources are available to maintain the traffic and safety conditions of the national road network of the Guarda and Castelo Branco districts in a network totalling about 290 km, of which about 128 km is located on the central massif of the Serra da Estrela mountains.

The Piornos facility is the main centre of operations where currently the equipment and human resources are located, which operate mainly in the central part of Serra da Estrela.

## REGULAR MAINTENANCE

Regular Maintenance consists of the execution of interventions of high technical complexity, undertaken according to a prioritisation based on technical criteria, emanating from Management Systems, and taking into account economic rationale and the optimisation of human, operational and opportunity resources. It aims to renovate road components without exceeding their initial characteristics, restore a satisfactory level of service and extend the useful life of an existing structure.

Regular maintenance is organised into a series of roadside intervention programmes, including pavements, geotechnical aspects, engineering structures and road safety.

### IPV 2018 Programme - Preventive Interventions on Road Surfaces

The IPV 2018 programme began in January of that year, aiming to improve the conditions for road traffic on the national road network. It involved the execution of 27 works, with a total investment of around **EUR 14.5 million**.

IPV 2018 was conceived on the basis of a technical evaluation and consists of lighter preventive interventions at the first signs of degradation with the objective of improving performance and prolonging the life of the road surface by postponing until the medium term the execution of a more burdensome Regular Maintenance action.

**The total of the 27 contracts covered a network of 231 km, throughout Portugal.**



## PIR Main Works

EN224, km 58+800 and km 62+700. Improvement. IPV2018



Deadline: 60 days  
Contract Price: EUR 640,000.01  
Contractor: Construções Carlos Pinho, Lda.  
Award: 01-10-2018  
Conclusion: 30-11-2018

EN241, 1. LD. STM/CTB (km 7+800) and EN224 (km 21+300). Improvement. IPV2018

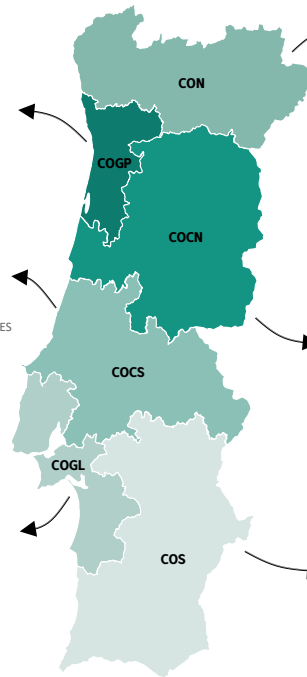


Deadline: 90 days  
Contract Price: EUR 696,770.61  
Contractor: CONSTRUÇÕES J.J.R. & FILHOS, S.A.  
Award: 25-09-2018  
Conclusion: 24-12-2018

EN117, Pendão (km 7+930)/Belas (km 9+450). Road Renovation



Deadline: 360 days  
Contract Price: EUR 1,673,919.36  
Contractor: Conduril, Engenharia, S.A.  
Award: 10-04-2017  
Conclusion: 28-06-2018



IEN2, km 69+500 to km 77+000, Renovation and Strengthening of Embankment Support Walls



Deadline: 180 days  
Contract Price: EUR 549,972.18  
Contractor: SOCORPENA, Engineering and Construction, S.A.  
Award: 29-06-2018  
Conclusion: 26-12-2018

IC6 (EN17), Nô de Tábua (km 64+800) and EN230 Venda de Galizes (km 71+410) and IC7 (EN17) Venda de Galizes (km 71+410) LD CBR/GRD



Deadline: 270 days  
Contract Price: EUR 2,196,131.20  
Contractor: Construções Carlos Pinho, Lda.  
Award: 02-05-2017  
Conclusion: 31-07-2018

ER2, km 603+000 and km 609+000. Improvement. IPV2018



Deadline: 90 days  
Contract Price: EUR 692,769.14  
Contractor: CONSTRUÇÕES PRAGROSA S.A.  
Award: 01-10-2018  
Conclusion: 30-12-2018

### 5.2.3 25 de Abril Bridge

As part of the management of the 25 de Abril Bridge, regulated by a specific law, IP develops its activity in close coordination with LUSOPONTE, which has management competences related specifically to the road.

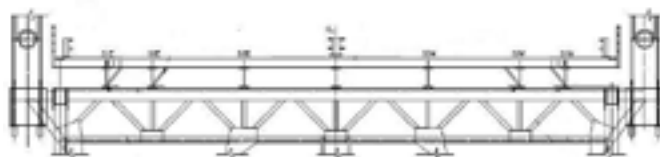
A series of actions are regularly carried out in terms of inspection, studies and maintenance, conservation and improvement of the bridge, as well as in the area of operational safety, using an integrated management logic.

For matters relating to operational safety, the work carried out by the 25 de Abril Bridge Safety Board

is particularly important. This Board is presided over by IP and includes, in addition to the aforementioned entities, Instituto da Mobilidade e dos Transportes (IMT), security forces through the Security Coordinating Office (GCS), and emergency services, represented by the National Civil Protection Authority (ANPC).

In 2018, the conservation contract for the 25 de Abril bridge begins, with a duration of two years and a planned investment of EUR 12.6 million.

In this intervention, repairs will be carried out on the Suspension Bridge and the North Access Viaduct, highlighting, among the works to be carried out, the repairs of the Bridge's stiffening beam.



## 5.3 Investment in Road and Rail Infrastructure

**The “Ferrovia 2020” Plan contemplates an overall investment of more than EUR 2,000 million and comprises the IP Group's greatest challenge for the coming years.**

**In terms of Community co-financing, approximately 50% of the Ferrovia 2020 budget will be provided through the COM-PETE 2020 or CEF lines.**

### 5.3.1 Investments in the Railway Network

Investments in railway infrastructure comprise the construction, installation and renewal of infrastructure, an activity developed on behalf of the State (assets that are part of the public railway domain) and considered as Long-Duration Investments (LDI).

#### FERROVIA 2020

The “Ferrovia 2020” Investment Plan is anchored in PETI3 + and has an associated financial package and an ambitious timetable. It fosters the strengthening of internal and international connectivity (national and Iberian scales), competitiveness, encouragement of private investment and job creation.

This Plan has priorities duly identified by a broad set of stakeholders, of which it is important to highlight:

- International commitments, including bilateral ones with Spain and those resulting from the Atlantic Corridor;
- Encouraging the transport of goods and in particular of exports;
- The links between Portuguese ports and the main land borders with Spain;

Under this plan, the main links to Spain and Europe, the modernisation of 1,200 km of existing network, the renovation of part of the northern line and the electrification of more than 400 km of existing lines will be carried out. These investments will include the start of the installation of the European Rail Traffic Management System (ERTMS/ETCS), the increase of the crossing length of trains to 750 m and the preparation of the migration to the standard gauge. The aim is to ensure an increase in the efficiency of rail transport, in particular the freight transport component, in terms of:

- Increase of the capacity of the network, in terms of loads and number of trains;
- Reduced transport costs;
- Reduction of travel times and distances; and
- Improved safety and reliability.

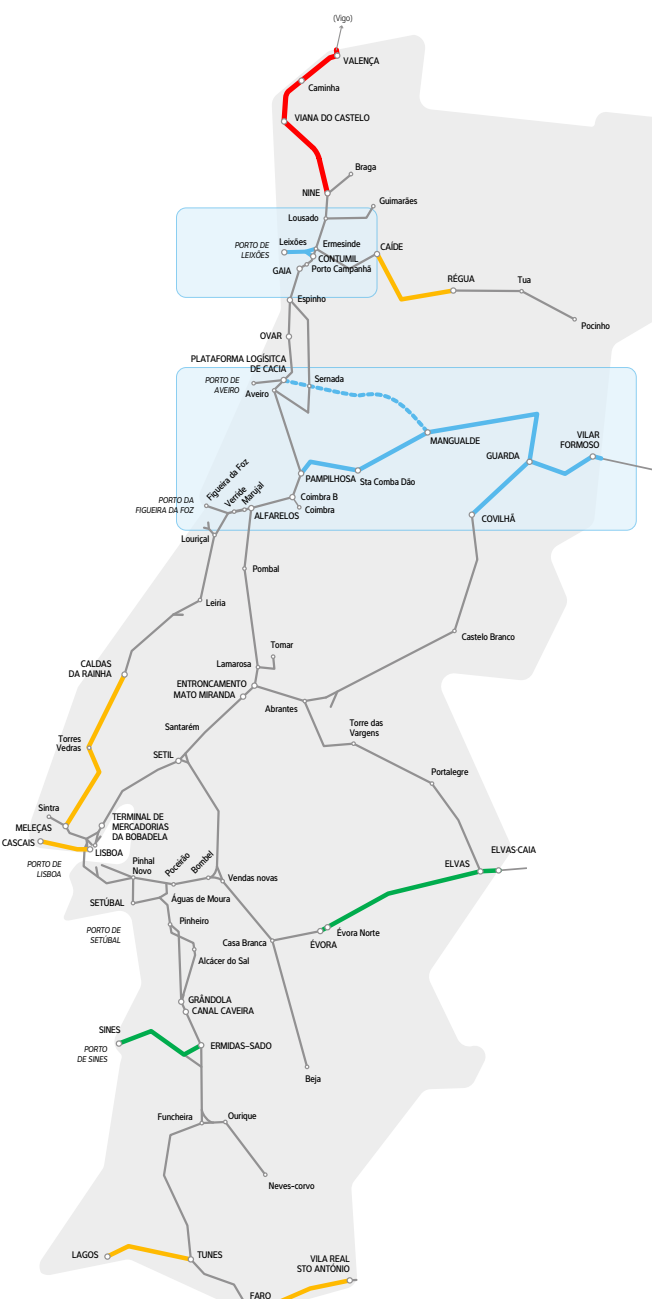
The Railway Modernisation Plan – Ferrovia 2020 – is currently in full development, at a time of transition between the drawing up of the projects and the construction phase, based on the legally established procedures for environmental impact assessment and contracting the works.

At present, there are no Ferrovia 2020 studies still to be put out to tender. The works are at an advanced stage of development in the field, namely, on the Beira Baixa Line, Covilhã-Guarda, on the South Line, Elvas-Caia, Minho Line, Nine-Viana-Valença and on the Douro Line. Caíde-Marco.

Significant contracts are at the tendering stage, such as those that will ensure a new connection between Évora (Norte) and Elvas, as well as the Modernisation of the Beira Alta Line between Guarda and Cerdeira.

The implementation of the Ferrovia 2020 Investment Plan totalled EUR 71.8 million in 2018.





## North International Corridor

The overall investment in this Corridor in 2018 was EUR 14.9 million euros. The general works for the modernisation of the Covilhã-Guarda section and the Beira Baixa line concordance link with the Beira Alta Line was responsible for EUR 8.2 million.

The completion of this work, scheduled for August 2019, will allow the reopening of the Covilhã-Guarda section of the Beira Baixa Line, which has been closed since 2009.

This work will also restore the Beira Baixa Line and the regional and long-distance mobility of Beira Interior, contributing to the improvement of the accessibility of the region, as well as the connection to the Beira Alta Line for international rail links.

On the Beira Alta line, in 2018, intervention was carried out on five embankments in the section between Luso-Buçaco Station and Santa Comba Dão Station, which indicated that there were instability phenomena which endangered railway safety.

In the Guarda-Vilar Formoso section, the announcement of works for Full Track Renovation of the Guarda-Cerdeira branch line related to the 1st phase of modernisation was made in July 2018. The consequent award took place in March 2019, for the price of EUR 8.7 million, with consignment expected to occur in July 2019.

### South International Corridor

The investment in the South International Corridor this year was EUR 12.5 million.

The general contract for the modernisation of the East Line on the Elvas (inclusive) – Fronteira section was entered into in March 2018, with an investment of EUR 6.3 million.

The modernisation projects between Sines and the South Line, including the elimination of LC and RCT + TP, are in progress, with the approval of the construction design expected in the first half of 2019.

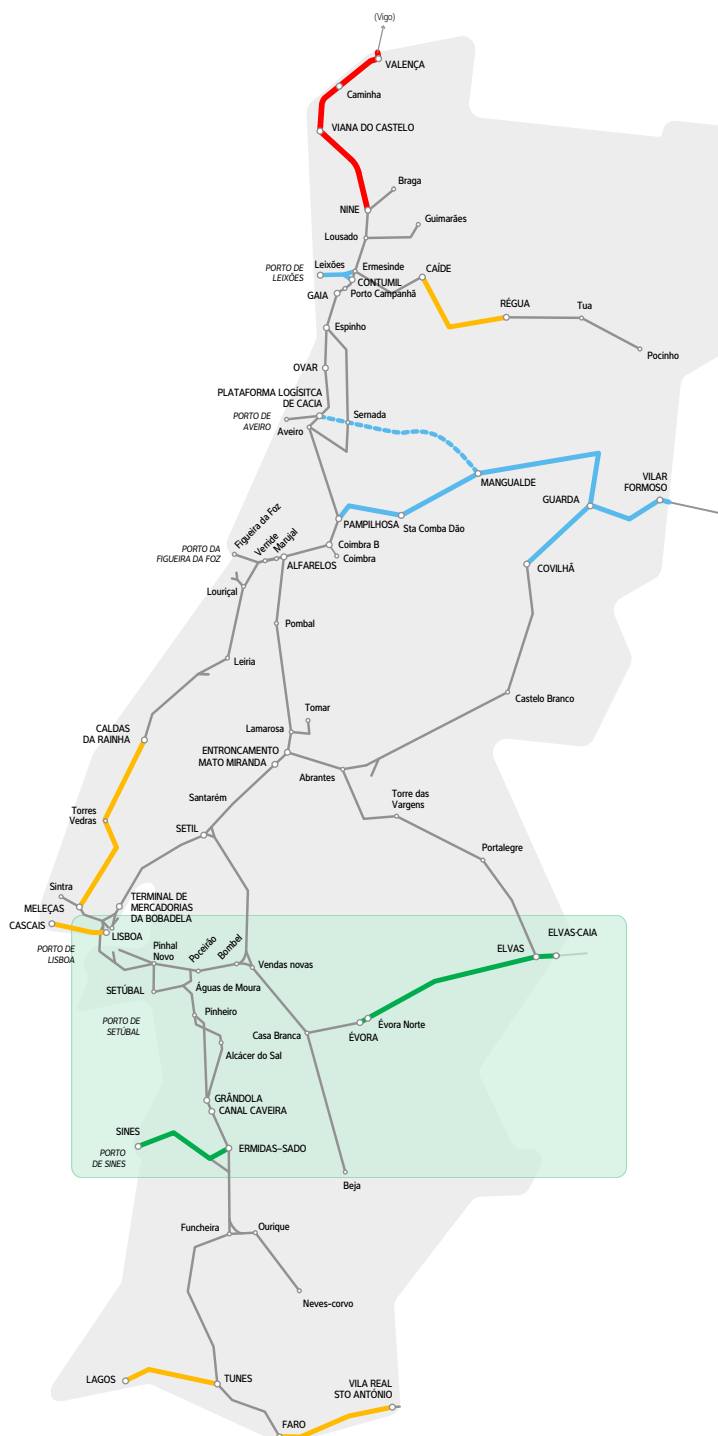
The announcement for the modernisation works on the Évora Norte-Freixo and Freixo-Alandroal branch lines took place in March 2018 (with base prices of EUR 65 million euros and EUR 105 million) and for the Alandroal-Linha do Leste branch line in April 2018 (with a base price of EUR 195 million). The awards were made in March and April 2019 respectively.

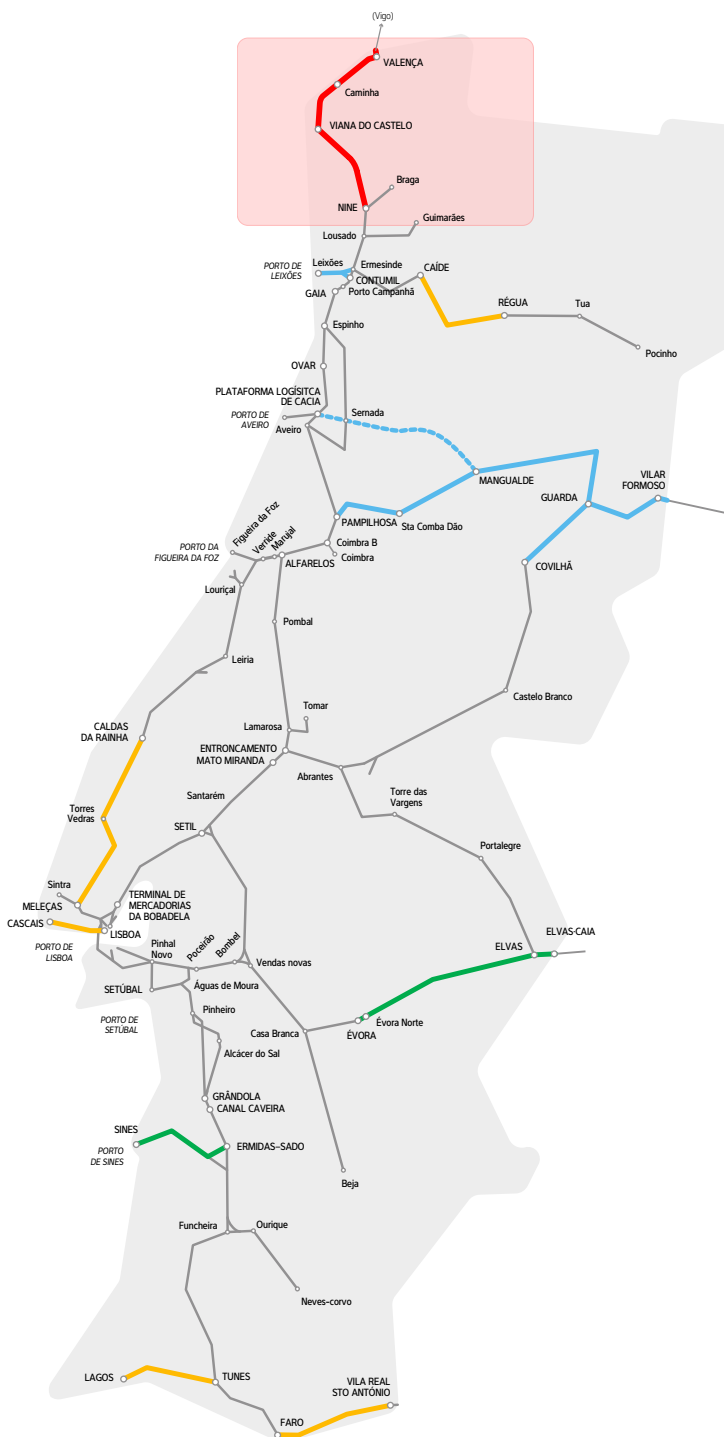
### North-South Corridor

The investment in the North-South Corridor in 2018 totalled EUR 40.1 million.

In July 2018, Phase I of the design/construction of the Electric Traction Substation in the scope of the Electrification and Rehabilitation of the Nine-Viana section was completed, with Phase II (connection and tests) now able to proceed following the conclusion of the electrification of the Viana-Valença section.

The investment in the Substation contract was EUR 1.8 million and in the power feed to the substation it totalled EUR 0.9 million.





On the Nine-Viana do Castelo section, EUR 11.2 million were invested in 2018. Investment in the Minho Line Electrification Works between Nine and Viana do Castelo (inclusive), including technical stations, totalled EUR 9.7 million in 2018.

The Electrification Works on the Minho Line between Viana do Castelo and Valença-Fronteira, including technical stations, took place in July 2018 and involved an investment of EUR 1.6 million (includes management and inspection).

In the Vale de Santarém-Entroncamento project, the contract related to construction works, catenary, telecommunications and RCT + TP for electrification of the branch line and access to the Vale do Tejo Terminal on the downward side of the North Line, between the Entroncamento Substation and Riachos station, was awarded in January 2018 and completed in May 2018, with a recorded investment of EUR 0.6 million.

In the Alfarelos-Pampilhosa project, the Full Track Renovation project was completed in June 2018, as well as the signalling and telecommunications works. An investment of around EUR 7.3 million was recorded, including EUR 1.35 million worth of materials.

In the Ovar-Gaia project, the conclusion of the Full Track Renovation Contract on the Valadares – Gaia section was completed, which allowed the entire existing track section, of around 35 km, to be renovated, which receives an average of 190 trains a day. The renovation is aimed at improving the levels of safety and track quality, comfort and convenience levels for passengers, indicators of availability and reliability of the infrastructure, as well as the reduction of maintenance costs. The investment was around EUR 4 million.



## OTHER INVESTMENTS

The other investments in rail infrastructure are aimed at enhancing safety conditions and improving the levels of reliability and quality of service provided to customers. These interventions also contribute to improving the integration of railway infrastructure in the surrounding territory, enhancing positive externalities and mitigating negative ones and improving mobility conditions, creating new links or reducing travel times of existing ones.

In 2018, investment in infrastructure renovation and restoration work, compliance with existing standards and regulations and enhancement of rail infrastructure service levels amounted to EUR 22.0 million, of which EUR 14.2 million was for track renovation and catenary, EUR 2.7 million for renovation of engineering structures, EUR 2.7 million for improving signalling and telecommunications systems, among other interventions.

We highlight the following investments made in 2018:

### CORROSION PROTECTION PROJECT FOR METAL BRIDGES ON THE BEIRA BAIXA LINE

Painting work on six metal bridges on the Beira Baixa Line intended to restore adequate anti-corrosion protection and to ensure and guarantee observance of the reliability, behaviour and safety indices for engineering structures, mitigating the effects of exposure to various agents, such as humidity, salinity or pollution.



#### IMPROVEMENT WORK ON THE TRACK SUPERSTRUCTURE, ON THE SECTION BETWEEN KM 20.430 AND 21.600 OF THE CASCAIS LINE

This intervention aimed to renovate the section between the Parede and São João do Estoril stations. The diverse components and constituent elements of the track had reached the end of their useful life, namely, rail, sleepers and fixings. The aim was to reduce maintenance costs, improve safety levels, availability and reliability of the infrastructure, as well as increase the quality of service, comfort and convenience offered to passengers.

#### REPLACEMENT PROJECT FOR THE ALCÂNTARA-TERRA STATION ROOF ON THE CINTURA LINE

The intervention aimed to replace all the roof with the placement of new material which, in addition to significantly improving the thermal and acoustic comfort of the station, also complies with the regulations in force regarding the removal of products containing asbestos fibres present in buildings, public facilities and equipment, as was the case here.

As part of this project, the entire metallic support structure was also repaired through treatment of the damaged elements, anti-corrosion protection and painting.

#### SLOPE STABILISATION PROJECT ON THE ALGARVE LINE

Intervention carried out between km 358.710 and 358.849 on the Algarve Line, in the Tunes – Vila Real de Santo António section, where the track layout is in an excavation profile, with slopes of heights between 5 and 7.5 m.

The work aimed at correcting diverse defects and halting the slope's erosion, safeguarding the safety of the buildings located at the crest of the slope and of the railway operation. The technical solutions implemented in the covering of the slopes, reprofiling and protection were considered as the foundation, and the available space was optimised.





#### UPDATING OF THE OPERATIONAL TELEPHONE NETWORK ON THE VOUGA LINE

The fixed telephone network is essential to ensure the continuity and quality of the railway service. Thus, in 2018, it was replaced by a solution based on VoIP technology. With this new solution IP was able to increase service availability and ensure reliability of the technical solution, whose design and development was carried out in-house.

#### GSM-R ON SECTIONS OF THE VENDAS NOVAS - ÉVORA AND CASTELO BRANCO - COVILHÃ LINE

The installation of support infrastructures and active radio transmission equipment using the GSM-R system on the Castelo Branco - Covilhã and Vendas Novas - Évora sections, where there are currently no radio communications, is currently underway. The investment is in the region of EUR 1.3 million. The certification process has begun in order to obtain the licence from IMT to put it into use. The GSM-R radio system is expected to be operational in the second half of 2019.

#### GSM-R ON THE ALGARVE LINE

Completion of the system certification process by NoBo APNCF with an investment of around EUR 1.2 million.

## 5.3.2 Investments in the Road Network

### BUSINESS AREAS ENHANCEMENT PROGRAMME (PVAE)

**In February 2017, The Government presented the Business Areas Enhancement Programme, which aims to strengthen the competitiveness of companies, foster job creation and increase exports.**

**The Programme represents a total investment of EUR 180 million and is developed on two Axes, in the three convergence regions - Northern, Central and Alentejo.**

EUR 78 million euros are earmarked for the creation and expansion of business areas, through the opening of calls for tenders for the Operational Programmes of Portugal 2020, for which municipalities wishing to improve the conditions for the installation of companies may apply.

Another EUR 102 million is earmarked to invest in 12 road links, comprising a total of 63 km, to improve connections between already established business areas and the existing road network. The majority of the investment is made using Infraestruturas de Portugal's budget, and each municipality involved contributes to the payment of the necessary expropriations and a percentage of the value of the works, with 15% as a reference.

#### NORTHERN PORTUGAL REGION

- 1 Connection of the Escariz Business Park (Arouca) to the A32 (Sta. Maria da Feira);
- 2 Connection to the Fontiscos Industrial Area (Sto Tirso)
- 3 Connection of the Cabeça de Porca Industrial Area (Felgueiras) to the A11
- 6 Connection of the Formariz Business Park (Paredes de Coura) to the A3 (Sapardos Node);
- 8 Connection of the Lanheses Business Park to the ER305 (Viana do Castelo)
- 9 Access Route to Avepark in Guimarães - Taipas Science and Technology Park (Gandra Industrial Estate)





- 10** Improvement of Accessibility to the Famalicão Sul Business Parks (Ribeirão and Lousado)
- 11** Improvement of Accessibility to the Lavagueiras Business Parks (Castelo and Paiva)

#### CENTRAL PORTUGAL REGION

- 15** Accessibility to the Riachos Industrial Area (Entroncamento/Golegã/T. Novas)
- 16** Accessibility to the Mundão Industrial Park (Viseu/Sátão)

#### ALENTEJO

- 17** Improvement of Accessibility to the Campo Maior Industrial Zone
- 18** Connection of the Rio Maior Industrial Zone to the EN114

The amount invested in this Programme in 2018 is EUR 2.4 million.



#### PETI3+

Some of the most important PETI3+ investments are currently under development, including the modernisation and restoration of the IP3 between Coimbra and Viseu, with a project already contracted for work between Penacova and the Bridge over the River Dão. The remaining route is under study.

On the IP5/A25, the project for the conclusion of the cross-border connection, with part under construction in Spanish territory, is already at an advanced stage of contracting and will be completed by 2020.

Also at an advanced stage of contracting, we highlight the EN14-Maia (Jumbo Node)/Trofa Road-Rail Interface - 1st Phase to be completed by the end of 2019. The project was awarded for EUR 5.2 million in February 2018, with assignment in March 2018. The amount invested is EUR 3.1 million, in expropriations.

#### OTHER INVESTMENTS (INCLUDING PVAE)

In 2018, the amount spent on other investments in the road infrastructure was EUR 9.3 million. The stand out contracts were as follows:

- The improvement works contract between Santana and Vitória and duplication between Vitória and the Famalicão Bypass was awarded for EUR 2.9 million and assigned in May 2018. The investment in this PVAE work in 2018 was EUR 1.6 million.
- The contract for linking Mondim de Basto to the EN210 was awarded in April 2018 for EUR 7.6 million and was assigned in September 2018. The amount invested in 2018 was EUR 0.5 million.

## 5.4 Safety

**IP, as the managing entity of the road and rail infrastructure, assumes as a core value the Safety of all those who use the National Road and Railway Networks.**

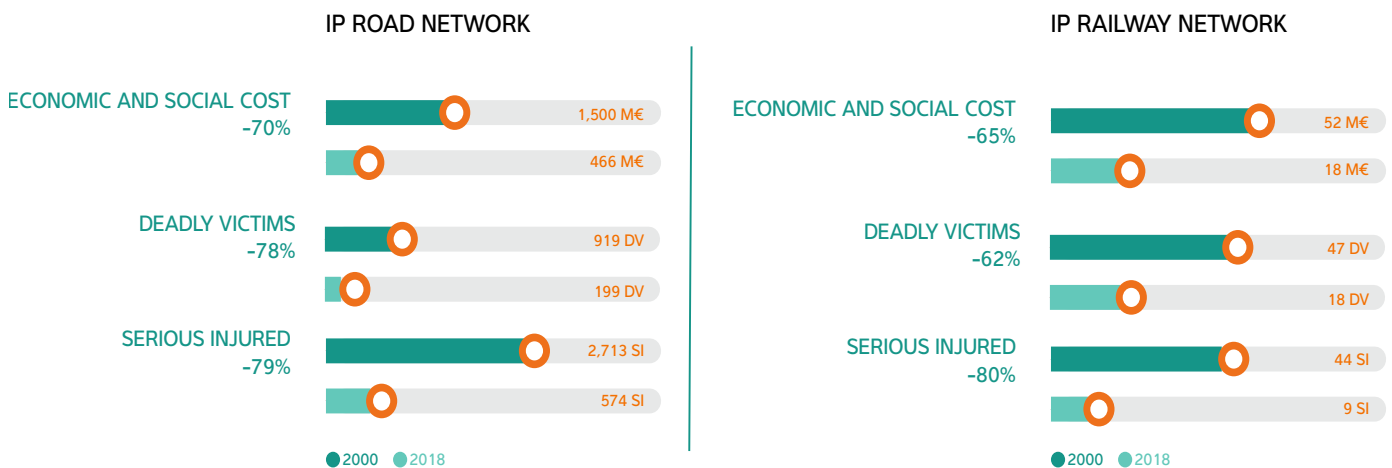
IP understands and treats Safety in an Integrated manner guided by the same Policy for road and railways, focusing on workers, users and entities with which it is related in the scope of the design, maintenance and operation of the infrastructure it manages.

The work carried out by all at IP, and at the predecessor companies, has contributed unequivocally to the great progress achieved in reducing road and rail accidents in Portugal in recent decades.

Moreover, from a road point of view these results were obtained in the context of a strong increase in road traffic.

From a railway point of view, there has been very significant and positive progress in decreasing the number of fatalities, mainly due to the installation of systems with high safety levels, and it should be noted that the great majority of significant accidents are due to factors external to the rail system, due to the intrusion of third parties into the railway area.

### EVOLUTION OF ACCIDENTS AND THEIR ECONOMIC AND SOCIAL COSTS



## 5.4.1 Road Safety

Portugal has recorded very significant progress in reducing road accidents in recent decades. While the number of deaths per inhabitant recorded in 1998 was more than 70% above the EU average, this indicator has dropped significantly over the last 20 years, although it is still 18% above the EU average.

One of the factors that contributed most to these results was the strong investment made in the last 20 years in transportation infrastructures, especially in routes of higher quality and safety, such as motorways, which have allowed the increase in the execution of the National Road Plan - in 1995 it was around 23% and currently it almost achieves 75%.

20 years ago, with a quarter of road traffic on the NRN under IP jurisdiction, about 1,000 fatalities (F) were recorded, which represented 55% of the overall fatality rate.

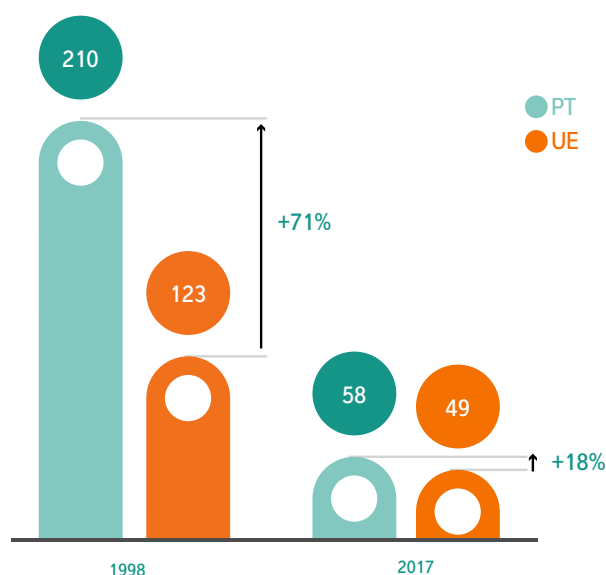
Currently, the 199 F recorded on the NRN in 2018 represent about 39%.

With 3,200 km more of roads and better quality and safety, the accident rate on the IP network was reduced by about 80%.

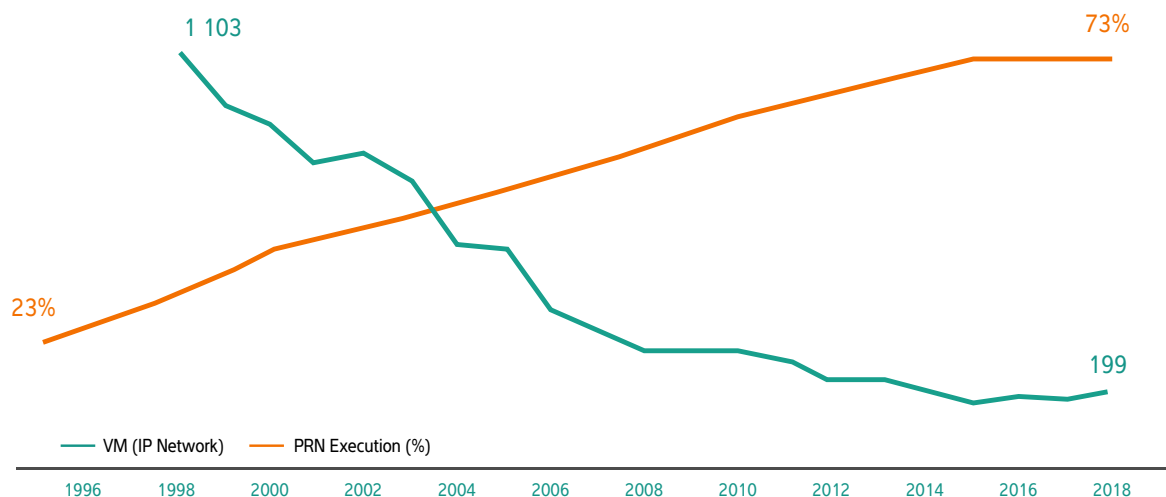
These investments have had a significant economic and social benefit on society – saving over 13,100 lives and more than EUR 18.6 billion in economic and social costs.

As already mentioned, the NRN under the management of IP and its predecessors has contributed decisively to this reduction, particularly in the last 20 years: while Portugal has reduced the number of fatalities by 71%, the NRN under IP management has reduced this figure by 80%.

PORTUGAL IN EUROPE - 2006/2014  
[number of fatalities per million inhabitants]



Despite the reduction in recent decades, the indicators of the last 3 years show a slowdown in progress relating to the number of fatalities, and in 2018 there was an increase of 15 fatalities (+ 8.2%), compared to the previous year, reaching the levels last seen in 2014 (206 F) and reversing the declining trend of the indicator since 2002.



In the national context, the national road safety plan – **PENSE2020 - NATIONAL STRATEGIC PLAN FOR ROAD SAFETY 2020**, which succeeded the **National Road Safety Strategy (NRSS)**, is in progress and aims by 2020 to reduce the number of fatalities by 56% compared to the figure obtained in 2010 (6% more than the European Commission's target for the same period), resulting in a target of 41 deaths per million inhabitants. According to the European Commission, Portugal recorded 54 deaths per million inhabitants in 2016.

Similarly, PENSE 2020 sets another target for 2020 for the indicator "Serious Injury (MAIS ≥ 3<sup>1</sup>)/Million inhabitants", namely a reduction of 22% compared to 2010.

<sup>1</sup> Person with injuries equal to 3 on the Maximum Abbreviated Injury Scale (MAIS)

IP has adopted for the road network under its management the goals established in PENSE 2020, in order to contribute to its achievement.

In addition to these instruments of public policies to combat road accidents, the Concession Agreement established with the State determines that IP should pursue the objectives of reducing accidents, specifying three indicators: number of black spots, severity of accidents in built-up areas and number of fatalities, which give rise to penalties in the case of non-compliance.

IP, in pursuit of the national plan to combat road accidents, and based on the guidelines of these legal documents, the targets of the road accident indicators, the objectives established in the concession contract, the deficiencies detected in the road safety network, and the available funds, annually prepares the Road Safety Plan (RSP), which incorporates preventive and corrective measures aimed at reducing accident rates and improving safety and traffic conditions in the road network under its management.

IP's road safety strategy is in line with the PENSE 2020 proposal, as well as with those of the most developed countries in terms of road safety, as is the case in Sweden, and it has as an ethical imperative that "no-one should die or stay permanently incapacitated following a road accident in Portugal".

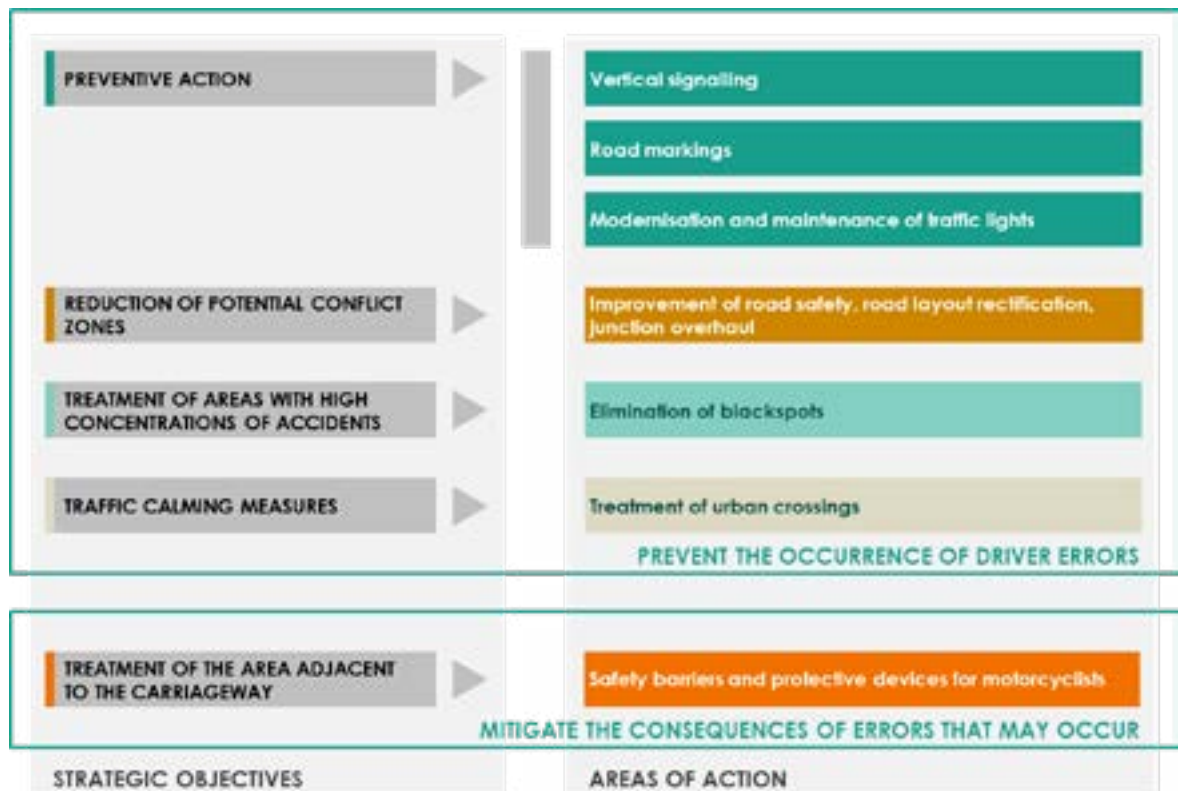
This approach is based on the tolerant road concept. Since it is known that users of the road transport system will always make mistakes and that these could lead to road accidents, the infrastructure must, on the one hand, prevent and anticipate drivers' mistakes and, on the other, minimise the error and consequences that may arise.

In line with this approach, IP Road Safety Plan (PSR) aims to prevent the occurrence of driver errors and mitigate the occurrence of these errors, as per the 5 strategic objectives, as follows:

In 2018, 37 specific interventions were carried out under the Road Safety Plan, reaching a total of EUR 9.1 million, in which preventive action consumed about 46% of the investment.

#### A. ROAD SAFETY INDICATORS

The Concession Agreement (CC) established with the State defines accident reduction objectives specifying three indicators: number of black spots, severity of accidents in built-up areas and number of fatalities.



IP has consistently met the targets defined in its CC, with the exception of the indicator of the number of black spots in the years 2013 and 2014. This situation is due to the fact that in 2013 IP increased its network by transfer of the sections of the Greater Lisbon and Douro Litoral concessions, which resulted in a substantial increase in the number of black spots, corresponding to an average annual increase of 37% in the number of black spots recorded per year.

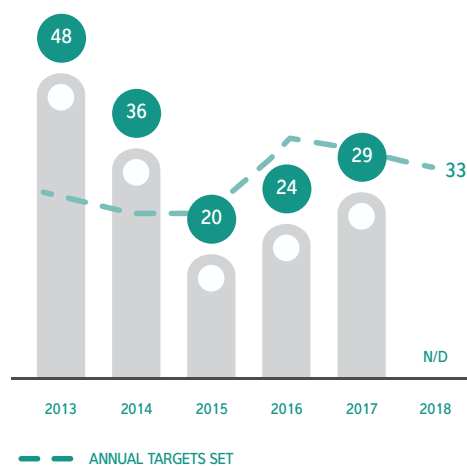
The data for 2018 should be considered as provisional, since the National Road Safety Authority (NRSA) has not yet completed its validation of road accident data recorded in Portugal for that year, nor has it made any provisional list of the 2018 Black Spots. It should be noted that the targets for the three years from 2016 to 2018 have been reviewed and approved by the Institute for Mobility and Transport (IMT).

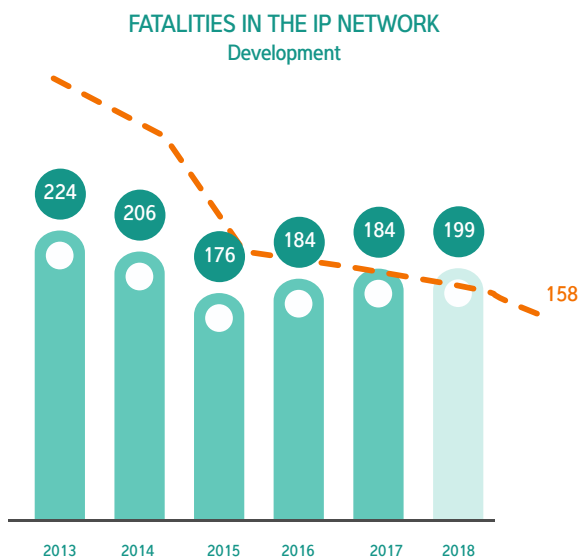
As already mentioned, it is not possible to indicate the number of Black Spots recorded on the IP network since the NRSA has not yet made available any list of Black Spots for 2018 (provisional or definitive).

It only mentions that the IP had the target for 2018 in the road network under its management of a maximum value of 33 Black Spots.

With regard to the most serious casualties, according to the provisional records of fatalities and serious injuries on the IP network, there has been an increase in the number of fatalities (+15), from 184 F to 199 F (+8.2 %), reversing for the first time since 2002 the downward trend recorded until 2017. With regard to the number of Serious Injuries, there was a reduction (-71) from 645 to 574 serious injuries.

BLACK SPOTS IN THE IP NETWORK  
Development



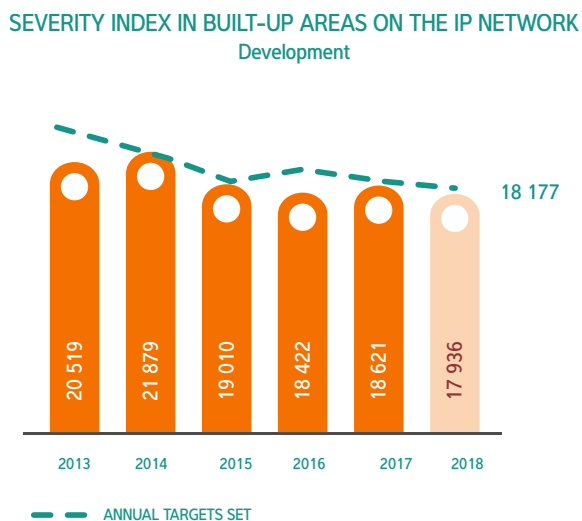


In 2018, the Severity Indicator in Built-Up Areas registered a decrease of 3.6% compared to 2017. It should be noted that the value registered in 2018 may meet the set target. A decrease of 1.3% over the target set for 2018 has been verified from the provisional figures.

#### B. ROAD SAFETY INSPECTIONS CONDUCTED

One of IP's fundamental activities in terms of road safety are the Road Safety Inspections carried out by teams of inspectors who cover all of Portugal, which allow the identification of non-conformities and road safety problems related to the infrastructure and propose corrective measures with the best cost/benefit ratio.

Since 2015, the Accident Prevention Centre has become more robust. 240 significant accidents on the IP network (with deaths and/or serious injuries) were inspected and analysed, which allowed the possible causes of the accidents to be analysed and thus more effective action on the network to be taken.



#### ROAD SAFETY INSPECTIONS - DEVELOPMENT

TYPE OF INSPECTIONS	2011	2012	2013	2014	2015	2016	2017	2018
Scheduled on the network (km)	320	250	450	345	122	61	106	45
Black Spots (No.)	30	20	18	44	34	15	22	23
Accident Accumulation Zones (No.)	43	42		23	14	0	1	3
Monitoring works (No.)				21	9	0	0	27
Insp. of accident site (No.)				10	66	40	41	83

## 5.4.2 Railway Safety

The activity carried out by IP in the field of Railway Operation Safety is supported by the approval of the Safety Management System (Declaration of Approval of the Safety Management System No. 01/2012), in accordance with Decree-Law 270/2003 of 28 October, amended by Decree-Law 231/2007 of 14 June, republished by Decree-Law 151/2014 of 13 October and in accordance with various EU directives and official regulations.

In the area of railway safety, and in keeping with IP's mission as the manager of a reliable and secure railway infrastructure, the following activities are to be noted:

- Boosting and developing railway safety policies as a tool to improve the performance of infrastructure management activities, promoting a close relationship with the internal customers of the Group and with entities external to IP;
- Creation and dissemination of indicators for railway safety, promoting the analysis and monitoring of deviations, with the purpose of acting on the causes and thus keeping adequate levels

of safety of the infrastructures and the railway operations under control;

- Streamlining, coordination and monitoring processes inherent to investigations of rail accidents and incidents;
- Development of investigation of occurrences on the railways, supporting their classification within the scope of the Common Safety Indicators, decision on the need and advantage in initiating a process of formal investigation of the accident/incident and identification of safety measures to be adopted;
- Drawing up procedures and norms to support and contextualise critical functions and activities from the point of view of railway safety;
- Production of expert opinions of a regulatory and technical nature and related to railway safety (third-party interventions in the vicinity of the railways and technical conditions for contracting procedure documents);
- Regulatory and technical support as part of the Special Transport Licence processes;
- Application of the common safety method for determining and assessment of risks and the carrying out of inspections (on foot, on board trains and infrastructure maintenance-related vehicles, verification of the execution of work on



tracks and monitoring of movement command and control) and audits of processes inherent to railway safety, in order to identify risk situations and their mitigating measures, taking into account the objective of minimizing occurrences (incidents/accidents) with an impact of railway safety;

- Management and monitoring of the Wagon Maintenance Management System (certification valid until 2019, subject to annual supervision);
- Streamlining processes for the Authorisation of Entry into Service, safeguarding the technical and procedural conditions inherent to the design, construction, entry into service, re-adaptation, renovation, operation and maintenance of the elements that constitute the railway system;
- Streamlining and coordination of safety certification for rolling stock (movement on track open to traffic, movement on track prohibited to traffic and verification of machines on the track in a working context) and production of technical and regulatory conditions for the circulation of vehicles, ensuring the coherence in processes and compatibility with the various components of the railway infrastructure.
- Consolidation of the procedures associated with the IP Safety Management System as support for the renewal and maintenance of the Safety Authorisation process.

#### A. RAILWAY SAFETY INDICATORS

In spite of the strong development of the railway safety activities by IP, with contributions from the railway companies, in 2018 there was an increase of approximately 28% in the number of Significant Accidents compared to 2017.

It should be noted that the 5-year average shows a figure of 35 accidents, below the result for 2018.

With regard to causes, we note that the large majority of Significant Accidents, about 78%, are due to factors external to the railway system due to the intrusion into the railway area.

The Railway Safety Index (number of significant accidents per million train kilometres) slightly exceeds the target set for 2018 in the Programme Contract established between IP and the State.

With regard to the consequences of Significant Accidents, it can be seen that the 18 registered fatalities do not result from infrastructure-related causes: 78% of the victims are unauthorised persons who invade the railway area and 22% are people who did not respect the safety rules at level crossings.

In terms of Accident Precursors, there is a very positive reduction of 24% compared to the year 2017. The events of Broken Rails and Track Deformities represent about 89% of the Accident Precursors.

IP continues to have railway safety as one of its main objectives, in particular through the promotion of a proactive personal attitude focusing on the themes of railway safety and the adequacy of behaviour focused on safety in general.

#### B. RAILWAY SAFETY INSPECTIONS

One of the fundamental activities of IP in terms of railway safety is Safety Inspections, which allow non-conformities and risky situations to be identified, in order to propose the respective mitigating and improvement measures.

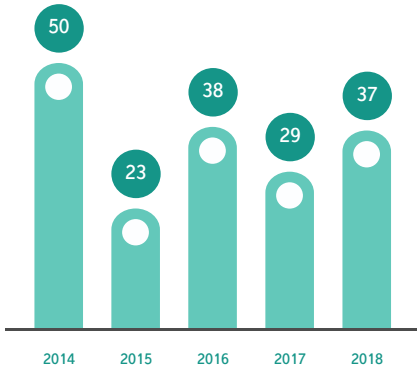
In the last 5 years, the railway network covered by Railway Safety Inspections was as follows.

#### C. LEVEL CROSSINGS

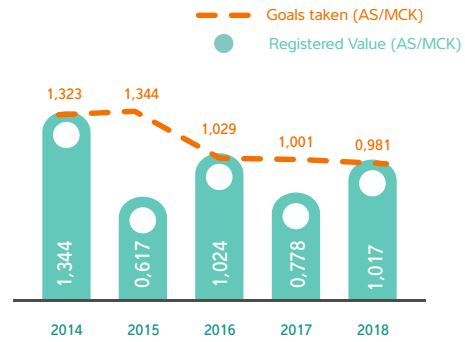
In order to implement the Plan for the Elimination and Reclassification of Level Crossings (LC) for 2018 – an obligation of the road and rail network managers pursuant to article 2 of Decree-Law 568/99, of 23 December – 3 LC were eliminated with an associated investment of EUR 435 revenue.

At the end of 2018 there were 839 level crossings along the railway lines (IET50), 457 of which (54%) have active protection, achieved through human guards or the existence of automatic signalling. The

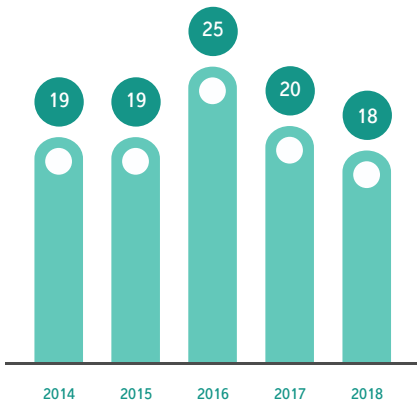
### MAJOR ACCIDENTS Development



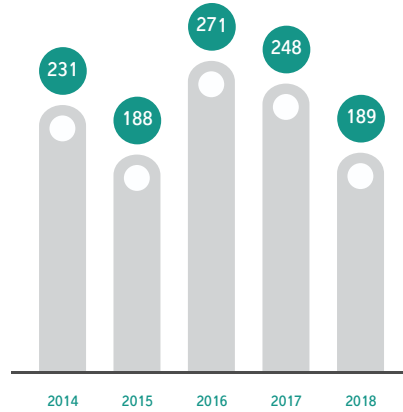
### RAILWAY SAFETY INDEX [significant accidents per millions of train-kilometres]



### FATALITIES Development



### ACCIDENT PRECURSORS Development



### RAILWAY SAFETY INSPECTIONS - DEVELOPMENT

TYPE OF INSPECTIONS	2014	2015	2016	2017	2018
On foot (No./km)	25/119	19/104	12/65	15/74	20/105
Train (No./km)	6/877	12/1195	3/406	1/146	15/1216
Regulatory (n.º/km)	3/7	1/2	1/2	3/6	6/54

consequent mean density of LC was, at the end of 2018, 0.330 level crossings/km. The following graph reflects the development of the number of level crossings and the actions taken in recent years:

At the end of 2018, a registration regularisation was carried out, in which the LC were withdrawn from the section of the Tua Line that was disqualified from the RFN by RCM 47/2016, causing the divergence in the total number of LC compared to 2017.

**During the year 2018, the "Stop, Listen, Look" awareness and safety campaign continued, and the "International Day for Safety at Level Crossings" was commemorated (ILCAD).**

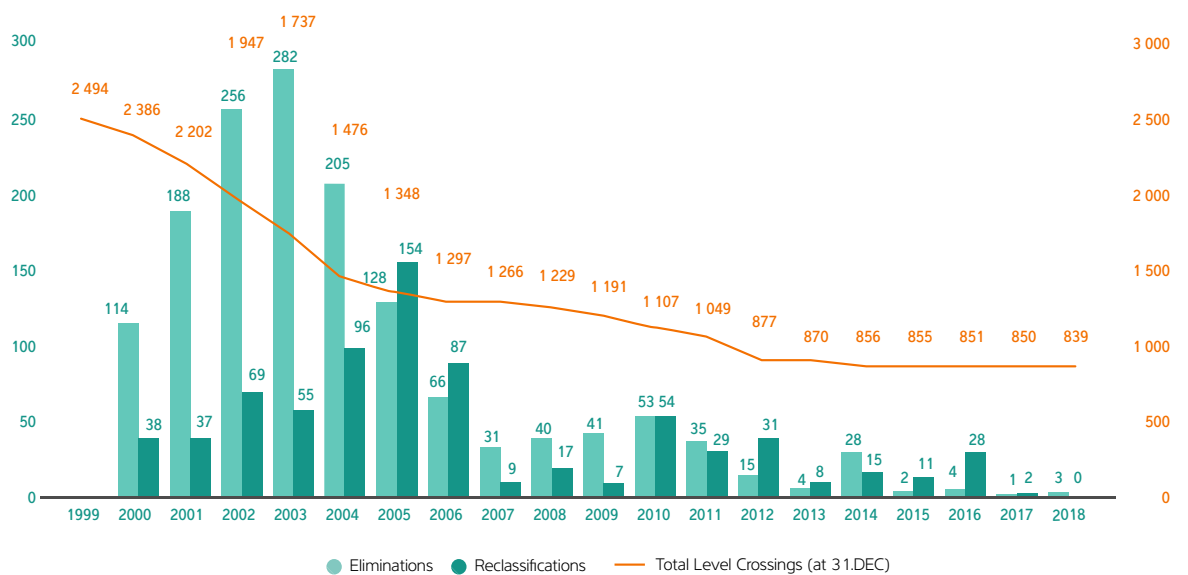
On that day, a "Safety Commitment" was signed between the IP and the Municipality of Lagoa for the LC in that municipality that provided

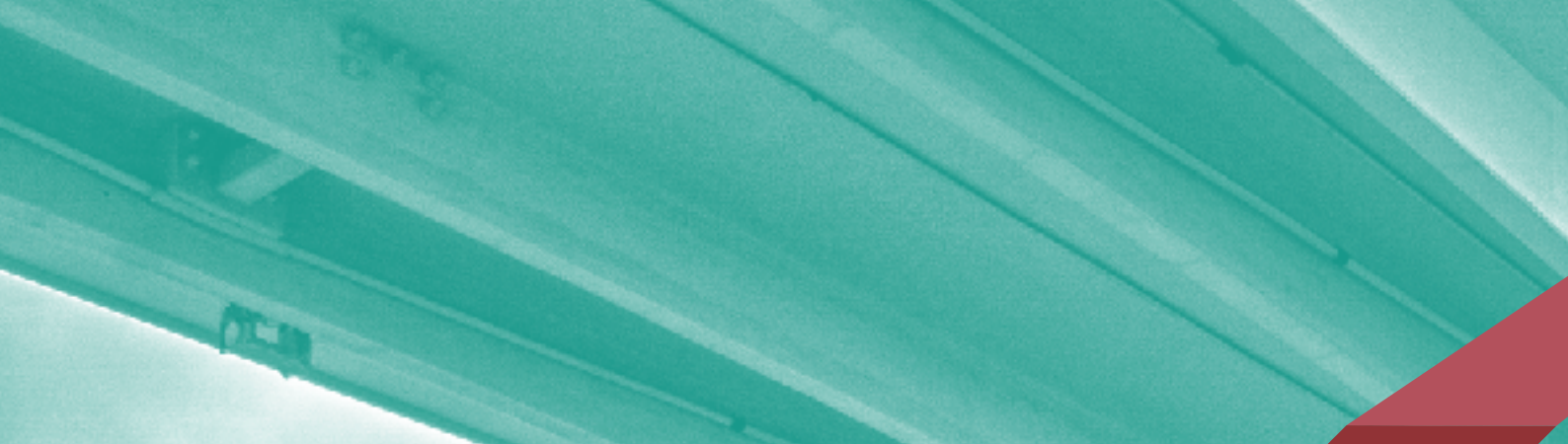
for interventions to benefit its safety (in which the University of Algarve also participates with the ACCES4ALL Study) and, in a second phase, their unevenness.

Under the responsibility of the Infrastructure Manager to guarantee the correct classification of LC, as provided for in Article 13 of the Level Crossing Regulations published in annex to Decree-Law 568/99, the Inspection and Characterisation of 151 LC were carried out, including the assessment of use and associated risk factors.

Risk Assessments on 6 LC were also carried out, determining solutions for the mitigation of the associated risk factors, by acting at the LC and/or the accesses thereto.

Studies and Projects were also developed for 8 risk mitigation solutions defined in previous Risk Assessments, to be implemented jointly with the road manager.





In recent years, accidents on level crossings have evolved as follows.

It can be seen that the policy of elimination and improvement of the safety conditions at level crossings has contributed to the continuous reduction of accidents, resulting in a decrease of 86% in accidents and 85% in fatalities when compared to the 1999 figures. In spite of this global decrease, the figures from the last three years show a relative stabilisation of the number of accidents, a direct result of the non-accomplishment of actions that have a direct impact on the reduction of the risk of crossing – elimination and/or reclassification of LC.

Of the accidents registered in the last 4 years, 66% occurred at LC with active protection, which indicates, on the one hand, disrespect for the signs present and, on the other hand, that the effectiveness of the introduction of measures to enhance safety depends mainly on the behaviour and responsibility of LC users.

Taking this evidence into account, IP will continue – along with actions on the ground – to focus on the **"Stop, Listen, Look"** communication and awareness campaign and its involvement in initiatives

of an institutional and formative nature such as **"International Level Crossing Awareness Day"**, which will be held on 5 June 2019.

For the next few years, IP also maintains the commitment to continue with its action plan to reduce accidents at rail crossings, with the objective of completing the actions planned under the Ferrovia 2020 and Proximity programmes, the reduction of accidents at level crossings by a further 40%, with reference to 2013, i.e. no more than 16 accidents per year.

#### D. EMERGENCY MANAGEMENT PLANNING

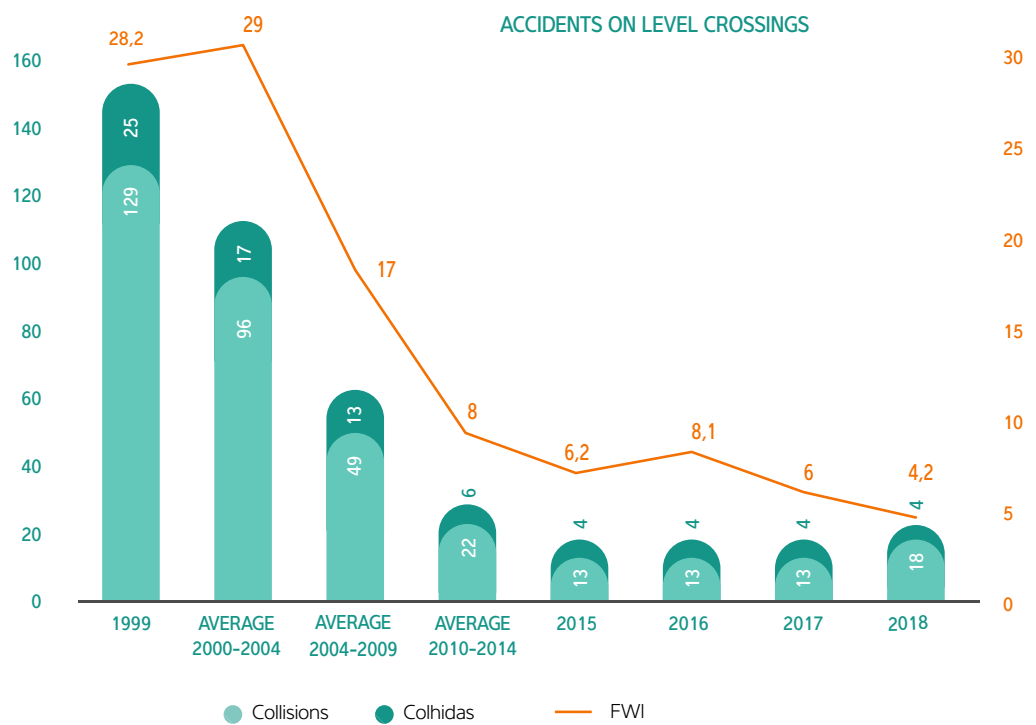
The year 2018 was, in contrast to 2017, a year when there were fewer occurrences associated with exceptional events (natural, technological, etc.) with an impact on the availability of road and rail infrastructure.

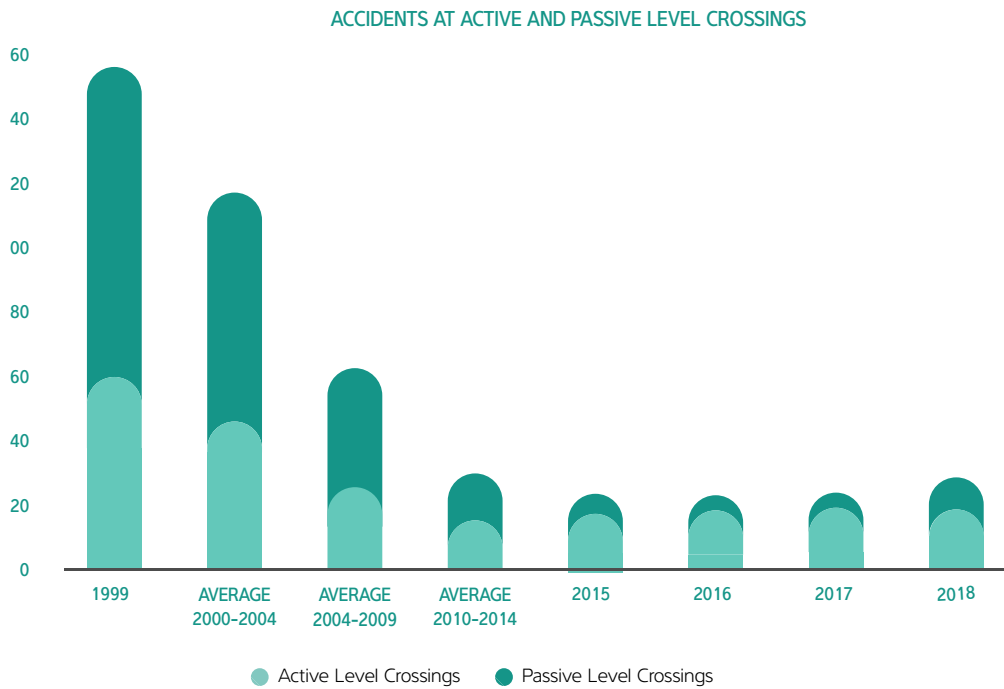
Of the occurrences verified, and that required emergency management intervention from IP, we highlight:

- **Forest fires:** the month of August presented a greater number of situations concerning adverse weather conditions – rural fire hazard. Of these, the fire in Monchique stands out, due to



TYPE OF ACTION	2015	2016	2017	2018
Inspection and Characterisation	161	300	132	151
Risk Assessment	-	1	15	6
Risk Mitigation Studies and Projects	-	-	-	8





its effect on the road infrastructure under IP management.


- **Hurricane Leslie:** left hundreds of thousands of homes without electricity, people homeless, roads impassable, road damage and fallen trees, especially in the districts of Leiria, Coimbra and Lisbon. This caused considerable damage to road, rail and related infrastructure (falling structures, trees, etc.).

These, and other situations with a potential risk to IP, were monitored permanently in the National Relief Operations Command Centre (CNOS) and also in the respective District Relief Operations Command Centres (CDOS).

## CRITICAL INFRASTRUCTURES

Council Directive 2008/114/EC of 8 December, transposed into the national legal framework by Decree-Law 62/2011, of 9 May, defines a process for the identification of Critical Infrastructures - CI (National and European), organised in four phases, during which the infrastructures go through successive filters, by a veto process, and always under the responsibility of the National Civil Protection Authority (ANPC).

The Land Transport sector collaborated in the process of identifying their CI, together with Infraestruturas de Portugal (road component, since the time of Estradas de Portugal and INIR, and railway,




since the time of REFER). The work was constantly supervised by IMT, the sector regulator.

As a result of the work carried out, three (National) CI were identified in the Infrastructure managed by the IP in the road and rail transport sector, which are:

- The Sines-Pego railway line, with the important elements (bridges, viaducts, substations and stations) that constitute the line;
- The 25 de Abril Bridge, through the North Access, Suspension Bridge and Pragal Tunnel Viaducts;
- IP8.

#### EXTERNAL EMERGENCY PLANS/PROCEDURES

Following the strategy defined for 2018 which aimed to streamline the emergency management strategy and connections with the emergency actors (public emergency services) in the road and rail infrastructure, several emergency plans/procedures were prepared/revised, of which we highlight the 25 de Abril Bridge and the General Emergency Plan for the National Railway Network.





## EXERCISES/DRILLS

Following the methodology adopted by the IP, a Drill Plan is defined annually to test the emergency procedures established in the Company.

In 2018, the following exercises were carried out with regard to road, rail and building infrastructure:

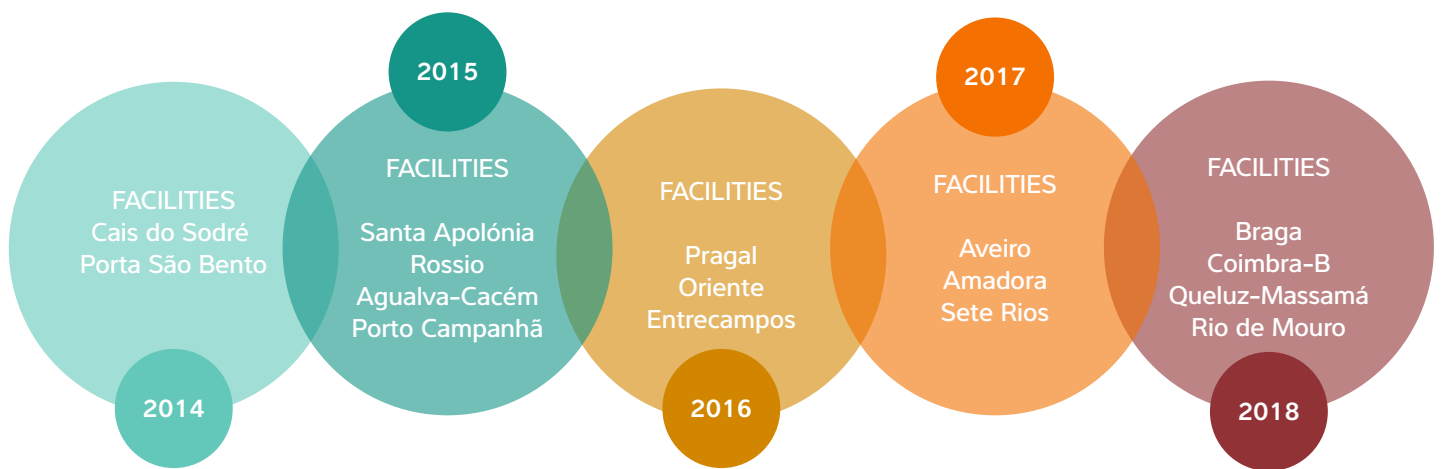
- 4 train accident drills;
- 4 road accident drills;
- 9 evacuation exercises.

In order for the Civil Protection Agents (PCA) involved in these drills to adopt the correct procedures for railway relief operations, identifying the

risks associated with railway infrastructure – railroad running over and electrocution in catenary areas, training actions are promoted under the theme "Organisation, Management and Emergency Response on the Railway". In 2018, IP trained a total of 221 operational personnel.

With respect to Fire Safety in Buildings, and following the drawing up of the Safety Plans and the constitution of Emergency Teams, tests were carried out for defined emergency operational procedures. In 2018, IP trained a total of 490 employees.





#### EXTERNAL AUTOMATIC DEFIBRILLATION PROGRAM - AED

In 2009, Instituto Nacional de Emergência Médica, IP, (INEM) approved the National Programme for Automatic External Defibrillation (AED), which results from the assumption of a commitment to save lives and improve the survival chain in Portugal based on the implementation of a nationwide AED network. In compliance with the legislation, the Company carried out the application process for the AED Programme with INEM during 2014. It obtained the certification of the Programme, which regulates the practice of external automatic defibrillation acts by non-physicians and establishes mandatory implementation in public spaces with an average daily flow of over 10,000 passengers.

Today, the IP AED Programme is implemented at Aqualva-Cacém, Amadora, Aveiro, Cais do Sodré, Campus Pragal, Entrecampos, Lisbon Oriente, Lisbon Rossio, Lisbon Santa Apolónia, Porto Campanhã, Porto São Bento, Sete Rios.

In 2018, the programme was implemented in the Braga, Coimbra B, Queluz-Massamá and Rio de Mouro stations.

## 5.5 Use of the Road and Rail Network

### 5.5.1 Use of the Railway Network (Train.km)

The Network Directory is an annual document listing the characteristics of the national rail network (RFN), the general conditions of access, and other services related to the railway activity provided by IP to railway operators. This document also discloses the principles of tariff charging and respective tariffs, presenting the methodology applied.

**In 2018 a total of 36.2 million train kilometres (CK) were travelled by rail operators, 83% of which were passenger traffic and 17% from the freight segment.**

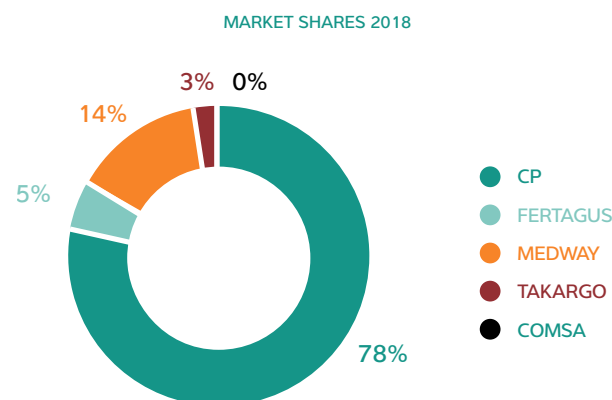
INFRASTRUCTURE USE	2016	2017	2018	VARIATION 18/17	Δ% 18/17
Passengers	31.0	31.0	30.1	-0.908	-2.9%
Freight	5.9	6.1	6.1	-0.004	-0.1%
<b>TOTAL</b>	<b>36.9</b>	<b>37.1</b>	<b>36.2</b>	<b>-0.912</b>	<b>-2.5%</b>

Between 2017 and 2018 demand fell by 2.5%, approximately 912,000 train.km (CK). This reduction in the use of railway infrastructure was mainly due to the decrease in the passenger sector (-2.9%).

The rail operators operating on the RFN are CP and Fertagus for passenger transport and Medway, Takargo and Comsa for freight transport. The last one did not run any routes in 2018.

CP continues to be the operator with the most impact on IP's activity, accounting for 78% of market share.

### 5.5.2 Railway infrastructure management - Programme Contract



In 2016, the State signed a contract with IP for a 5-year National Railway Network Programme, in compliance with Decree-Law 217/2015, of 7 October.

The purpose of the Contract is to establish the State's obligations to finance infrastructure management and IP's obligations to meet performance objectives, in the form of indicators and quality criteria which cover elements such as train services, network capacity, asset management, activity volumes, safety levels and environmental protection. The contract also establishes financial efficiency objectives for IP in the form of revenue and expenditure indicators.

The structure of the indicators of the level of service provided, including indicators of a financial nature, is shown below:

1. Additional Margins correspond to the travel times added to planned time tables to reflect the speed limitations imposed on the infrastructure by scheduled works;
2. Railway Punctuality corresponds to the aggregate indicator representative of annual punctuality verified on the entire railway network in operation, as measured by the delay of trains on arrival;

3. Railway Customer Satisfaction is the level of satisfaction obtained in the satisfaction surveys sent to the Railway Operators and other users of the rail network in operation;
4. Network Availability reflects the percentage of time the infrastructure was available for operations;
5. Railway Assets Management aims to assess the state of repair of the railway infrastructure;
6. Activity Volumes corresponds to the sum of the train-km on the national rail network in the year;
7. Safety Level is determined by the ratio of the number of significant accidents to the total train-km, which seeks to assess railway safety according to actual train traffic.
8. Environmental Protection is the percentage reduction of the number of people exposed to ambient noise levels higher than the limits imposed in the General Noise Regulation, in relation to the total number of people exposed to those noise levels;
9. Rail revenue evaluates IP's success in obtaining core revenue;
10. Other Revenue evaluates the evolution of non-core revenue from supplementary activities associated with the operation of the railway infrastructure;
11. Maintenance Expenses evaluates the evolution of expenditure on maintenance;
12. Expenditure with other ESS assesses the development of expenditure on External Supplies and Services;
13. Personnel Expenses evaluates the evolution of expenditure on staff.

Calculation formulas and performance targets have been defined for each of these performance indicators. The following results were obtained in 2018:

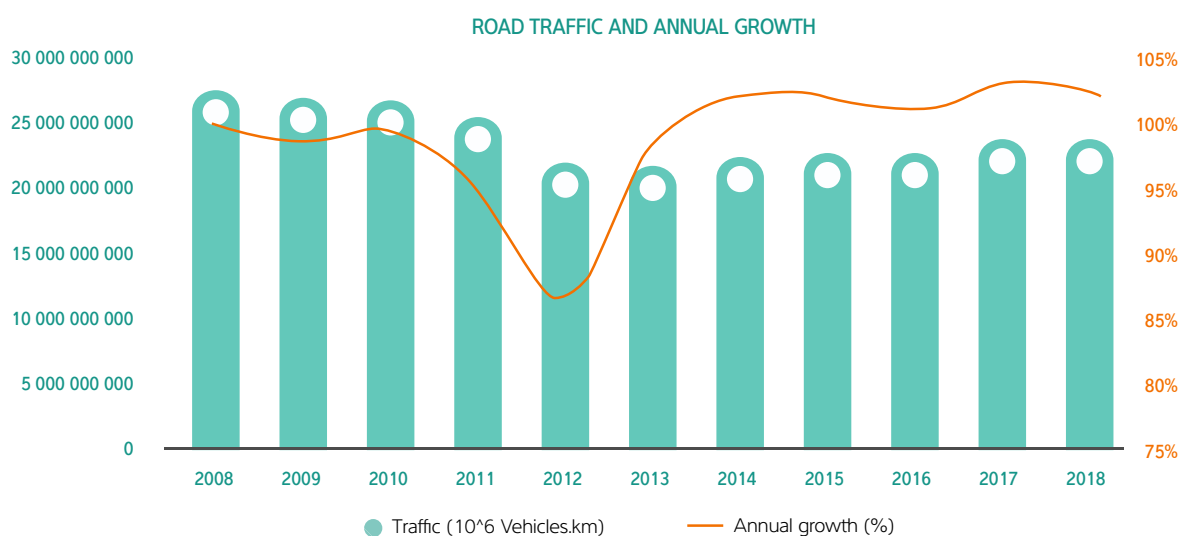
INDICATOR		ANNUAL TARGET 2018	RESULT 2018
1	Additional Margins	40	54
2	Railway Punctuality	≥ 89.70%	86.70%
3	Railway Customers' Satisfaction	≥ 54.00%	A apurar*
4	Network Availability	≥ 88.10%	90.01%
5	Railway Asset Management	≥ 60.40%	59.73%
6	Activity Volume	≥ 37,291,728	36,160,268 CK
7	Safety Levels	≤ 0.981	1.017
8	Environmental Protection	5.00%	1.20%
9	Rail Revenue	100.00%	101.28%
10	Other Revenue	4.60%	-4.57%
11	Maintenance Expenses	0.20%	24.73%
12	Expenses with other ESS	-2.10%	8.17%
13	Personnel expenses	-3.00%	2.88%

\* Indicator that will be calculated in May 2019, as agreed with the IMT, representative of the State in the Programme Contract.

### 5.5.3 Traffic on the road network (Vehicle.km)

In 2017, traffic on the road network under IP's concession recorded, in 2018, an annual growth of about 1.3%, reaching 24,347,744,604 vehicle.km.

YEAR	LENGTH (KM)	ADT	TRAFFIC (10 <sup>6</sup> VEHICLES.KM)
2008	10,826.0	7,037	27,807,533,688
2009	10,840.0	6,906	27,323,140,099
2010	10,873.0	6,857	27,214,475,164
2011	11,029.0	6,439	25,921,032,957
2012	11,296.0	5,427	22,373,931,687
2013	11,354.9	5,354	22,191,819,538
2014	11,362.7	5,484	22,744,332,298
2015	11,395.0	5,553	23,094,958,540
2016	11,395.1	5,612	23,343,491,333
2017	11,394.8	5,779	24,035,322,278
2018	11,394.8	5,854	24,347,744,604



## 5.5.4 Service levels on the road network

The concession contract that IP - Infraestruturas de Portugal, SA has with the Portuguese State, entered into on 23 November 2007 and published on the same date through Resolution of the Council of Ministers 174-A/2007, later amended by Decree-Law 110/2009 of 18 May, provides that the road sections on the national road network comply with service levels in accordance with the PRN2000: Level B for the Core Network and Level C for the Supplementary Network.

These values are sent to the IMT at the end of March and the most recent data, for 2017, are presented.

In the following table we present the results verified within the scope of the degree of compliance with service levels in 2017.

TYPE	COMPLIANCE				NO COMPLIANCE		TOTAL LENGTH (km)
	NO RESTRICTIONS (km)	WITH RESTRICTIONS (km)	TOTAL (km)	%	VALUE (km)	%	
IP	487.2	98.5	585.7	100.0	0.0	0.0	585.7
EDIP	229.2	42.8	272.0	100.0	0.0	0.0	272.0
IC	957.2	45.8	1,003.0	100.0	0.0	0.0	1003.0
EDIC	1,044.5	87.6	1,132.1	100.0	0.0	0.0	1132.1
EN/ER	7,779.5	432.7	8,212.2	98.8	99.3	1.2	8311.5
<b>Total</b>	<b>10,497.6</b>	<b>707.4</b>	<b>11,205.0</b>	<b>99.1</b>	<b>99.3</b>	<b>0.9</b>	<b>11,304.3</b>

## 5.6 Public-Private Partnerships

IP's activity includes routes currently managed under Public-Private Partnerships (PPP), in particular Sub-concessions.

Also according to the terms of the Concession Contract established between the Grantor State and Infraestruturas de Portugal (IP) (formerly EP) is contractually responsible for making the State's

payments and for receiving the amounts to be collected by the State, in the role granted under the State Concession contracts.

Notwithstanding the IMT, according to Decree-Law 77/2014, of 14 May, the entity competent to represent the Grantor State in matters of road infrastructure.

## 5.6.1 Renegotiation of Concession and Sub-concession Contracts

The negotiation process for all the State Concession contracts was concluded during 2015 with the signing of nine contracts corresponding to the Norte, Costa de Prata, Beira Litoral/Beira Alta, Greater Porto, Greater Lisbon, Interior Norte, Beira Interior, Algarve and Norte Litoral.

These nine contracts were referred for consideration by the Court of Auditors and have been returned with an indication that they are not subject to prior review and are, therefore, in full effect.

With regard to the negotiation process of the sub-concession contracts, we describe the situation below.

The Amended Sub-concession Contract (CSA) of **Algarve Litoral**, signed on 23 October 2017, was submitted to the prior auditing by the Court of Auditors, but taking into account the decision of the Court of Auditors made in December 2017, IP communicated to the Sub-concessionaire that it would have to undergo, once again, the prior supervision of the Court of Auditors. After examining the case, the Court of Auditors refused, on 20 June 2018, to grant its approval.

IP filed an appeal against that decision on 5 July 2018. A new decision from the Court of Auditors on this matter has not yet been received.

This situation results in a divergence of positions between IP and the subcontractor Rotas do Algarve Litoral, S.A regarding the sub-concession contract which is in force, and consequently regarding their respective contractual obligations.

First, the Sub-concessionaire informed IP that all the operation and maintenance activities it undertook would be suspended from 0:00 on 6 July 2018. In this framework, IP, under the supervisory powers provided for in the aforementioned Sub-concession contract, took the necessary measures to guarantee the safety of persons and goods, without prejudice to having to activate contractually established mechanisms for situations of non-compliance with the Operating and Maintenance requirements granted to the Sub-concessionaire.

Subsequently, it resumed its activities only as per the purpose defined in the Amended Sub-concession Contract, stating that it has been in force since 27/12/2017, and refused to intervene on the tracks which said contract sets forth will be under the direct jurisdiction of IP.

This situation has forced IP to intervene in this Sub-concession network in emergency situations and to guarantee the conditions of road safety, taking into account the express breach by the Sub-concessionaire.

Due to the refusal of the Court of Auditors to approve the Algarve Litoral Sub-concession contract, the Baixo Tejo and Litoral Oeste Sub-concessionaires considered that the negotiation process was not feasible in the exact terms of the Memorandums of Understanding (MoU) established with the Negotiations Committee, and these have not been extended. As a result of the expiration of the MoUs, it reinvested in the subcontractors and IP in the rights and obligations that they held on the date of signature of the MoU; in other words, the Amended Sub-concession Contracts were resumed.

However, in the case of the **Baixo Tejo** sub-concession, the subcontractor (AEBT) states that the (formal) permanence of ER377-2 as the purpose of the sub-concession, together with the inability of AEBT to continue its construction and operation (due to the annulment of the DIA), financially imbalance the sub-concession Contract, depriving the project of absolutely essential revenue to cover, among other things, the enlargements and major repairs foreseen in the Work Plan.

Following on from this, IP, on 08/02/19 under Decree-Law 111/2012, of 23 May, requested from SEI the establishment of a negotiation commission, based on the objective necessity of having the contract reflect the impossibility of constructing the ER377-2.

The Renegotiated contracts for the Baixo Alentejo, Pinhal Interior and Transmontana Motorway sub-concessions were subject to a ruling by the Court of Auditors (a "preliminary injunction" which means that if there were reduced costs renegotiated contracts would not be eligible for the Permit)

and would take effect from, respectively, 3 April 2017, 21 December 2017 and 24 May 2018.

However, and once again, following the ruling of the Court of Auditors on the Algarve Litoral Contract, it was decided by IP at the end of August to suspend payments to these three sub-concessionaires.

In view of the continued failure of the Court of Auditors to respond to the appeal, it was decided in November to partially reimburse the amounts owed to these three sub-concessionaires.

On the Douro Interior sub-concession, the renegotiations are finished, and the final negotiation minutes were signed on 15 February 2018. The government approval process is under way.

## 5.6.2 Sub-concession Network

The seven sub-concession contracts, with the object of the contracts in force, total an extension of approximately 1,041 km in service (finished work), about 911 km as summarised in the following table.

According to the renegotiation processes, about 35 km of new construction/redevelopment are suspended and, at the moment, about 95 km of new works/redevelopments relating to the Algarve Litoral and Baixo Alentejo sub-concessions are still to be completed.

The sections of the Pinhal Interior, Transmontana and Baixo Alentejo sub-concessions are no longer being considered as part of the total extension, which, according to the Amended sub-concession Contracts, have come under the direct jurisdiction of IP.

It should be noted that the 13 km of new construction below indicated in the Baixo Alentejo sub-concession refers to the A26/IP8 - Grândola Sul/ Santa Margarida do Sado, whose entry into service is dependent on the work on Praça de Portagem de Grândola, which is part of the Brisa Concession. After this intervention under the responsibility of the SPER Sub-concessionaire, this route will come under the direct jurisdiction of IP as it arises from the CSA.

The extensions of the remaining sub-concessions correspond to the scope established in the Amended sub-concession contracts, which are those in force, as explained in section 5.6.1.

SUB-CONCESSIONS	IN OPERATION (*)	BEING BUILT		DO NOT BUILD	TOTAL
		NEW CONSTRUCTION	REDEVELOPED		
Douro Interior	241			0	241
AE Transmontana (CSA)	136			0	136
Baixo Alentejo (CSA)	113	13		0	126
Baixo Tejo	60			9	69
Algarve Litoral	165		82	26	273
Litoral Oeste	102			0	102
Pinhal Interior (CSA)	93			0	93
<b>Total</b>	<b>911</b>	<b>95</b>		<b>35</b>	<b>1,041</b>

km  
 (\*) Includes sections that are in service although they have not been improved.

### 5.6.3 2018 Charges

**Payments made during 2018, relating to road concessions and sub-concessions, amounted to EUR 1,191.0 million (excluding VAT), which represents an implementation of approximately 100% of the estimated amount budgeted for the period.**

There was an increase of EUR 13.6 million euros (+ 1.1%) compared with 2017.

Payments related to State concessions rose by EUR 60.8 million compared to 2017, mainly due to

the balance of Contributions and Reimbursements, for the payment by the Portuguese State, as determined by the Arbitral Tribunal, of compensation to the Douro Litoral Concessionaire in the amount of EUR 53.8 million.

On the other hand, there was a fall of EUR 47.2 million euros in sub-concession payments, essentially due to two factors:

- The non-completion of the works expected under the Algarve Litoral sub-concession, and therefore no payments were made relating to this sub-concession in the year 2018;
- Partial payments in the case of the Transmontana Motorway, Baixo Alentejo, Pinhal Interior sub-concessions, for the reasons described above.

CONCESSIONS AND SUB-CONCESSIONS	REAL DECEMBER 2017	ACCUMULATED DECEMBER 2018		
		REAL	BUDGET	% IMPLEMENTATION
<b>Availability + Availability B</b>	<b>665.7</b>	<b>669.2</b>	<b>671.8</b>	<b>100%</b>
Algarve	41.1	40.3	42.3	95%
Beira Interior	124.9	128.7	128.7	100%
Beira Litoral e Alta	103.9	102.4	101.9	100%
Costa de Prata	49.4	46.2	45.7	101%
Greater Lisbon	23.2	26.8	26.7	100%
Greater Porto	76.0	78.6	78.1	101%
Interior Norte	90.1	83.9	84.0	100%
Norte	108.4	112.9	112.7	100%
Norte Litoral	48.8	49.4	51.7	96%
<b>Contributions and re-equilibrium</b>	<b>6.6</b>	<b>60.1</b>	<b>7.2</b>	<b>839%</b>
<b>Major Repairs</b>	<b>0.5</b>	<b>4.3</b>	<b>21.2</b>	<b>20%</b>
<b>Concessions</b>	<b>672.8</b>	<b>733.6</b>	<b>700.1</b>	<b>105%</b>
<b>Availability + Service</b>	<b>504.6</b>	<b>457.4</b>	<b>496.1</b>	<b>92%</b>
Transmontana Motorway	44.9	39.9	43.9	91%
Algarve Litoral	7.8	0.0	20.8	0%
Baixo Alentejo	47.6	38.5	38.5	100%
Baixo Tejo	69.2	68.3	69.3	98%
Douro Interior	81.3	78.8	87.0	90%
Litoral Oeste	121.1	120.5	118.9	101%
Pinhal Interior	132.8	111.4	117.8	95%
<b>Sub-concessions</b>	<b>504.6</b>	<b>457.4</b>	<b>496.1</b>	<b>92%</b>
<b>Total</b>	<b>1,177.4</b>	<b>1,191.0</b>	<b>1,196.2</b>	<b>100%</b>

Unit: millions of euros (excluding VAT)





## 5.7 Telecommunications and Business Cloud

**Within the IP Group, IP Telecom ensures the effective management of the telecommunications infrastructure, which is translated into the provision of Information and Communication Systems and Technology services.**

IP Telecom is a Telecommunications Operator licensed by ANACOM as a provider of publicly available telecommunications services (public networks). It specialises in telecommunications infrastructure networks, with a wide range of solutions in the area of information technology and cloud computing.

Its activity is linked to the main national telecommunications infrastructure, based on fibre optics installed along the national railway network and on the road technical channel, giving rise to a unique national coverage network, but also on innovative solutions with a focus on Cloud technologies. It also has a set of key assets, such as technological infrastructures and state-of-the-art datacentres.

IP Telecom maintains a strong presence in the telecommunications operator market and provides an increasing number of ICT services to the private business market and to the public administration.

In 2018, IP Telecom strengthened its portfolio of products and services with new business solutions aligned with identified needs in the market. Seeking to evolve and expand its cloud solutions, it capitalised on partnerships with some integrators and technology consulting companies.

Some implementation projects are highlighted at clients that, developed directly or indirectly through partners, have an impact on key services in the country, especially in the economy, defence and security areas. The implemented solutions are based on telecommunications and security services, together with the availability of integrated Cloud Computing solutions, in particular Virtual Datacentre, Cybersecurity and Disaster Recovery solutions.

As a fundamental aspect of this activity, IP Telecom is focused on ensuring high-quality service delivery, reaching availability standards higher than 99.99% in 2018 and high-quality performance indicators such as the customer satisfaction survey conducted in 2018 which, once again, proved its success.

In 2018, fibre optic services saw an increase in the number of customers and in turnover. The links provided to the market continue to position IP Telecom as a leader in the provision of this type of service, with more than 22,000 km of fibre optic cables provided to prestigious national institutions in the areas of education, science, national defence and in particular to national and international telecommunications operators working in Portugal.

Regarding the activity of providing access to the Highway Technical Channel, there was significant growth in 2018, continuing the sharp increase that has occurred since 2015. The introduction of a new offer (ORIP), duly approved by the regulator, and the respective contractual agreement with the main national operators, contributed decisively to the sustained growth of this activity and the consequent increase in the number of fibre optic cables installed in conduits along the roads under IP management. In fact, the number of authorised cables went from just over 1,725 km by the end of 2017 to 3,399 km at the end of 2018.

In 2018, the ISO 9001 certification was obtained, referring to the Business Management System (SGE) as part of activities relating to the "development, management and operation of information technology solutions, network and telecommunications infrastructures and their accommodation". This reiterated the importance of demonstrating to the market that the company intends to meet the demanding quality requirements, in addition to the Information Security (ISO 27001) certification that IP Telecom has had since 2013.

It should be noted that IP Telecom is a member of several cybersecurity organisations, demonstrating the importance it places on the information security of its customers, in particular its operational and application processes supporting the cloud solutions, hosting and housing services, at the Lisbon, Viseu and Porto datacentres.

## 5.8 Engineering services

**IP Engenharia (IPE) has a mission to prepare studies and projects in transport engineering, managing, coordinating and supervising works in this field and streamlining the IP Group's international business.**

IPE is thus a company which provides specialised railway engineering services, dedicated to the preparation of studies, projects and supervision of works, in the context of investments under the responsibility of Infraestruturas de Portugal.

The company's activity, then, results from the planning of investments and respective orders by IP, with which it always works closely, in order to maximise the production capacity of the available resources.

Outside the IP Group, activity was limited to the conclusion of ongoing international contracts:

- Algeria: "Doubling of track and speed increase to 160 km/h of the Beni Mansour - Bejaia railway line" for COSIDER/ANESRIF, in consortium with TPF/Planege/Cenor;
- Europe: "Observatoire de Trafic Terrestre du Corridor Atlantique" for the GEIE-Atlantic Corridor, in consortium with Systra, Ineco and Mfive.

### INTERNATIONAL BUSINESS DEVELOPMENT

In 2018, the IP Group's approach strategy to the international market, under the responsibility of IPE, was set out. It favours the direct provision of technical assistance services and specialised training directed at public entities that manage road and railway infrastructures only in countries where Portuguese is spoken, under the institutional scope. This was marked by the conclusion of the Assistance Agreement with the Government of Mozambique.

In 2018, work began on "Technical Assistance for the Improvement of Strategic Planning and Transport for the Ministry of Transport and Communications of the Republic of Mozambique", which will be carried out by IP Engenharia and in partnership with the CTCE - China Tiesiju Civil Engineering, formalised with the signing of a Protocol between the MTC and IPE and ETSC, on 19 November 2018, at a session chaired by the Minister of Transport and Communications of Mozambique (MTC). This initiative, in addition to being the corollary of the MoU IP/IPE Group, held under the coordination of AICEP with the support of the Secretary of State for the Internationalisation of Portugal and the Ambassador of China in Portugal in November 2017, is also relevant due to the pioneering nature of cooperation between Portuguese and Chinese companies in the infrastructure sector.



## IP Património

### 5.9 Real Estate and Commercial Real Estate Management

**In the IP Group, IP Património (IPP) is responsible for the management of real estate assets, with experience in the commercial operation of the network of stations and transport interfaces, guaranteeing their efficient use, enhancement, redevelopment and maintenance.**

There was a significant increase in commercial activity in 2018, both in terms of sub-concessions and of property sales and gains in value. A total of 256 sub-concession contracts were signed in 2018, of which 136 are new contracts. Around 890 contracts were in force at the end of the year.

This increase in commercial activity, in addition to the direct impact on operating income, translates into other positive effects, driven by the financial investment made by the Sub-concessionaires, both for the safety of people and goods and for the image of the IP Group itself.



Among the contracts concluded, we highlight:

- Construction and operation of 136 residential studios designated by Smart Studios, in Lisbon/Santa Apolónia, in the denominated Fergráfica Building;
- Sub-concession of property and land in Montemor-o-Novo for the setting up of a chocolate factory;
- Building sub-concession associated with the deactivated Pias, Castelo Melhor, Almendra, Macedo de Cavaleiros, Azibo and Évora Monte stations;
- Sub-concession of areas at Entrecampos and Sete-Rios stations for two medium-sized commercial spaces;
- Renewals/renegotiations of existing contracts that have allowed the improvement/modernisation of the concession spaces' image, such as the cafeteria and restaurant spaces at the Rossio and Campanhã stations.

Another noteworthy development in 2018 was the project for the installation and operation of a hotel unit at the Santa Apolónia station.

With regard to parking facilities, the strategy has essentially been to consolidate the existing car parks and to study new opportunities to increase the number of parking spaces available by identifying new locations for the installation of car parks, a process currently underway and which will produce results in 2019.

In the case of Greenways and sub-concession of Deactivated Lines, it is worth noting the negotiation with several Municipalities and Intermunicipal Communities, especially the signing of a contract with the Intermunicipal Community of Alentejo Central and the conclusion of the contracts with the municipality of Vouzela and with a private one for a Railbike tourist service.

## 6. PERFORMANCE

### 6.1 Financial Capital

From results achieved by the **IP Group** in 2018, we highlight the following::

- **Net Profit of EUR 86 millions**, which represents a decrease of EUR 20 million compared to the same period in 2017;
- **EBITDA of EUR 619 million euros**, which represents a decrease of 7% (EUR 44.2 million) compared to the same period last year;
- **Operating Income amounted to EUR 1,333 million**, ou seja, menos 16,8 milhões de euros do que em 2017;
- **Operating Expenses of EUR 993 million**, EUR 27 million more than that verified in 2017;
- **Positive change in Financial Results by EUR 32 million**, compared to the same period in 2017.

#### 6.1.1 Operating Income

##### SALES AND SERVICES

Total revenue from Sales and Services was EUR 1,185 million in 2018, slightly lower (-1%) than in 2017.

##### Road Service Contribution (RSC)

The Road Service Contribution (RSC), created by Law 55/2007 of 31 August, is the consideration paid by users for the use of the road network and is levied on petrol, road diesel and LPG subject to product tax petroleum and energy (ISP) and not exempt from it.

The unit values of the Road Service Contribution for 2018 remained unchanged compared to those set for 2017, standing at EUR 87/1,000 litres for petrol, EUR 111/1,000 litres for diesel and 63 EUR/1,000 litres for LPG.

CSR is IP's main revenue, accounting for about 63% of the company's core revenue. Of note is the

increase of around EUR 3.9 million compared to 2017, explained by the increase in fuel consumption.

##### Tolls

**In 2018, income from tolls increased by EUR 19.6 million compared to the previous year (+7%), reaching a total of EUR 316.1 million, due to an overall increase in traffic on the whole tolled road network.**

The largest share (83%) of toll revenues results from the use of the State Concessions network, where IP is the owner of the revenue from toll charges, reaching around EUR 263 million, 8% more than in 2017.

For their part, toll revenue from IP sub-concessions generated approximately EUR 25.8 million, representing only 8% of total toll revenue, showing a positive growth trend, equivalent to an increase of 11% on the revenue achieved in 2017.

Lastly, direct operations on the IP network (A21, A23 and Marão Tunnel) made it possible to earn EUR 27.7 million in 2018.

The generalised growth in revenue is associated with the progressive recovery of traffic in the motorway network coupled with the increase in the efficiency of toll collection. To this end, the revenue collected in Multi-Lane-Free-Flow (MLFF) tolling systems is particularly important, which accounts for about 73% of total toll revenue, 90% of which has been charged through the use of electronic devices.

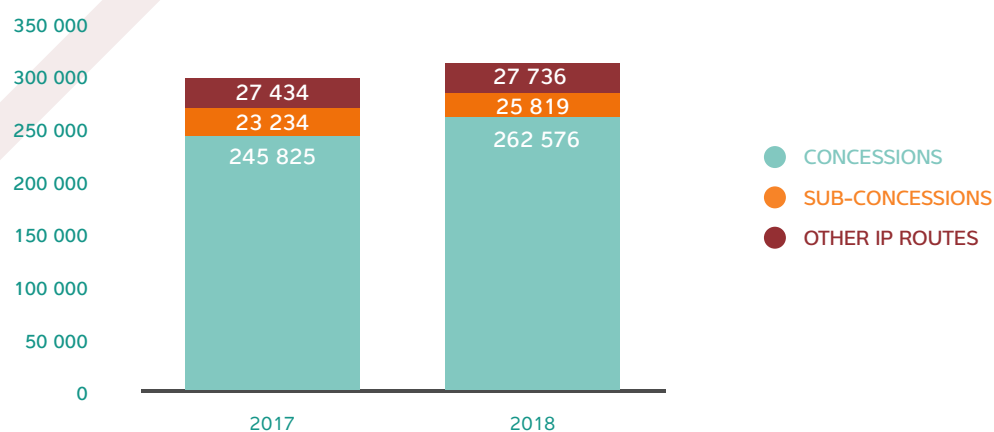
Also worth highlighting for its varied impact on this year's performance is:

- The operation of the toll gate installed next to the Marão Tunnel, with about 350,000 vehicles on average passing through each month, generated revenue of around EUR 8 million. With an increase in revenue of around 13% in relation to 2017, the impact on the demand on the Trans-

OPERATING INCOME	REAL 2017	REAL 2018	CHANGE 18/17	Δ% 18/17
<b>Sales and services</b>	<b>1,195,489</b>	<b>1,184,772</b>	<b>-10,717</b>	<b>-1%</b>
Road Service Contribution (RSC)	684,959	688,889	3,930	1%
Tolls	296,493	316,131	19,638	7%
Railway Services	76,762	81,845	5,083	7%
Grantor State - LDI Revenue	32,616	25,335	-7,281	-22%
Construction Contracts	70,160	38,123	-32,037	-46%
Other Services	34,499	34,449	-49	0%
<b>Operating grants</b>	<b>68,416</b>	<b>62,904</b>	<b>-5,512</b>	<b>-8%</b>
<b>Other income and gains</b>	<b>85,770</b>	<b>85,180</b>	<b>-590</b>	<b>-1%</b>
<b>Total</b>	<b>1,349,676</b>	<b>1,332,856</b>	<b>-16,820</b>	<b>-1%</b>

Unit: thousands of euros.

### CONCESSIONS [Thousands of euros]



montana Motorway sub-concession is also visible, translated into an increase of around 20% in the potential revenue generated by the circulation in the 2 subsections of that sub-concession with MLFF booths.

- The exercise of the right to share toll revenue benefits for 2018, in the total amount of EUR 2.4 million, plus VAT at the current rate, for the Norte Litoral, Algarve and Interior Norte concessions. That right was granted to concessionaires under their respective Contracts after the last process of renegotiation of PPP contracts in the road sector. It should be noted that the sharing of upsides of toll revenue increased by 78% over the previous year, and in particular almost doubled on the Algarve concession.
- The effect of the supplementary scheme to reduce toll rates by 15% under Ordinance 196/2016 of 20 July, applying to the A22, A23, A24 and A25 motorways, respectively part of the Algarve, IP/Beira Interior, Interior North and Beira Litoral and Alta concessions, and to the A4, part of the Transmontana Motorway concession. It can be considered a traffic-inducing measure, and it is important to highlight the benefits for users of the motorways covered, who might, as a whole, have benefited from estimated savings of around EUR 30 million in 2018, which is judged to be relevant for the purposes of territorial cohesion and policy of affirmation of the interior.
- Adhesion to the Easytoll payment system, operated by IP, allowed the collection of approximately EUR 8.5 million, with a majority (72%) of about 455,000 people and entities registered in the Algarve (A22) and Guarda (A25) areas. Also in the segment of foreign registered vehicles, it is worth noting the growing use of Spanish and French electronic devices, whose acceptance is guaranteed by the interoperability of the tolling systems installed throughout the national motorway network, which allowed an increase in collection from foreign drivers of about 16%.

## Railway Services

**The revenue from the Railway Services, which includes the use of channels (minimum access package), the recovery of capacity requested but not used (deletions by the operator), the use of service facilities, the provision of the auxiliary services, totalled EUR 81.8 million in 2018, 6.8% more than in the previous year.**

Most (86%) of the revenue originates from services that comprise all the provision necessary to effectively exercise the right of access the railway infrastructure - Minimum access package and valuation of capacity requested but not used. We highlight:

- The decrease in revenue from the application of infrastructure charges (minimum access package), which accounted for around 84% of total railway services in 2018, amounted to EUR 67.7 million;
- Revenue from passenger trains (EUR 59.4 million) decreased 1.6% compared to 2017, while the share of this segment remained substantially the same as previously observed, i.e. 88% of total revenues from the use of infrastructure (minimum access package);
- Particularly in relation to passenger traffic, it should be noted that about half of the revenue (EUR 28.7 million) come from urban and suburban trains (49% of these from CP Lisbon);
- On the other hand, revenue from freight traffic (EUR 8.3 million) increased by 1.5% compared to 2017. Nevertheless, the respective market share remains at around 12% of total revenue from the use of infrastructure;
- Freight revenue is generated mainly by the Medway operator, accounting for EUR 7.2 million

euros, which correspond to about 86.4% of the segment.

In addition to providing transport channels, IP provides additional and auxiliary services to railway activity, among which the most important are traction power, parking of rolling stock and manoeuvring. The total revenue from these services in 2018 was EUR 9.3 million euros, which represents an increase of 31.3% compared to 2017. The access to the electric power consumption for traction that IP provides to railway operators represents the greater part of the additional and auxiliary services, amounting to EUR 7.0 million.

In 2018, the value of the rolling stock parking service (EUR 1.9 million) increased by 16.1% compared to 2017, influenced by the increase of 0.03 EUR/h in the applicable tariff.

In addition and since the publication of the 1st addendum to the Network Directory for 2018, the Station and Stops Use Service emerged. This corresponds to the availability of the areas, in stations or on the ground, aimed at supporting passengers, the display of travel information and the guarantee of passenger access to the platforms and the equipment installed there. In 2018, revenue from the

application of station and stop tariffs represented EUR 2.4 million, ranking as the second highest-paid rail service, accounting for 3% of total revenue from services registered on the Network Directory.

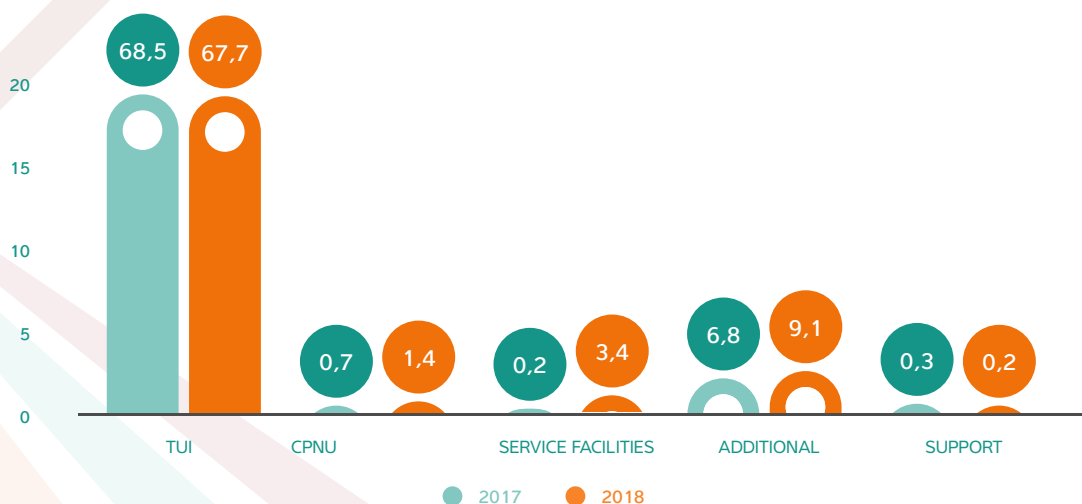
In this framework of services provided at service facilities, we also consider the provision of operational facilities in stations (occupied space and respective water and energy consumption) and the provision of energy to operators' equipment in common areas of the stations (for example ticket sales machines and turnstiles). Revenue from these services was around EUR 0.9 million.

Requested unused capacity reached EUR 1.4 million in 2018, an increase of EUR 0.7 million compared to 2017.

#### Grantor State

The amounts recorded in the Grantor - State (LDI Revenue) account correspond to the internal work charged to investment in long-duration infrastructure, namely, materials and labour for investment and the respective structure charges, under the terms of IFRIC12. This recorded a decrease of 22% in 2018, compared to 2017.

### CORE REVENUE - RAILWAY



## Construction Contracts

Construction contracts represent IP's income from its NRN construction activity as defined in its Concession Contract. This includes all IP's construction activities by direct contracting or sub-concession.

The values corresponding to the construction of New Infrastructures are under the direct management of IP and are calculated on the basis of the process of monitoring the monthly works and reflecting the physical evolution of the works in progress, plus costs directly attributable to the preparation of the asset for its intended use.

The construction of the Sub-concessed network is calculated based on the construction values contracted for each sub-concession and the percentage of completion reported to IP for each sub-concession. It reflects the physical evolution of the

works and is therefore independent of the billing flow. The variation reflects the final phase of construction of the A26 - Baixo Alentejo Motorway and the renovation of the EN 125 - Algarve Litoral.

The capitalised financial charges correspond to IP's financial costs during the road construction phase and are composed either of banking financial costs used to finance the acquisition of the State's concessioned network, or the accounting remuneration of the subconcessionaires' debt corresponding to the sections still under construction and to which the implicit rate of the baseline case of each contract is applied, which is the result of the fact that the financial flows have not accompanied the physical evolution of the work. These theoretical rates vary between 5% and 9%.

## Other Services

OTHER SERVICES	REAL 2017	REAL 2018	CHANGE 18/17	Δ% 18/17
Real Estate and Commercial Real Estate Management	15,400	15,919	519	3%
Telecommunications	8,541	8,202	-339	-4%
Engineering and Transport Services	144	38	-106	-73%
Railway Freight Terminals	2,634	2,630	-4	0%
Licensing	493	680	187	38%
Service Areas	2,018	2,054	36	2%
Technical road channel	3,553	3,306	-247	-7%
Others	1,715	1,620	-95	-6%
<b>Total</b>	<b>34,499</b>	<b>34,449</b>	<b>-50</b>	<b>0%</b>

Unit: thousands of euros.



#### A. Property and Commercial Space Management

This income, in the amount of EUR 15.9 million, comprises the amounts resulting from the lease of Commercial areas, sub-concessions, Rental of Parking, Management of Enterprises and Advertising, registering in 2018 an increase of 3% mainly due to the positive evolution of the commercial areas and sub-concession business segments.

#### B. Telecommunications

This component encompasses the provision of telecommunications services to the market, rental, maintenance and other services associated with optical fibre; as well as technological solutions in application areas such as ERP, CRM, Service Management, Cyber defence, Cybersecurity, among others. Turnover in this segment reached EUR 8.2 million in 2018, down 4% from the value recorded in 2017.

#### C. Engineering and Transport Services

This segment encompasses activities related to transportation engineering services in multidisciplinary road and/or rail projects, and respective mobility solutions, at national and international level.

The turnover of this segment in 2018 was only EUR 38,000, which reflects the strategic orientation of the focus of IP Engenharia's resources on the Ferrovia 2020 Investment Programme, i.e. the provision of intra-group services.

#### D. Railway Terminals

The operation of the Railway Terminals translated into revenue in 2018 of EUR 2.6 million, in line with that verified in 2017.

#### E. Licensing

The changes introduced by the new legal scheme of the Public Road Domain, in particular with regard to its private use and the procedure for regularisation of access, had some impact on citizens and companies, which meant that the Portuguese Parliament decided, through the State Budget Law for 2017, to suspend the access regularisation procedure in accordance with article 4 of Law 34/2015, as well as to suspend the procedures for application and collection of the fees provided for in Ordinance 57/2015. As a result of this fact, almost all the revenue from road licensing has been lost until the suspension of said ordinance is revoked.

Revenue from licences in 2018 was EUR 680,000, which represents an increase of 38% over 2017.

#### F. Service Areas

Revenue from the Service Areas in 2018 was EUR 2.0 million, 2% more than in 2017.

#### G. Road Technical Channel

Turnover from the Road Technical Channel was EUR 3.3 million in 2018, which represents a slight decrease of 7% on the amount obtained in 2017.

Income corresponding to the compensatory payments for 2018 was EUR 62.9 million, 8% lower than the value obtained the previous year.

This amount is stipulated in Resolution of the Council of Ministers no. 10-A/2016, in accordance with the provisions of the Programme Contract entered into between IP and the Portuguese State in March 2016 for provision of the public railway service.

## Compensatory Payments

INCOME	REAL 2017	REAL 2018	CHANGE 18/17	Δ% 18/17
Compensatory Allowances	68,416	62,904	-5,512	-8%

Unit: thousands of euros

## Other Income and Gains

OTHER INCOME AND GAINS	REAL 2017	REAL 2018	CHANGE 18/17	Δ% 18/17
Operating Grants	496	125	-372	-75%
Investment Grants	62,819	63,562	743	1%
Asset Sales	40	46	6	14%
Sale of waste	3,022	2,021	-1,001	-33%
Other revenue	19,392	19,426	34	0%
<b>Total</b>	<b>85,770</b>	<b>85,180</b>	<b>-590</b>	<b>-1%</b>

Unit: thousands of euros

The total of Other Income and Gains was EUR 85.2 million euros in 2018, i.e. EUR 590,000 below the amount recorded in 2017.

Of note is the increase of EUR 743,000 under the investment grants item compared to the amount in 2017. This item represents the grants received from the Portuguese State and from the European Union for the road component and are recognised at fair value when there is reasonable certainty that the conditions for receiving the subsidy will be met.

The non-refundable grants obtained by investing in tangible and intangible fixed assets are recognised as deferred income. Grants are subsequently attributed to the comprehensive income statement on a pro rata basis from the depreciation/amortisation of the assets to which they are associated and are recorded under "Other income and gains".

## 6.1.2 Operating Expenses

Operating expenses increased by 3% during the year 2018 compared to the same period in 2017.

OPERATING EXPENSES	REAL 2017	REAL 2018	CHANGE 18/17	Δ% 18/17
Cost of goods sold and materials consumed	273,704	272,533	-1,171	0%
Maintenance, repair and safety of road network	97,578	97,107	-471	0%
Maintenance, repair and safety of railway network	54,872	67,426	12,554	23%
Other ESS	106,327	110,867	4,540	4%
Personnel expenses	134,402	136,732	2,330	2%
Impairment (losses/reversals)	-1,107	-703	404	-37%
Depreciation and amortisation expenses/reversals	278,294	279,440	1,146	0%
Provisions (increases/reductions)	8,686	16,708	8,022	92%
Other costs and losses	11,734	12,686	952	8%
<b>Total</b>	<b>964,489</b>	<b>992,794</b>	<b>28,305</b>	<b>3%</b>

Unit: thousands of euros

### Cost of Goods Sold and Materials Consumed (CGSMC)

COST OF GOODS SOLD AND MATERIALS CONSUMED	REAL 2017	REAL 2018	CHANGE 18/17	Δ% 18/17
Sub-concessioned Network	21,549	1,278	-20,271	-94%
New Road infrastructure	9,659	16,758	7,099	73%
Tolls Concessions State	226,595	244,045	17,450	8%
Consumption of Materials for Railway Maintenance	3,377	4,844	1,467	43%
Consumption of Materials for Railway Investment	12,525	5,610	-6,915	-55%
<b>Total</b>	<b>273,704</b>	<b>272,533</b>	<b>-1,170</b>	<b>-0.4%</b>

Unit: thousands of euros

In the period under review, overall expenses with CGSMC show a slight decrease of -0.4% compared to 2017, which is due to the following factors:

- Increased spending by EUR 17 million on the "State Concession Tolls" item, in line with the increase in toll revenues (net of collection costs);
- Decrease in the construction activity of the sub-concessioned network and, conversely, an increase in the activity of construction of new road infrastructure (IP's own network).

## ROAD MAINTENANCE, REPAIR AND SAFETY

MAINTENANCE, REPAIR AND SAFETY OF ROAD NETWORK	REAL 2017	REAL 2018	CHANGE 18/17	Δ% 18/17
Regular Road Maintenance	53,000	53,000	0	0%
Road Safety	6472	7,773	1,301	20%
Current Maintenance of Infrastructures	38,105	36,333	-1,772	-5%
<b>Total</b>	<b>97,578</b>	<b>97,107</b>	<b>-471</b>	<b>-0.5%</b>

Unit: thousands of euros.

In 2018, total costs for road maintenance, repair and safety were EUR 97.1 million, down EUR 471,000 (-0.5%) from 2017.

**Regular Road Maintenance**, corresponds to the recognition of the increase in IP's responsibility for the expenses necessary to maintain the level of service of roads and engineering structures imposed by its Concession Contract. An annualised cost of EUR 53 million is calculated for the scheduled maintenance works required to maintain the network's average quality index at the same level as when the network was received, based on technical assessments of repair needs and an average quality index of the roads and engineering structures.

The new **Road Safety** activities are supported by the Road Safety Plan, which includes interventions in the field of vertical and horizontal signalling, traffic lights and the installation of new safety barriers, among others, with an expenditure of EUR 7.8 million in 2018, which is EUR 1.3 million more (+20%) than in 2017.

**Current Maintenance** corresponds to the expenses in the year for interventions of current maintenance of roads and engineering structures with the objective of maintaining the conditions of travel comfort, avoiding the degradation of the infras-

tructure and the quality of the service. The cost in 2018 was EUR 36.3 million (-5% compared to 2017).

## RAILWAY MAINTENANCE, REPAIR AND SAFETY

In order to ensure the maintenance and rehabilitation of the National Railway Network (RFN), complying with the expected levels of service, IP has several Maintenance Service contracts.

Most of these contracts are multi-annual and include interventions in the areas of Systematic Preventive Maintenance (MPS), Conditioned Preventive Maintenance (MPC) and Corrective Maintenance (MC), in the specialties of track, signalling, catenary, low voltage, substations, civil construction, level crossings, and elevators and escalators.

These Maintenance Service Contracts are characterised by:

- Contracts of national geographical coverage, in a single batch or in batches covering more than one regional organisational unit;
- Contracts of national geographical coverage, developed centrally and divided into several batches, limited to the regional organisational units;
- Regional/local contracts.

In 2018, the total costs of railway maintenance, repair and safety were EUR 67.4 million, EUR 12.6 million more than in 2017 (EUR 54.9 million), as can be seen in the table below, broken down by specialised field.

The increase in charges recorded in 2018 compared to 2017 is mainly due to the implementation of actions related to deforestation and vegetation control, in compliance with current legislation.

MAINTENANCE, REPAIR AND SAFETY OF RAILWAY NETWORK	REAL 2017	REAL 2018	CHANGE 18/17	Δ% 18/17
Track	21,168	31,176	10,008	47%
Signalling	14,520	14,738	218	1%
Telecommunications	4,006	4,339	333	8%
Catenary	4,793	948	155	3%
Low Voltage	1,756	1,969	213	12%
Substations	753	696	-57	-8%
Civil Construction	2,760	540	2,480	90%
Engineering Structures	0	128	128	
Level Crossings	689	672	-17	-3%
Rec. Materials	426	320	-106	-25%
Assistance Train	1,024	999	-25	-2%
Elevator - Escalator	745	736	-9	-1%
Others	2,230	1,465	-765	-34%
<b>Total</b>	<b>54,872</b>	<b>67,426</b>	<b>12,554</b>	<b>22.9%</b>

Unit: thousands of euros.

## Other External Supplies and Services

OTHER SUPPLIES AND SERVICES	REAL 2017	REAL 2018	CHANGE 18/17	Δ% 18/17
O&M Sub-concessions EP	27,213	28,868	1,655	6%
Toll Collection Charges	21,575	21,587	12	0%
RSC Collection Charges	13,699	13,778	79	1%
Electricity	15,147	15,893	746	5%
Car fleet	5,800	5,965	166	3%
Fees, Consulting and Other Specialised Work	2,711	3,361	650	24%
Surveillance	5,238	5,335	97	2%
IT	2,620	2,937	317	12%
Cleaning	2,420	3,047	627	26%
Travel and Accommodation	379	395	16	4%
Communications	472	280	-192	-41%
Other ESS	9,054	9,419	365	4%
<b>Total</b>	<b>106,327</b>	<b>110,867</b>	<b>4,540</b>	<b>4.3%</b>

Unit: thousands of euros.

Other external supplies and services reached EUR 110.9 million in 2018, higher than the amount recorded in 2017 (difference of EUR 4.5 million).

The costs of operating and maintaining sub-concessions (O&M sub-concessions) result from the accounting recognition of the operation and maintenance costs carried out by Sub-concessionaires under the sub-concession contracts in force.

The growth of this expenditure in the period under analysis, compared to the same period of 2017, reflects the evolution of O&M expenditures foreseen in the financial models of the sub-concession contracts, in line with projections for the period.

The Toll Collection Charges account incorporates the payment of variable remuneration (fee) and the monthly account reconciliation (compensation of costs) of the tolled road network. In 2018, these charges remained practically unchanged compared to the same period in 2017.

The evolution of these charges compared to the same period of the previous year is not in line with the evolution of the tolls, which is mainly due to:

- The registration in 2017 of amounts collected under Easytoll for the years 2015 and 2016;
- Due to the lower retention of collection costs in the first half of 2018 of the toll operator of the A23 (Portvias) compared to the same period of 2017.

The Road Service Contribution (RSC) Collection Charges correspond to the 2% of the RSC retained by the Tax Authority in consideration for the provision of the RSC calculation and collection service. These collection charges are a percentage of the amount charged, so their evolution is exactly the same as that found in income and represents 13% of total expenses with other External Supplies and Services.

The Energy item refers to the value of electricity and traction electricity of rolling stock to be provided to railway operators. Energy consumption in the period under review amounted to EUR 15.9 million, 5% more than in the same period of 2017.

Expenditure on the Car Fleet, which include rents of vehicle leases, fuel, tolls and maintenance, increased by 3% over the same period of 2017.

At the end of 2018, the company had 743 vehicles, of which 77% were under the AOV vehicle leasing scheme, on which it pays a monthly rent associated with each car.

The expenses related to the rents of vehicles under the AOV scheme were EUR 2.8 million in 2018. We see a slight reduction when comparing this value with that recorded in the same period in 2017.

In terms of amounts spent on fuel, comparing the real for 2018 with the same period of 2017, there is an increase of 10%, which is explained by the fact that fuel prices are higher.

In the analysis of toll charges recorded in 2018, compared to the same period in 2017, there was an increase of 7%, around EUR 28,000.

In terms of maintenance costs, the vehicles in the company's car fleet are ageing significantly, which exacerbates the costs associated with their maintenance.

The amount for Fees, Consultancies and Other Specialist Work registered in 2018 was EUR 3.3 million, 24% above the amount recorded in the same period in 2017.

The Travel and Accommodation item includes domestic accommodation, international travel, including these airfares and the respective accommodation abroad.

In this item the company has made an effort to optimise expenditure through the conclusion of a service contract for booking accommodation, which allows greater control and monitoring of this type of centralised management expenses.

For Foreign Travels and Stays, all expenses related to air travel and accommodation abroad and to Portuguese islands (Madeira and the Azores) are recorded.

It should be noted that part of the expenditure on travel abroad is associated with innovation projects which are co-financed by the European Union, involving partial reimbursement of expenses incurred.

Communication expenses totalled EUR 280,000. With the entry into force of the new telecommunication contract in June 2018, the Group started to benefit from cheaper communications, translating into savings of 41% when compared to the same period last year.

#### PERSONNEL EXPENSES

**In 2018, IP Group's personnel expenses amounted to EUR 136.7 million, i.e. EUR 2.3 million more than in 2017, mainly due to the EUR 4 million increase in Staff Remuneration, from EUR 101 million in 2017 to EUR 105.1 million in 2018.**

In spite of the decrease in the average number of employees, from 3,698 in 2017 to 3,663 in the current year, the replacement of Acquired Rights (automatic career progressions and increase in seniority bonuses) begun in the second half of 2017 and 100% complete from January 2018 led to an increase in expenses of EUR 9.1 million and a fall in the number of staff departures.

PERSONNEL EXPENSES	REAL 2017	REAL 2018	CHANGE 18/17	Δ% 18/17
Personnel expenses	101,117	105,151	4,034	4%
Wage Expenses	24,582	23,934	-648	-3%
Indemnities	1,726	1,294	-432	-25%
Others	6,977	6,353	-624	-9%
<b>Total</b>	<b>134,402</b>	<b>136,732</b>	<b>2,330</b>	<b>1.7%</b>

Unit: thousands of euros.

## IMPAIRMENT (LOSSES/REVERSALS)

In 2018, impairments decreased by 37% compared to the previous year. In view of the merger between GIL and IP Património, the loans granted to the former GIL were transferred to IP Património, and the latter become responsible for them.

## DEPRECIATION AND AMORTISATION EXPENSES/REVERSALS

The recorded value of depreciation and amortisation expenses increased by EUR 1.1 million in 2018 compared to 2017 (+1%), which is mainly due to the update of the projections for total investment, already realised or to be made, in the Concession between IP and the State, amortised according to the best estimate of the revenue to be generated during the concession period.

## PROVISIONS (INCREASES/REDUCTIONS)

The total amount of provision increase/reduction costs in 2018 was EUR 16.7 million, an increase of EUR 8 million (92%) compared to 2017, which comprise mainly provisions relating to the VAT procedure associated with the RSC.

## OTHER COSTS AND LOSSES

Other Costs and Losses recorded a value of EUR 12.7 million in 2018, an increase of approximately EUR 1 million compared to the same period in 2017, mainly due to the change in the Compensation for material damages item, and is explained by the payment of compensation in the amount of EUR 3.6 million to the entities Petróleos de Portugal – Petrogal SA and Ruivo e Carmona Lda., due to a final judgment of the supreme administrative court in case no. 288/02.

### 6.1.3 Investment

**The Investment Plan for the coming years was designed to increase sustainable investment coverage by identifying priority investments that ensure the necessary network safety and reliability, eliminate constraints and bottlenecks, and promote better interoperability of**

INVESTMENTS	REAL 2017	REAL 2018	CHANGE 18/17	Δ% 18/17
Ferrovias 2020 Investments	56.3	71.8	15.4	27%
PETI3 + Road Investments	1.3	3.2	2.0	156%
<b>PETI3 + Investments</b>	<b>57.6</b>	<b>75.0</b>	<b>17.4</b>	<b>30%</b>
Other Railway Investments	16.1	22.0	5.9	37%
Other Road Investments	8.4	9.3	0.9	11%
<b>Other Investments</b>	<b>24.5</b>	<b>31.3</b>	<b>6.8</b>	<b>28%</b>
Management Support Investments	1.9	4.1	2.2	117%
<b>Total</b>	<b>84.0</b>	<b>110.4</b>	<b>26.4</b>	<b>31%</b>
Unit: EUR million.				



the road and rail network, maximising the capacity to obtain Community funding and thus contributing to increasing national competitiveness, mobility and safety.

**The amount of investment made up to the end of 2018 was EUR 110.4 million, representing a 31% increase over 2017:**

We should highlight the significant increase in investments made under the Ferrovia 2020 Investment Plan (+27%), a trend that will continue in 2019 and subsequent years.

Of the activities carried out as part of Ferrovia 2020, the conclusion of the contract for the Full Renovation of the Line between the Alfarelos and Pampilhosa Stations, with an investment of around EUR 12 million in 2018, the investment of 18.2 EUR million in the Nine-Viana-Valença corridor, EUR 10.6 million invested in the Beira Baixa line in the Covilhã-Guarda section, the investment of 12.5 million in the Sines/Setúbal/Lisbon-Caia corridor and the electrification of Caíde-Marco section of the Douro Line, with an investment of EUR 1.9 million, are worth mentioning.

Road investments under the PETI3+ Programme have fallen significantly in recent years, due to the completion of the Marão Tunnel in 2016. This trend was reversed in 2018. We highlight the investment of EUR 3.1 million related to the Expropriation of EN14 (Jumbo Node)/Trofa Rail-Road Interface 1st phase.

Other Investments in rail and road amounted to EUR 31.3 million, up 28% on the previous year.

## 6.1.4 FINANCING OF THE FERROVIA 2020 INVESTMENT PLAN

The conclusion of the Ferrovia 2020 investment plan requires the existence of a financial package made up of Community funds from the Connecting Europe Facility (CEF) programme, both in the general component (30 to 50% contribution) and in the cohesion component (85% contribution) and the Portugal 2020 programme (85% contribution), to which the Juncker Plan and the contribution from Infraestruturas de Portugal can be added.

During 2018, with regard to Community Financing associated with investment projects, the most important events occurring during the 2014-2020 programme period refer to the COMPETE 2020 Program, in the scope of notices 04/RAIT/2016 and 05/RAIT/2016, and the following nominations were approved:

- (i) North Line - Modernisation of the Ovar-Gaia section (2nd phase)
- (ii) North Line - Modernisation of Santana Cartaxo-Entroncamento Section (2nd Phase)
- iii) North Line - Braço de Prata-Alverca section – Bobadela Rail Terminal
- (iv) Beira Baixa Line: Modernisation of the Castelo Branco/Covilhã/Guarda Section (2nd Phase)
- (v) Algarve Line Electrification (Conditional Favourable Decision)
- (vi) Linha do Oeste - Modernisation of the Meleças-Caldas da Rainha section (Conditional Favourable Decision)

In 2018, the total amount EUR 74.9 million was received from the Community Funds allocated to IP for the development of the road and rail infrastructure.

The following table presents the list of active applications in 2018.

PLANNING PERIOD	PROGRAMME	MODALITY	APPLICATION	APPLICATION STATUS	TOTAL INVESTMENT COST	CONTRIBUTION
EU	CEF-GERAL	Railway	Sines-Elvas (Spain) Rail Link: Évora-Caia section and Technical Station at km 118 of the South Line	Approved EC	315,446,963	127,716,151
2014-2020	CEF-GERAL	Railway	Studies of the Aveiro-Vilar Formoso Railway Link in the Atlantic Corridor	Approved EC	4,433,056	2,216,528
2014-2020	CEF-GERAL	Railway	Multimodal Logistics Plat-form at the Port of Leixões (2nd Phase) - (Studies for the Road-Rail Terminal)	Approved EC	925,000	462,500
2014-2020	CEF-GERAL	Railway	Port of Leixões Road-Rail Accessibility Studies	Approved EC	1,400,000	700,000
2014-2020	CEF-COESÃO	Railway	Aveiro-Vilar Formoso Railway Link in the Atlantic Corridor: Beira Alta Line (Pampilhosa-Vilar Formoso) - Construction Design and Works	Approved EC	547,741,250	375,860,046
2014-2020	CEF-COESÃO	Railway	Studies for the South International Corridor (Sines / Setúbal / Lisboa-Caia) inserted in the Atlantic Corridor	Approved EC	2,935,000	2,494,750
2014-2020	CEFCOESÃO	Railway	Sines-Elvas (Spain) Rail Link: Évora-Caia section (2nd Phase)	Approved EC	73,059,035	55,839,020
2014-2020	CEF-COESÃO	Railway	Sines-Elvas (Spain) Rail Link: Sines-Ermidas-Grândola Section (Work)	Approved EC	44,139,899	33,736,125
2014-2020	COMPETE 2020	Railway	Minho Line - Modernisation of the Nine-Valença Border section (2nd Phase)	Approved	86,408,383	67,858,668
2014-2020	COMPETE 2020	Railway	North Line - Modernisation of the Ovar-Gaia section (2nd phase)	Approved	159,357,940	118,738,327
2014-2020	COMPETE 2020	Railway	North Line - Modernisation of the Alfarelos-Pampilhosa section (2nd phase)	Approved	61,170,396	45,446,516
2014-2020	COMPETE 2020	Railway	North Line - Modernisation of Santana Cartaxo-Entroncamento Section (2nd Phase)	Approved	58,968,390	43,937,690
2014-2020	COMPETE 2020	Railway	North Line - Braço de Prata-Alverca section - Bobadela Rail Terminal	Approved	14,265,030	11,059,617
2014-2020	COMPETE 2020	Railway	Algarve Line-Electrification	Conditional Favourable Decision	64,816,921	48,714,673
2014-2020	COMPETE 2020	Railway	Beira Baixa Line - Modernisation of Castelo Branco-Covilhã-Guarda Section (2nd Phase)	Approved	77,123,558	60,571,950
2014-2020	COMPETE 2020	Railway	Douro Line - Modernisation of the Caide-Marco de Canaveses-Rêgua section	Approved	72,382,140	49,179,171
2014-2021	COMPETE 2021	Railway	West Line - Modernisation of Meleças/Caldas da Rainha Section	Conditional Favourable Decision	112,417,167	43,520,443
2014-2020	CEF-GERAL	Rodoferroviário	Re-design of the Multi-modal Platform of the Port of Lisbon - Accessibility Studies to the Barreiro Container Terminal	Approved EC	600,000	300,000
2014-2020	CEF-GERAL	Road	Cross-border Road Connection in the Atlantic Corridor: A25-IP5 Vilar Formoso - A-62 Fuentes de Oñoro	Approved EC	15,225,000	1,522,500
				<b>Total</b>	<b>1,712,815,128</b>	<b>1,089,874,676</b>
Unit: Euros						

## 6.1.5 Equity Structure

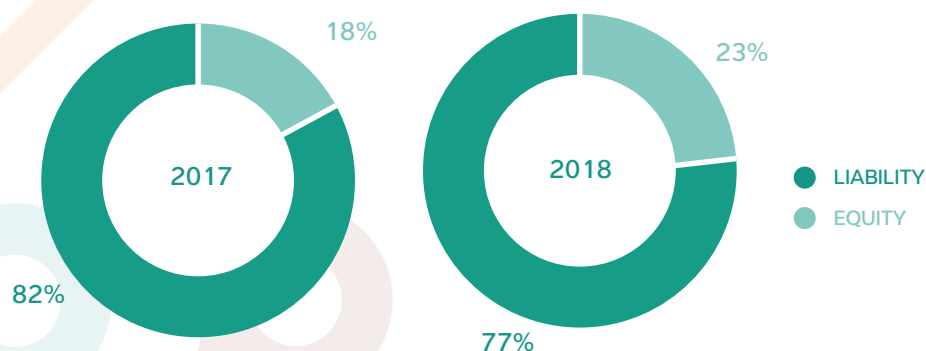
Total assets amounted to EUR 26,376 million at the end of 2018, mainly made up of the intangible assets related to the road infrastructure network and the Grantor State Account receivable related to the value of the Long-Duration Infrastructure Investment Activity (LDI) on the railway.

Total Equity at 31 December 2018 amounted to EUR 6,121 million (23% of assets) and total liabilities amounted to EUR 20,255 million (77% of assets)

As regards Assets, there was a reduction of EUR 1,755 million compared to 31-12-2017 (-6%).

In Non-current Assets, we highlight the increase of EUR 233.5 million in intangible assets (essentially the right resulting from the Road Concession Contract).

### ASSET STRUCTURE



EQUITY STRUCTURE	2015	2016	2017	2018	CHANGE 18/17	Δ% 18/17
<b>Assets</b>	<b>27,060.4</b>	<b>27,381.8</b>	<b>28,131.5</b>	<b>26,376.2</b>	<b>-1,755.3</b>	<b>-6%</b>
Non-current	19,826.0	20,033.9	20,444.3	20,677.8	233.5	1%
Current	7,234.3	7,347.9	7,687.2	5,698.4	-1,988.8	-26%
<b>Equity</b>	<b>3,107.9</b>	<b>4,084.2</b>	<b>5,149.6</b>	<b>6,121.1</b>	<b>971.5</b>	<b>19%</b>
<b>Liabilities</b>	<b>23,952.5</b>	<b>23,297.6</b>	<b>22,982.0</b>	<b>20,255.2</b>	<b>-2,726.8</b>	<b>-12%</b>
Non-current	19,519.0	18,113.7	17,476.0	16,271.1	-1,204.9	-7%
Current	4,433.4	5,183.9	5,506.0	3,984.0	-1,521.9	-28%

Unit: EUR million.

In Current Assets, there was a reduction of approximately EUR 1,989 million (-26%), mainly due to the Grantor State - Account receivable item, due to the compensation operation carried out in 2018 between the DGTF and the IP Group, which consisted of compensation between the amount receivable by the Group registered in the Grantor - State - Account Receivable and the value of the service of the debt of the State loans granted by the DGTF to finance the railway activity.

In terms of Liabilities, there was a decrease of EUR 2,726.8 million (-12%), with the decrease of the Shareholder Financing/Shareholder Loans account by EUR 2,038 million.

In 2018, a share capital increase amounting to EUR 886.1 million was made through cash inflows, ranging from EUR 660.2 million to cover the investment and EUR 225.9 million to service debt excluding government loans.

It should be noted that at the end of 2018, by means of notice no. 1091, the Directorate General of the Treasury and Finance (DGTF) granted a new moratorium on the payment of debt service for State loans. With regard to loans associated with the road component, the moratorium extends until 31 May 2019 for loans which matured on 31 May and 30 November 2018. For rail component loans, the moratorium was granted until 30 November 2018. Deferrals granted in this context are not subject to the payment of interest.

## 6.1.6 Results by Domain and Mission

### BACKGROUND

IP is obliged to provide the public service for the management of the infrastructure of the National Railway Network (RFN), under the terms delegated to it by Decree-Law 104/97 of 29 April, which is still in force by article 20 of paragraph 1 of Decree-Law 91/2015, as established in article 13 of the Basic Law of the Land Transport System, approved by Law 10/90 of 17 March.

Included in the RFN's public service infrastructure management obligations are:

- The management of railway infrastructure capacity;
- Traffic command and control;
- Maintenance of the railway infrastructure;
- The promotion, coordination, development and control of all activities related to the railway infrastructure.

Decree-Law 217/2015 of 7 October transposed into national law Directive 2012/34/EU of the European Parliament and of the Council of 21 November establishing a single European railway area.

The referred Decree-Law defines, inter alia, the conditions for the provision of rail transport services by rail and the management of railway infrastructure, as well as the content and obligation of preparation and publication of the Directory Network by the infrastructure manager.

For the development of its activity in the railway domain, the IP has structured itself by differentiating two segments:

- **Investment Management:** carried out directly on behalf of the State, comprises the construction, installation and renewal of railway infrastructure, assuming rights and responsibilities over the public railway domain, namely the study, planning and development of investments in long-duration railway infrastructure (LDI).
- **Infrastructure Management:** provision of the public infrastructure management service that is part of the national railway network. It includes functions such as maintenance and repair of infrastructure, capacity management, management of regulatory and safety systems, as well as command and control of traffic (core activities).

Also included in this segment are Other Supplementary Activities related to generating revenue from other resources not directly related to the railway infrastructure (non-core activities).

## METHODOLOGY

As the manager of the railway infrastructure, it is the responsibility of IP to ensure, in a transparent and non-discriminatory manner, access to the infrastructure by all railway operators.

One of the mechanisms established in the legal provisions to guarantee this impartiality is the obligation to publish the Network Directory by the infrastructure manager, where it informs the market of the conditions of access, services offered and respective tariffs to be charged.

In addition to this responsibility of the manager, the demonstration of conformity of the calculation of costs directly attributable to the Implementing Regulation (EU) 2015/909 of 12 June.

Its drafting is mainly based on the breakdown of spending by railway and road domains, and for railways to distinguish between the missions of investment, infrastructure management and other supplementary activities, as shown in the figure below.

In a first phase, IP's Total Costs are divided into Railway and Road segments, using a division key for the costs that cannot be directly attributed to one segment.

In the second phase the total railway expenses of IP are separated into the missions of Investment, Management of Railway Infrastructures and other Supplementary Activities.

The breakdown of expenditure between missions is based on a mission-key which has been drawn up for this purpose and which applies to all bodies of the undertaking, irrespective of the nature of the expenditure.

In the scope of the Railway domain, this key does not apply to the expenses directly attributed to the Maintenance and Repair of the Railway Infrastructure, as well as the expenses with Substations, Relief Train, Traction Energy, AMT, Compensation for Termination by Mutual Agreement and Transport Concessions, Material Recovery, Management

of Waste and Works for Third Parties, since these are accounted for in the respective cost centres as belonging to the missions of Infrastructure Management or Other Supplementary Activities, respectively.

The value of the investment materials in the respective cost centres are added to the investment mission expenses resulting from the application of the division keys.

Railway	Investment
	Management Infrastructure
	Other activities Complementary
Road	

## RESULTS

Accordingly, the following table shows the breakdown of Operating Results by Domain and Mission.

CAPTION	RAILWAY			ROAD	TOTAL IP
	INVESTMENT	INFRASTRUCTURE MANAGEMENT	OTHER SUPPLEMENTARY ACTIVITIES		
Sales and Services	19,029	81,910	3,140	1,046,586	1,150,664
Operating Grants (Compensatory Allowances )	0	62,904	0	0	62,904
Other revenue	0	0	14,638	81,584	96,222
<b>Operating Income</b>	<b>19,029</b>	<b>144,814</b>	<b>17,778</b>	<b>1,128,170</b>	<b>1,309,790</b>
Cost of goods sold and materials consumed	5,635	4,653	14	262,080	272,381
Maintenance, repair and safety of road network	0	0	0	96,874	96,874
Maintenance, repair and safety of railway network	15	66,712	3,007	0	69,734
Other External Supplies and Services	1,586	27,691	2,949	72,485	104,711
Personnel Expenses	9,735	77,983	6,021	32,045	125,784
Provisions (increases / reductions)	0	0	-212	16,663	16,451
Impairment (losses / reversals)	0	0	-22,876	-803	-23,679
Gains / Losses in Associates	0	0	-5,180	0	-5,180
Other Expenses	990	3,443	643	7,026	12,102
<b>Expenses before depreciation, financing and taxes</b>	<b>17,961</b>	<b>180,482</b>	<b>-15,634</b>	<b>486,370</b>	<b>669,179</b>
Depreciation and Amortisation for the Year	1,067	2,044	135	274,597	277,843
<b>Operating Profit</b>	<b>-0</b>	<b>-37,712</b>	<b>33,278</b>	<b>367,203</b>	<b>362,769</b>
Amounts in thousand euros.					

## 6.1.7 Financial Management and Debt

### FINANCIAL MANAGEMENT

In 2018, the financial management of the companies of the IP Group remained in the sphere of the Finance and Markets Department of IP.

The main objective of this framework is the integrated management of the Group's financial resources in order to optimise the flows between the subsidiary companies and the parent company. It is a sufficient condition that each subsidiary company spends the financial resources guaranteeing its activity, but it is a necessary condition that they be maximised in order to contribute to the economic and financial sustainability of the parent company.

The centralisation of financial management is also intended to standardise practices and procedures both in terms of cash management and in terms of the production of management information to support the decision.

It is the concern of the IP Group that the processes associated with financial management are designed within the legal framework in force for companies in the State-owned enterprises sector (Decree-Law 133/2013), which imposes the obligation to apply the principle of the State Treasury Unit (Article 28) and restrictions on the contracting of financing operations (Article 29).

The IP Group ended the year with a total cash position of EUR 314.8 million, of which EUR 200 million were invested in Special Short-Term Debt Certificates (CEDIC) of IGCP.

	CASH
Infraestruturas de Portugal	294.5
IP Engenharia	4.8
IP Património	8.8
IP Telecom	6.7
<b>Total</b>	<b>314.8</b>
Unit: EUR million	

#### IP

Regarding IP, as of 2012, IP's financial management activity takes into account the legislation applicable to reclassified public entities (EPR) with indirect impacts on the management of financial resources.

Until the date of the legal merger (1 June 2015), both REFER and EP enjoyed the status of Reclassified Public Entity (EPR), a circumstance that the merger did not change for IP.

The State Budget for 2018 (SB 2018), approved by Law 114/2017, of 29 December, included IP's global financing needs in the amount of EUR 1,143 million.

IP implemented its budget through the application of Law 8/2012 (Law on Commitments and Payments in arrears) and related legislation, fulfilling the obligation to commit any and all expenses prior to their realisation, having the appropriations assigned to the various budget lines entered in the 2018 State Budget as the limits.

It should be noted that the application of bound appropriations (EUR 83.7 million) to certain expenditure items in accordance with the provisions of article 4 of the 2018 State Budget Law and additional bound appropriations (EUR 18.2 million) as set forth in article 5 of Decree-Law 33/2018 of 15 March, restricted IP's activity. In fact, the total amount of bound appropriations applied to IP of EUR 101.9 million was concentrated in the Activity Budget. Regarding the Project Budget, restrictions were imposed in the use of the corresponding appropriations, namely prior authorisations from the Sectoral Tutelage.

To mitigate these circumstances, IP requested:

- Authorisation for the transition of the 2017 management balance, amounting to approximately EUR 348.4 million, as stipulated in article 16 of Decree-Law 25/2017 of 3 March, which was granted in June;
- Authorisation to carry out the budgetary amendment to reinforce the Maintenance component of the Railway Network, which was subject to a significant budget cut (EUR 57.7 million) in the approved State Budget, as stipulated in paragraph 15 of article 4 of the 2018 State Budget Law. The budget allocation under this heading, of EUR 38.2 million, clearly fell short of the needs identified, in addition to the fact that in 2018 this budget will have to be increased due to the Fire fighting plan (Management of fuel strips). This reinforcement was authorised at the end of March;
- Authorisation for the application of approximately EUR 117.3 million of the balance carried over from 2017, in expenses related to compensation to AEDL - Auto-Estradas do Douro Litoral, S.A. and to the payment of IRC, awarded in December at EUR 77 million;
- The unblocking of EUR 4 million to cover staff expenses contained in the IP budget proposal. The authorisation was also granted in December and allowed the payment of salaries and the Christmas allowance;
- Of note was the authorisation granted at the end of December for the unblocking of EUR 97.8 million exclusively for the reinforcement of the interest (EUR 23 million) and PPP (EUR 74.8 million) items, which was complemented by the allocation of the full Road Service Contribution (RSC) budgeted by IP in 2018 at EUR 684.4 million.

This was the context in which IP managed its activity in order to minimise the risks of budget implementation, with the following figures having a determinant impact on both the revenue and expenditure sides:

REVENUE	2,235.0
Capital increase	886.1
Road Service Contribution *	684.4
Tolls *	365.3
Compensatory Allowances	77.4
EU Funds	75.8
Dividends (IP Telecom)	2.5
Others	143.5
Unit: millions of euros (included VAT) * Collection costs deducted.	

EXPENSE	2,263.1
PPP Investment Payments	1464.5
Other Investment Payments **	95.9
Financial Charges ***	130.2
Amortisation of EIB Loans	95.3
Others	477.2
Unit: millions of euros (included VAT) ** Ferrovia 2020, PETI3+ Road and Proximity Plans (road and railway). *** Excludes interest on State Loans.	



## CAPITAL INCREASE TRANSACTIONS

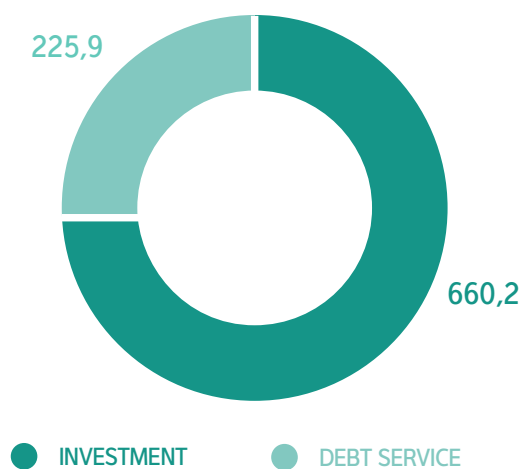
The capital increase transaction carried out in 2018 at IP totalled EUR 886.1 million:

	DATE	IP
Share Capital (DL91/2015)	2015-06-01	2,555,835,000
Increases:	2015	539,540,000
	2016	950,000,000
	2017	880,000,000
	2018-02	450,000,000
	2018-04	145,000,000
	2018-06	145,000,000
	2018-12	146,135,000
Share Capital	2018-12-31	5,811,510,000

Unit: EUR million.

These transactions aimed to cover the following financing needs, and debt service excludes loans from the Portuguese State:

## CAPITAL APPROPRIATIONS [millions of euros]



## STRUCTURE OF FINANCIAL DEBT

On 26 December 2018, by means of notice no. 1091, the Directorate General of the Treasury and Finance (DGTF) granted IP a new moratorium on the payment of debt service for State loans. With regard to loans associated with the road component, the moratorium extends until 31 May 2019 for loans which matured on 31 May and 30 November 2018. For rail component loans, the moratorium was granted until 30 November 2018. Deferrals granted in this context are not subject to the payment of interest.

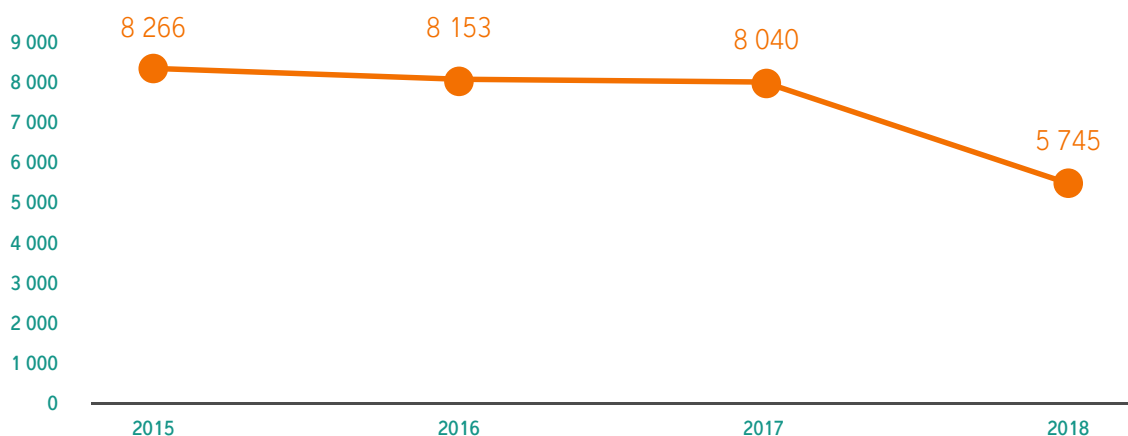
According to the legislation in force, the State fully supports the charges associated with investments in national railway infrastructure, and IP has the right to be reimbursed by the State for the investments made in Long-Duration Infrastructure (LDI), which are of the Public Railway Domain.

Article 129 of the State Budget for 2018, approved by Law 114/2017, of 29 December, provided the legal framework for the settlement of credits, as a counterpart of debts accrued by public companies resulting from investments in LDI.

In December 2018, IP signed an Agreement with the State to settle the debt service related to the State loans associated with the rail component (EUR 2,200 million principal and EUR 115.4 million interest) investments in LDI made on behalf of the Grantor in an equivalent amount. This Agreement took effect on 30 November 2018.

Following this adjustment, the Group's financial debt at the end of 2018 stood at EUR 5,745 million, which represents a decrease of EUR 2,295.3 million compared to the EUR 8,040 million in December 2017, as shown in the following graph:

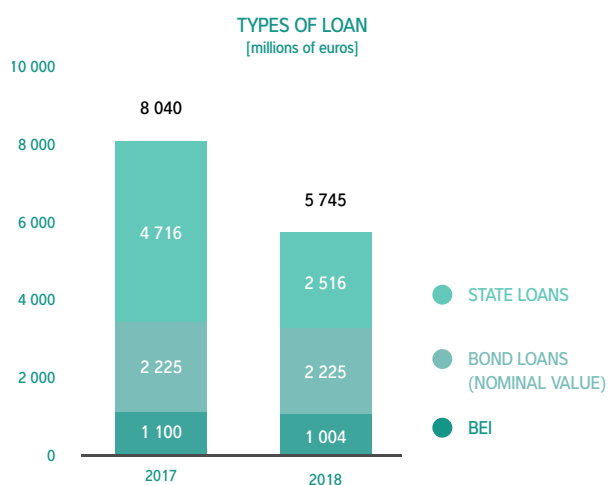
EVOLUTION OF FINANCIAL DEBT  
[millions of euros]



The abovementioned debt reduction is broken down as follows:

- EUR 2,200 million of State loan repayments;
- EUR 95.3 million EIB loan repayments.

The table below details the total amount of debt per loan type:



The weight of the Group's financial debt which is guaranteed by the Portuguese State is 45% of the total debt. This universe includes all the EIB loans and three bond issues totalling EUR 1.6 billion.

The loans granted by the State since 2011 with maturity in 2016, 2017, 2020 and 2021, have a grace period of about 12 months and a repayment plan ranging from 8 to 12 equal and successive principal instalments. The interest rate scheme is fixed rate.

EIB loans have a repayment plan with equal or different but successive principal instalments, permitting the smoothening of the debt repayment profile.

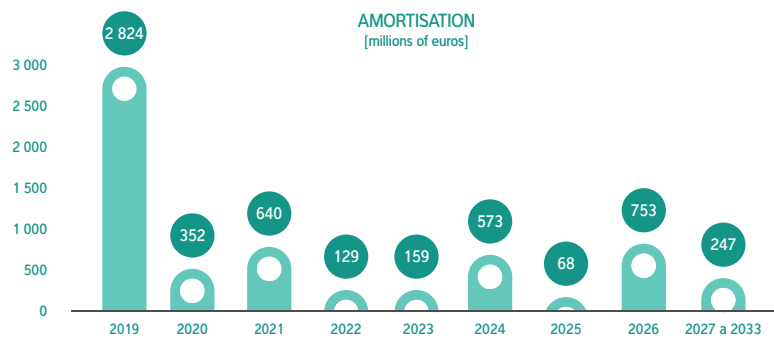
The bond loans were contracted at a fixed rate and are repaid in a single capital payment on maturity (bullet).



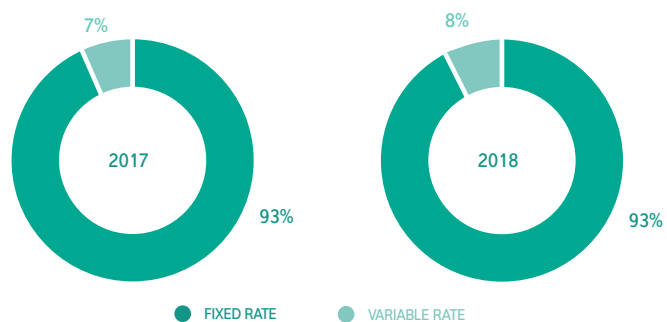


The repayment of the bond loans will take place in 2019, 2021, 2024, 2026 and 2030, implying their refinancing in those years.

As can be seen in the following chart, the amortisation expected for 2019 is much higher than the following years, reflecting the moratorium until May on debt service of the aforementioned loans from the State for the road component.



At the end of 2017 and 2018, the Group's debt portfolio was distributed by interest rate regime as follows:



As at 31 December 2018, the IP Group did not hold any financial risk management instruments. However, given the composition of the portfolio, the level of interest rate risk to which the IP Group is exposed is considered to be very low.

In October, following the improvement in the Portuguese Republic's rating, Moody's Investors Service changed IP's risk rating from Ba2 (Positive) to Ba1 (Stable) as a consequence of the following factors:

- The critical role that IP plays in the management of the railway and road networks of Portugal;
- The effective supervision by the Government, taking as a corollary, the inclusion of IP in the fiscal consolidation perimeter of the State;
- The expectation that the State will continue to provide timely financial support whenever necessary;
- Maintenance of a high level of indebtedness and insufficient capacity to generate cash flow.

#### ANALYSIS OF FINANCIAL RESULTS

The perspective of Global Financial Results is considered for the analysis of the financial results, starting from financial results in the Consolidated Statement of Comprehensive Income and ignoring accounting movements (revenues) with impact on the Consolidated Statement of Financial Position relating to i) debit of interest to the Grantor (in the railway business case), and ii) capitalisation of interest relating to PPPs (in the road business case). This perspective gives the real performance of the Group's debt and risk management activity.



The table below details the financial performance of the IP Group as of 31 December 2018.

FINANCIAL RESULT	DECEMBER DE 2018		
	2017	2018	VARIATION 2017/2018
<b>Financial Result of the Investment Activity</b>	<b>-94.7</b>	<b>-93.4</b>	<b>1.3</b>
Financial gains	0.0	0.0	0.0
Financial losses	-94.7	-93.4	1.3
<b>Financial Result of the Infrastructure Management Activity</b>	<b>-36.6</b>	<b>-30.4</b>	<b>6.2</b>
Financial gains	0.0	0.0	0.0
Financial losses	-36.6	-30.4	6.2
<b>High Performance Financial Result</b>	<b>-217.6</b>	<b>-191.7</b>	<b>26.0</b>
Financial gains	0.0	0.0	0.0
Financial losses - Sub-concessions	-191.5	-172.8	18.7
Financial losses - State concessions	-26.2	-18.9	7.3
<b>Financial Result Road Network Management</b>	<b>-3.8</b>	<b>-3.5</b>	<b>0.3</b>
Financial gains	0.0	0.0	0.0
Financial losses	-3.8	-3.5	0.3
<b>Global Financial Result</b>	<b>-352.8</b>	<b>-319.0</b>	<b>33.8</b>
Amount allocated - Grantor State	94.7	93.4	-1.3
<b>Financial Income (Statement of Comprehensive Income)</b>	<b>-258.1</b>	<b>-225.6</b>	<b>32.5</b>
<b>RF Global direct management</b>	<b>-161.3</b>	<b>-146.2</b>	<b>15.1</b>

Unit: millions of euros.

The IP Group's overall financial result, before allocation to the grantor, was EUR -319 million, reflecting a reduction of EUR 33.8 million over the previous year.

We highlight, for this evolution, the decrease in financial charges related to the high-performance network, both in the concession and sub-concession components. The decrease of the financial charges underlying the sub-concessions, amounting to EUR 18.7 million, results from the financial update of the debt to the sub-concessionaires for the work and services rendered, which has been reduced with the payment of availability fees.

If we withdraw the component associated with

sub-concessions from the Overall Financial Result, because it deals with the financial updating of the debt to Sub-concessionaires not based on financing agreements concluded by what used to be EP, then this aggregate would total EUR -146.2 million as opposed to the EUR -161.3 million in December 2017, reflecting a recovery of EUR 15 million. The main explanatory factor for this is the reduction of the debt stock of the EIB loans and the successive moratoria on debt servicing for loans from the State, which mean that no interest is levied on the respective deferrals.

The evolution of the average annual interest rate of the IP Group for the 2014-2018 period was as follows:

YEARS	2018	2017	2016	2015	2014
Financial Charges	142.7	157.5	194.4	245.5	307.0
Average Financing Rate (%)	1.8%	1.9%	2.3%	2.9%	3.2%

Unit: millions of euros.

The average interest rate for 2018 was 1.8%. This development was essentially owed to the non-payment of interest on the debt service for loans from the State subject to moratorium.

In 2018, the State Budget Law sets forth that the overall growth of the indebtedness of public companies is limited to 2%, considering the interest-bearing financing adjusted by the paid-up share capital.

Article 146 (4) of the Decree-Law on Budgetary Execution defines the formula for calculating the overall growth of indebtedness of public companies in the State's business sector:

$$\frac{(FR_t - FR_{t-1}) + (Capital_t - Capital_{t-1}) - NovosInvestimentos_t}{FR_{t-1} + Capital_{t-1}}$$

INTEREST-BEARING LIABILITIES	2018	2017	VARIATION 2018/2017	
	VALUES (M€)		VALUE	%
Interest-Bearing Financing (Current and Non-Current) *	5,745.1	8,040.4	-2,295.3	-29%
- of which granted by DGTF	2,515.8	4,715.8	-2,200.0	-47%
Share Capital increases by appropriation	5,811.5	4,925.4	886.1	18%
Share Capital Increases by Credit conversion	-	-	-	0%
New Investments	59.5			
<b>Indebtedness growth limit</b>	<b>-11.3%</b>			

\*At nominal value.

IP's compliance with the ratio in 2018 is due to the compensation operation carried out in December, which allowed the settlement of part of the company's debt due to investments in LDI.

The table below shows the evolution of the growth in indebtedness for previous years according to the calculation method in force in each of the periods.

	2017	2016	2015	2014
<b>Indebtedness growth limit</b>	6.3%	5.9%	6.8%	7.9%



## 6.2 Human Resources

The following table presents a comparative summary between 2018 and 2017 of the main indicators related to Human Resources and Training at the IP Group:

	UNIT	TYPE OF CONTRACT	GENDER	2017	2018
<b>Employment</b>					
Total employees	No.			3,697	3,644
Employees by Gender	%		F	23.8	23.8
			M	76.2	76.2
Employees by Type of Contract	%	Term contract		0.1	0.1
		Unlimited contract		99.9	99.9
Employees by Type of Contract (by gender)	%	Term contract	F	66.7	60.0
			M	33.3	40.0
		Unlimited contract	F	23.8	23.8
			M	76.2	76.2
Employees by Management Positions	%		F	36.1	36.5
			M	63.9	63.5
Evolution of the Average Age	years			49.6	50.5
Evolution of the Length of Service	years			22.9	23.6
Evolution of the Higher Education In-dex	%			33.9	34.3
<b>Training</b>					
Total Hours	H		F	44,759	
			M	109,148	
Absenteeism Rate	%			4.33	5.18
Total Employees who are Members of a Trade Union	No.			1,690	1,727
New employees	No.			40	20
Exits	No.			78	73

## 6.2.1 Employment

### EVOLUTION OF THE WORKFORCE

In December 2018, the IP Group had 3,644 employees, which translates into a reduction of 53 employees (-1.4%) compared to December 2017.

	UNIT	2017	2018
Total employees	No.	3,697	3,644

The table below (including EBD) shows the distribution of personnel by type of contract and by functional groups.

CHARACTERISATION		EBD TERM OF OFFICE	MANAGERS	SENIOR TECHNICIANS	ASSISTANT TECHNICIANS, INTER-MEDIATE LEVEL TECHNICIANS AND ADMINISTRATIVE PERSONNEL	OPERATIONAL ASSISTANTS, WORKERS AND AUXILIARY PERSONNEL	TOTAL
Total Number of Employees	F	2	84	392	283	109	870
	M	7	146	527	1037	1066	2783
	<b>Total</b>	<b>9</b>	<b>230</b>	<b>919</b>	<b>1320</b>	<b>1175</b>	<b>3653</b>
Permanent Contract	F	0	84	389	283	109	865
	M	0	145	525	1037	1066	2773
	<b>Total</b>	<b>0</b>	<b>229</b>	<b>914</b>	<b>1320</b>	<b>1175</b>	<b>3638</b>
Fixed-term contract	F	0	0	2	0	0	2
	M	0	0	2	0	0	2
	<b>Total</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>4</b>
Unlimited term contract	F	0	0	1	0	0	1
	M	0	0	0	0	0	0
	<b>Total</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>
Other type of contract	F	2	0	0	0	0	2
	M	7	1	0	0	0	8
		<b>9</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10</b>

## ADMISSIONS AND EXITS

In 2018, 73 employees left the group, of which 21 were from Mutually Agreed Employment Termination. As for the group "Other Reasons", we highlight the 32 employees who retired, which shows the ageing of the workforce.

MOBILITY	< 30 YEARS		BETWEEN 30 AND 50 YEARS		> 50 YEARS		TOTAL	
	F	M	F	M	F	M		
Return			3		2	4	9	20
Admission		1	2	7		1	11	
Exit by Mutual Agreement			2	1	3	15	21	73
Exit on Employee's Initiative			1	7		1	9	
Exit due to expiry of contract								
Exit for other reasons			4	3	8	28	43	

The company's strategy is to stabilise its current workforce, with specific strengthening in critical areas, in which we highlight the following operational areas: traffic and infrastructure maintenance.

## TURNOVER

Turnover allows us to measure the relation between admissions and exits of workers at a company:

TURNOVER RATE BY GENDER	F	M
(Admissions + Exits/2)/Final Workforce by Gender	1.44%	1.22%

By analysing the information on turnover, the drop in the Coverage Ratio between admissions and exits (from 51.3% to 27.4%) stands out. This reflects the cycle of 38 foreign admissions at the end of 2017 which cannot be replicated in 2018.

TURNOVER RATES	2017	2018
<b>Staff Turnover Index</b> Final workforce/(Initial workforce + Admissions + Exits)	0.96	0.96
<b>Coverage Ratio</b> (Admission/Exits x 100)	51.3%	27.4%
<b>Total Mobility Rate</b> (Admission + Exits) / Final workforce x 100	3.19%	2.55%

## AGE STRUCTURE AND LENGTH OF SERVICE

The average age of IP Group employees is 50.5 years, while at the end of 2017 it was 49.6 years. In effect, the workforce has aged by about one year.

The table below allows us to evaluate the distribution by age group of the various Group's various workforce groups.

It can be seen that there is a certain approximation between the number of employees between the ages of 30 and 50 (1,763 in total) and those over 50 (1,865), although it should be noted that as regards managerial posts, the intermediate age group is twice that of the highest.

It is also shown that the below-30 age group is still an insignificant weight in the workforce (0.7%), even considering the hiring of new workers in 2017.

AGE STRUCTURE		EBD TERM OF OFFICE	MANAGERS	SENIOR TECHNICIANS	ASSISTANT TECHNICIANS, INTERMEDIATE LEVEL TECHNICIANS AND ADMINISTRATIVE PERSONNEL	OPERATIONAL ASSISTANTS, WORKERS AND AUXILIARY PERSONNEL	TOTAL
Total Num-ber of Em-employees	F	2	84	392	283	109	870
	M	7	146	527	1,037	1,066	2,783
	<b>Total</b>	<b>9</b>	<b>230</b>	<b>919</b>	<b>1,320</b>	<b>1,175</b>	<b>3,653</b>
<30 years	F			3		1	4
	M			9	1	11	21
	<b>Total</b>			<b>12</b>	<b>1</b>	<b>12</b>	<b>25</b>
Between 30 and 50 years	F	2	60	281	137	4	484
	M		86	325	487	381	1,279
	<b>Total</b>	<b>2</b>	<b>146</b>	<b>606</b>	<b>624</b>	<b>385</b>	<b>1,763</b>
> 50 years	F		24	108	146	104	382
	M	7	60	193	549	674	1,483
		<b>7</b>	<b>84</b>	<b>301</b>	<b>695</b>	<b>778</b>	<b>1,865</b>

## MOBILITY 2018

The year 2018 was a continuation of the internal mobility processes in the Group companies, and there were no significant changes in the composition of the teams and the human resources needs that had been identified in previous years.

In fact, as mentioned in previous reports, the lack of human resources with certain skills is becoming more pronounced, a fact that is directly related to the company's high average age, legal constraints on recruitment since 2011 and the growing demands which have been placed in the framework of the interventions related to the large investments underway as part of the Ferrovia 2020 and PNI2030 Programmes, which require teams that are adequate in number and endowed with the required technical skills.

The lack of human resources and the need to strengthen skills are not only felt in the core areas but are widespread in several other areas of the company, namely corporate and business support, which restricts internal mobility processes due to the difficulties with losing employees that each area experiences, thus affecting a desirable rotation of skills.

Notwithstanding the abovementioned difficulties, it is important to highlight the efforts made in professional retraining and transfers, in order to meet the needs of reconciling work and personal life, mainly in terms of geographical mobility, but also the adaptation and professional development of workers. The latter means workers moving into more challenging jobs.

As a result of processes initiated in 2017 (with the appropriate authorisation from the governing authorities), relating to recruitment campaigns for jobs with various career categories, with the ob-

jective of adjusting the workforce in the higher operational functions related to "middle managers", with supervisory, inspection and monitoring duties that are now an essential part of the infrastructure maintenance activities, 18 employees were promoted in 2018 in the Railway Traffic area. The demanding training processes for the change of category of other recruitment campaigns were initiated in 2018, resulting in promotions and professional advancement throughout 2019.

However, taking into account the manifest lack of human resources at the company, internal recruitment is not sufficient to meet the needs, and external recruitment is, in the current context, of major importance for the replacement of qualified human resources with critical skills, to ensure the rejuvenation of the workforce and the transfer of the specific know-how of the business. It is important in this respect to point out that most of the company's technical and operational functions, which operate directly in the areas of infrastructure management and rail traffic control, require, regardless of the level of qualification, intensive and specific training concerning the business, especially regarding the regulation applicable to the activity.

As a result of processes authorised in the previous year, the admissions foreseen in 2018 were concluded, with the hiring of 2 Civil Engineers and a Maintenance Manager to reinforce the Track (railway maintenance) area.

The process of human resource renewal is urgent, considering that for each year that passes, due to the ageing of the company workforce (with an average age of 50.5 years), the number of workers interested in leaving or retiring from professional teams operating in the field grows, especially those with functions that are more physically demanding, and also the most qualified and highly skilled technicians. It is the-

before crucial to ensure an integrated admission and exit process which can provide a period of overlap for the transfer of knowledge (it should be noted that there is a set of situations that the company cannot sustain, such as exit at the worker's request, early retirement or physical incapacity of the worker).

At the end of 2018, IP submitted to the Regulator an external recruitment request for 26 employees considered a priority to meet the immediate needs to strengthen the engineering and operational teams.

### 6.2.2 Social Dialogue

The social issues at the company deserve special attention, especially the promotion of dialogue with organisations representing workers, and the development of activities which provide social benefits and place social facilities at the disposal of all workers.

**Communication channels between the Company and the Representative Organisations of Workers (ORT) are created, through which the necessary information and information are shared, all of which are subject to appropriate processing.**

### TRADE UNION MEMBERSHIP

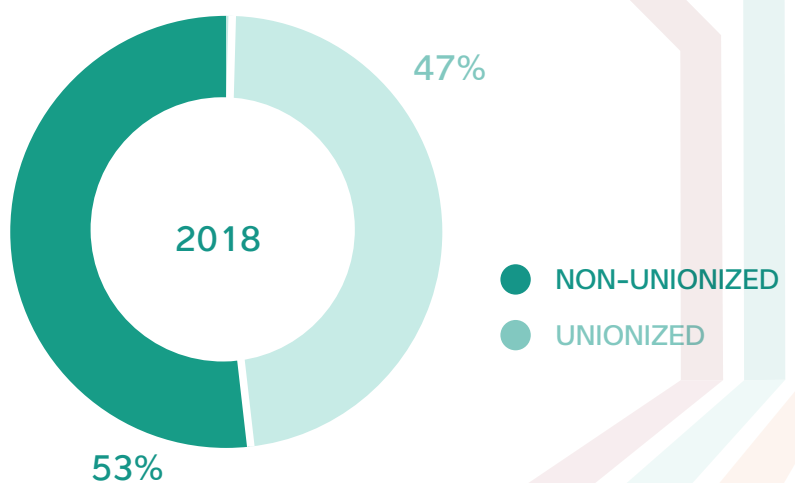
It is possible, through the trade union membership ratio, to gauge the importance of unions in the company, mainly in the railway area. In December 2018, 1,727 workers were trade union members, representing 47% of the Group's workforce, a slight increase compared to the previous year, when the ratio was 46% (1,690 workers who are trade union members).

### CORPORATE PEACE

Despite the high percentage of workers who are members of trade unions and the large number of union organisations which represent them, IP maintains a good relationship with all (ORT) - Workers' Unions and Committees (IP and IPT).

In 2018, the ORT maintained a climate of constant dialogue with a view to the negotiation of a Col-

TRADE UNION MEMBERSHIP - IP GROUP



lective Bargaining Agreement (CBA) which allows the application of a single employment regime at all Group companies (note that 7 employment regimes currently coexist). This dialogue resulted in an intense negotiation process, which allowed important advances in the text of the general clauses of what will be the future CBA.

The preponderance of the dialogue and the predisposition for social peace meant, in 2018, that of the twelve strikes decreed by the unions, eight were suspended by the ORT that called them.

In 2019, IP will continue to work on the construction of the new Collective Bargaining Agreement, entering into the negotiation phase of the new Career Regulation, a fundamental instrument for standardising the functional frameworks in force at the company (from 109 categories to 17), as well as deepening of the social dialogue between the company and the ORT, always in search of platforms of understanding that lead to consensual

solutions and generate surplus value for workers and company, with reflections on well-being and productivity.

### SOCIAL BENEFITS

During 2018, IP maintained and reinforced the social benefits plan which has been in force in the Company in recent years and which aims to provide its employees with a range of additional support to remuneration in important social areas such as health, education, culture and sports.

### HEALTH

It is important to mention that IP is a company with a notable geographical dispersion of its workforce, with a type of operational activity subject to professional risks and significant physical demands. Accordingly, a benefit such as health insurance takes on an enhanced role in that it facilitates easy access to healthcare anywhere in the country.

SOCIAL BENEFITS		UNIT	2017	2018
Health insurance		€	1,293,911	1,291,317
Personal Accident Insurance		€	18,333	18,228
Nursery	Expenses	€	344,181	374,510
	Children	No.	65	
Pre-School Subsidy	Expenses	€	201,380	173,340
	Benef (approx.)	No.	400	
Merit Scholarships	Expenses	€	291,600	175,900
	Beneficiaries	No.	682	395
Schoolchild Public Transport Passes		No.	54	
Long-Haul Travel (school level)		No.	19	
Support to entities directly linked to the Company and to Workers	Staff Club	€	120,000	150,000
	Other Entities	€	19,000	21,500

- **Health Insurance**

Health insurance provides access to a wide-ranging network of comprehensive health care, with 90% coverage of expenses. Consultations carried out outside the plan's network also benefit from reimbursement, which is limited to 50%. The insurance provides for the possibility of inclusion of the employee's family members, in which case the premium is borne by the employee;

- **Personal Accident Insurance**

Covers any kind of professional and extra-professional risks of permanent disability or death.

## EDUCATION

In this context, the company supports its workers in their children's pre-school phase, given the relative scarcity of public network provision in this area, and also encourages and fosters the achievement of good results throughout secondary and higher education, conscious that good performance at school can translate into better academic and professional perspectives:

- **Nursery**

In this context, the company supports its workers in their children's pre-school phase, given the relative scarcity of public network provision in this area, and also encourages and fosters the achievement of good results throughout secondary and higher education, conscious that good performance at school can translate into better academic and professional perspectives;

- **Nursery Subsidy**

Assigned monthly to the children and similar of employees, aged from 4 months to 6 years, who attend crèches, nurseries or are cared for by childminders recognised by the Social Security Office. The amount/child of these subsidies varies between EUR 30 and EUR 90, according to the level of remuneration earned by the employee, and in 2018 was able to support about 316 children;

- **Scholarship**

atribuída aos filhos e equiparados dos trabalhadores que consigam obter uma média igual ou superiores a 14 valores entre o 10º ano de escolaridade e o final do ensino superior. Em 2018 foram concedidas 395 bolsas de mérito de classificação, por referência ao ano letivo 2017/2018;

As a complement to these social supports to schooling, IP grants student public transport passes to the children of workers who need them. In 2018, 59 schoolchild public transport passes were awarded, with 21 recipients of two weekly trips on long-haul trains.

## TRAVEL SUBSIDIES

The workers at the service of the IP on the railway maintained, under the terms established in the law, the right to travel by train free of charge. This is an extremely important benefit in the field of professional activity, since this activity requires frequent travel throughout the railway network.

## COMMUNITY SUPPORT

In 2018, support amounting to EUR 21,500 was granted, distributed among some sports groups of a railway nature and the Association of Railway Homes, and a subsidy was granted to IP's Staff Club in the amount of EUR 120,000.



## 6.2.3 Diversity and Opportunities

### GENDER EQUALITY

The rail sector has always been marked by the large share of the male population in its staff. This is mainly due to the nature of the activity carried out in its operational areas, where most of what used to be REFER's employees were concentrated.

In the road area, the imbalance between the two genders was lower: about 55% males compared to 45% females, at the end of 2014. Consequently, 3 years after the merger, IP has a gender distribution of 76% (men) / 24% (women).

In managerial positions there is a greater degree of parity between both genders: more than a third of managers are women.

Concerning the differences in the basic salaries between men and women, there are no significant deviations except for the Operational Assistants, Workers and Auxiliary Personnel careers, justified by the fact that the female population is predominantly concentrated in Level Crossing Guards, a category with a lower salary.

	2017		2018	
	NO.	%	NO.	%
<b>Managers</b>				
Female	83	36.1%	84	36.5%
Male	147	63.9%	146	63.5%
	<b>230</b>		<b>230</b>	
<b>All employees (does not include EBD)</b>				
Female	880	23.8%	868	23.8%
Male	2,817	76.2%	2,776	76.2%
	<b>3,697</b>		<b>3,644</b>	

SALARY RANGE BY POSITION/CAREER AND GENDER		2017		2017	
		AVERAGE SALARY	SALARY RANGE	AVERAGE SALARY	SALARY RANGE
Managers	F	3,112 €	0.92	3,088 €	0.92
	M	3,375 €		3,344 €	
Senior Technicians	F	2,362 €	0.92	2,278 €	0.95
	M	2,565 €		2,409 €	
Assistant Technicians, Intermediate Level Technicians and Administrative Personnel	F	1,138 €	0.97	1,137 €	0.91
	M	1,175 €		1,253 €	
Operational Assistants, Workers and Auxiliary Personnel	F	580 €	0.69	601 €	0.69
	M	843 €		867 €	

## PARENTING

The balance between work time and family time is explained by indicators related to parenting, such as the return to work rate and the retention rate of workers who have been granted parental leave in a given period:

	UNIT	GENDER	2017	2018
a) Number of employees entitled to parental leave during the year	No.	F	16	15
		M	61	45
b) Number of employees who returned to work after parental leave, also during the year	No.	F	12	9
		M	50	38
c) Number of employees who returned to work after parental leave (took during the same year) and who continue to work 12 months after returning to work	No.	F	14	11
		M	42	40
d) Rate of return to work of employees after parental leave (d)= b / a	%	F	75	60
		M	82	84
e) Retention rate 12 months after parental leave (e) = c (n) / b (n-1)	%	F	82	92
		M	86	80

## NON-NATIONALS

The chart below allows us to quantify the foreign employees in the service of the IP Group.

NON-NATIONAL EMPLOYEES	2017	2018
From European Union countries	3	5
From countries with Portuguese as the official language	5	6
Other nationalities	2	2

## WITH DISABILITY

The chart below allows us to quantify the employees with disabilities in the service of the IP Group.

	2017	2018
Employees with disabilities	64	67

## WORK/FAMILY RECONCILIATION

**IP has a culture of reconciling work and family that is expressed through various practices; the interaction with employees goes beyond the salary component and encompasses dimensions that go beyond the professional.**

Some of these initiatives are highlighted below:

- Internal mobility that allows employees to work closer to home;
- A crèche/nursery school at the company's headquarters;
- Programmes to support pre-school education, granting of merit scholarships, organisation of activities for children (Free Time Activities Programme during the summer and Easter holidays, for example);
- Strengthening of accessibility through specific transport to workplaces with a greater concentration of workers and low public transport service coverage;
- Easy access to health care;
- Supplement for sickness benefit;
- Creation of specific, voluntary measures to increase positive and shared parenting;
- Internal training on well-being and health at work;
- Measures to provide flexible working hours;
- Provision of commercial agreements in the areas of education, health and sports, leisure and utilities, with discounts for IP group employees;
- Access to cultural and leisure events;
- Provision of a set of services in the company's headquarters to facilitate daily routines (Canteen, Gym, Choir Group, Miscellaneous services (laundry/ironing, shoemaker, manicure, vegetable/organic products for sale, pharmacy, among others));
- Internal Clinical Physician.

## 6.2.4 Safety and Conditions at Work

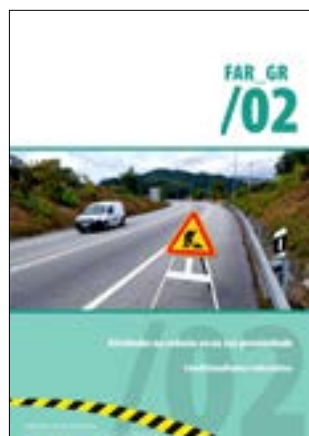
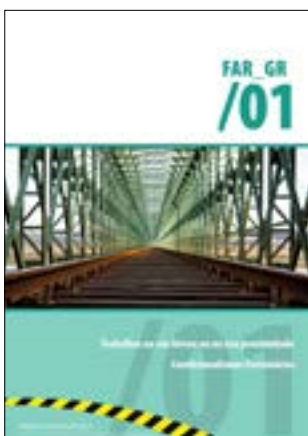
In order to encourage safety at work, the main activities promoted and developed in the year 2018 stand out:

- Risk Analysis Sheets (40), which define the set of preventive and protective measures to be implemented to guarantee the safe execution of work.
- Monthly safety information, which is intended for operational teams. The information is affixed to the panels that are distributed across around 90 facilities where the operational teams work.
- Poster "If you have to cross, choose the best place" which aims to raise awareness about the adoption of safe behaviour when crossing the railway line, due to the risk of being run over by a train.

The poster is intended for all Employees, Railway Transport Companies, Contractors, Service

Providers and Sub-concessionaires who carry out activities near the railway line in operation.

- An itinerant exhibition, as part of the commemoration of 28 April, National Day for Occupational Safety and Accident Prevention, which was held at the IP Group's facilities from South to North, from Tunes to Vila Real, and which marks the monthly safety information produced during the period from 04.2017 to 04.2018.
- Verification of the scheduling of safety measures provided for in Technical Operation Instruction no. 77 for work on the railway and nearby through the ePost system (107 verifications).
- Informative notes on Daily Work Orders, regarding the correct scheduling of safety measures for work on the railway and nearby.
- Consultation of Workers in the field of occupational safety, with the aim of promoting employee involvement and participation.



## TRABALHOS DE DESMATAÇÃO E CEIFAS



### 1 PLANEAR OS TRABALHOS

- Reconhecimento prévio da área (tipo de vegetação, características do local, no que se refere a declive, irregularidades, afloramentos rochosos)
- Seleção do equipamento tipo e modelo de motosserra, afiação de corte, protetor de proteção de dentes
- Previamente à sua utilização verificar o bom estado de funcionamento da motosserra e dos seus dispositivos de segurança
- Identificar o local de início da desmatagem e sentido de progressão
- Identificar em local para abastecimento
- Equipa de trabalho: n.º de operadores de motosserra

### 2 CUIDADOS NO ABASTECIMENTO

- Selecionar o local de abastecimento, longe de qualquer fonte de ignição e preferencialmente à sombra
- Fazer a mistura de combustível somente em recipientes próprios para o efeito, acautelando para que não venha para o solo
- Checar que o tanque de combustível não está bem apertado
- Nunca reabastecer com a motosserra em funcionamento

### 3 TRABALHOS PREPARATORIOS

- Ajustar o cinto (suspensório) do equipamento de acordo com a sua estatura
- O arranque do equipamento deve ser efetuado com o equipamento assente no chão
- No arranque do equipamento assegurar que o elemento de corte não está em contacto com nenhum objeto ou material estranho que possa provocar o resalto

### 4 TER EM ATENÇÃO

- Usar os EPI obrigatórios nesta atividade (protetores auriculares, viseira, candelas florestais, luvas de proteção e botas de proteção)
- Ter em atenção as condições atmosféricas
- Cumprir as distâncias de segurança, 15 metros
- Evitar elevar o gancho de corte acima da altura dos ombros
- Elaborar a manutenção das motosserras de forma regular e preventiva (consultar os ciclos de manutenção definidos no manual do equipamento)
- Na frente de trabalho deve estar disponível:
  - Reservatório de combustível (preferencialmente com sensor antivergo)
  - Extintor de pó químico (capacidade 6 kg)

### 5 APÓS A DESMATAÇÃO, o que fazer?

- No final do dia de trabalho, o operador/operadora da motosserra deve ter sempre a possibilidade de deixar a máquina limpa, verificar e confirmar o nível de óleo no que se refere à ausência de fissuras, folgas, ataxação e aperto

#### SELEÇÃO DO EQUIPAMENTO



Colocar as alças nos ombros e apertar o cinto e os fechos

Ajustar alças e cosses

#### AJUSTE DO SUSPENSÓRIO



#### EPI OBRIGATORIOS



#### VERIFICAR O BOM FUNCIONAMENTO DO EQUIPAMENTO



Ajustar a altura do gancho de suporte do suspensório ligeiramente abaixo (uma milímetros) da arca

Suspender a motosserra no gancho (escolher o orifício ou argola que possibilite o equilíbrio correto da máquina)

#### SUPORTE E FIXAÇÃO DA MOTORROÇADORA



#### PARE O MOTOR!

- Antes de qualquer intervenção no utensílio de corte
- Sempre que sentir qualquer tipo de vibração da máquina
- Antes do reabastecimento
- No transporte da máquina



**Segurança no Trabalho, junto de vós!**

## TRABALHO POR TURNOS OU ESCALAS

Os trabalhos por turnos podem contribuir para alterações da qualidade de vida dos trabalhadores, quer ao nível da sua saúde, por conflito dos ritmos biológicos, quer ao nível da produtividade e até no contexto familiar e social

### 18 MEDIDAS PREVENTIVAS A IMPLEMENTAR

<p><b>1</b> Aproveitar e planejar o tempo disponível para as pessoas que são importantes para si</p>	<p><b>2</b> Estabelecer tempo para participar em atividades que goste</p>	<p><b>3</b> Fazer exercício físico regularmente</p>	<p><b>4</b> Manter escolhas saudáveis de alimentos e bebidas</p>	<p><b>5</b> Tanto quanto possível, deve reger-se por um padrão normal de refeições diurnas/noturnas</p>
<p><b>6</b> Evitar comer entre as 00:00 e as 06:00 e tentar comer no início e fim do turno</p>	<p><b>7</b> Evitar gorduras, comida muito condimentada e moderar o consumo de carne</p>	<p><b>8</b> Se sentir que precisa de café durante o trabalho, deve tomá-la apenas no início do turno</p>	<p><b>9</b> A refeição principal deve ser mais rica em proteínas do que em gorduras e hidratos de carbono</p>	<p><b>10</b> Tomar o pequeno-almoço antes de ir dormir de dia ajuda a evitar que acorde devido à sensação de fome. Contudo, no entanto, que seja uma refeição ligeira, uma vez que comer muito uma a duas horas antes de dormir pode prejudicar o sono</p>
<p><b>11</b> Ingerir água regularmente ajuda a prevenir desidratação, responsável pelo cansaço</p>	<p><b>12</b> Quando for dormir, deve manter o quarto escuro e com temperatura confortável e eliminar/reduzir todo o ruído exterior</p>	<p><b>13</b> As refeições devem ser ligeiras e de fácil digestão</p>	<p><b>14</b> Dormir uma sesta antes de trabalhar de noite ajuda a manter-se ativo e com energia durante o turno da noite</p>	<p><b>15</b> Evitar estimulantes como a cafeína e bebidas alcoólicas que podem permanecer no organismo algumas horas após a ingestão e podem causar a sensação de alerta, interferindo assim com o sono</p>
<p><b>16</b> Manter uma rotina de sono é o mais importante para quem trabalha por turnos - mantendo os mesmos horários de sono quando trabalha de dia e os mesmos quando trabalha de noite</p>	<p><b>17</b> Relaxar tomando um banho ou duche antes de se deitar</p>	<p><b>18</b> No períodos de descanso, deve configurar o seu telefone de forma a não ser incomodado com notificações não urgentes</p>		



**Segurança no Trabalho, junto de vós!**

Se tiver que  
**ATRAVESSAR,**  
escolha o  
**MELHOR LUGAR**

É **PROIBIDO** o  
**TRÂNSITO A PÉ** e o  
**ATRAVESSAMENTO**  
de linhas-férreas  
fora dos locais autorizados



É **ILEGAL**  
e pode  
custar-lhe  
a **VIDA**



Os **ATRAVESSAMENTOS**  
**TÉCNICOS** destinam-se  
apenas a **agentes**  
**ferroviários** para trabalhos  
nas linhas-férreas



Utilize sempre os **LOCAIS DESTINADOS**  
ao atravessamento das linhas-férreas

PASSAGENS **SUPERIORES**

PASSAGENS **INFERIORES**

ONDE EXISTA **SINALIZAÇÃO PERMISSIVA**



**OITO**  
ESTÁDIOS  
DE FUTEBOL

Um comboio que circule a 60 km/h necessita  
de uma distância superior a 850 m para parar  
um percurso equivalente a oito estádios de futebol

 **Infraestruturas**  
de Portugal

- Development of training actions with the objective of developing skills in the following areas:

TRAINING	NO. OF SESSIONS	NO. OF TRAINEES
Safety at work on the railway and nearby (IET77 and DO)	16	209
Safety at work on the roads and nearby	12	188
Individual Protection Equipment	6	86
Recycling of Chainsaws and Motorbikes (In collaboration with COM Norte/Centro/Sul)	15	91
Techniques for working at heights	8	91
Safe Transportation of Containerised Cargoes -TFM Bobadela	2	11
Awareness of ferrous dust at TFM Leixões	1	13
Security rules at TFM Leixões	1	9

- Visits to internal teams with the objective of promoting the implementation of safety measures, raising awareness of the adoption of safe behaviours, promoting employee participation and identifying opportunities for improvement (44 visits).
- Performance of 1st part audits with the objective of verifying the implementation of the defined procedure regarding the characteristics and checking of the collective protection equipment used by the Catenary and Traction Energy Teams and also of the existing CPE in the Electric Traction Substations (3 audits).
- Analysis of statistical data on work accidents with the objective of identifying the main causes, injuries and severity associated to work accidents, in order to establish priorities for action in the prevention and promotion of safety in the work context.

#### WORKPLACE ACCIDENTS – MAIN INDICATORS 2018

The total number of workplace accidents registered in 2018, for a total of 3,644 employees of the IP Group, was 138, broken down as shown in the table below:

INDICATORS	IP GROUP	IP	IP PATRIMÓNIO	IP TELECOM	IP ENGENHARIA
Occupational accidents - Total	138	130	4	4	0
Accidents in the workplace	106	102	1	3	0
With sick leave	68	66	0	2	0
Without sick leave	38	36	1	1	0
Fatal Accidents (workplace)	1	1	0	0	0
Accidents in itinere / Commuting accidents	32	28	3	1	0
Total number of days lost	2,569	2,412	29	128	0
Lost Days - Accidents in the workplace	1,855	1,786	0	69	0
Days Lost - Accidents in itinere / Commuting accidents	714	626	29	59	0
Average number of workers	3,663	3,421	112	78	53
Hours worked	6,273,518	5,861,373	190,311	135,066	86,770
<b>Indexes</b>					
Frequency Index (ILO)	16.90	17.40	5.25	22.21	0.00
Incidence Index (ILO)	28.94	29.82	8.93	38.46	0.00
Severity Index (ILO)	295.69	304.71	0.00	510.86	0.00

Of the total number of accidents registered, 77% occurred in the workplace, the rest occurred in transit (23%).

In the distribution of accidents in the workplace, 96% occurred at IP and the remaining 4% at the investees.



## Overall values of the IP Group's workplace accident rate by type of accident

INDICATORS	WORKPLACE	IN ITINERE	TOTAL
<b>IP Group</b>			
Number of workplace ac-cidents	106	32	138
IP	102	28	130
IP Património	1	3	4
IP Telecom	3	1	4
IP Engenharia	0	0	0

Comparison of incidence rates and average number of days lost at the IP Group, Group and organic units with the highest WA index, with the national reference values:

	INCIDENCE RATE OF OCCUPATION ACCIDENTS (PER 1000 WORKERS)	AVERAGE NUMBER OF DAYS LOST
National Total <sup>(1)</sup>	45.07	37.4
Sector F - Construction	87.29	44.86
Sector H - Transport and storage	58.74	31.69
Sector J - Information and communication activities	9.53	19.12
Sector S - Other service activities	25.65	24.04
<b>IP Group Total</b>	<b>28.94</b>	<b>16.70</b>
IP	29.82	17.51
<b>IP Património</b>	<b>8.93</b>	<b>0.00</b>
<b>IP Engenharia</b>	<b>0.00</b>	<b>0.00</b>
<b>IP Telecom</b>	<b>38.46</b>	<b>23.00</b>

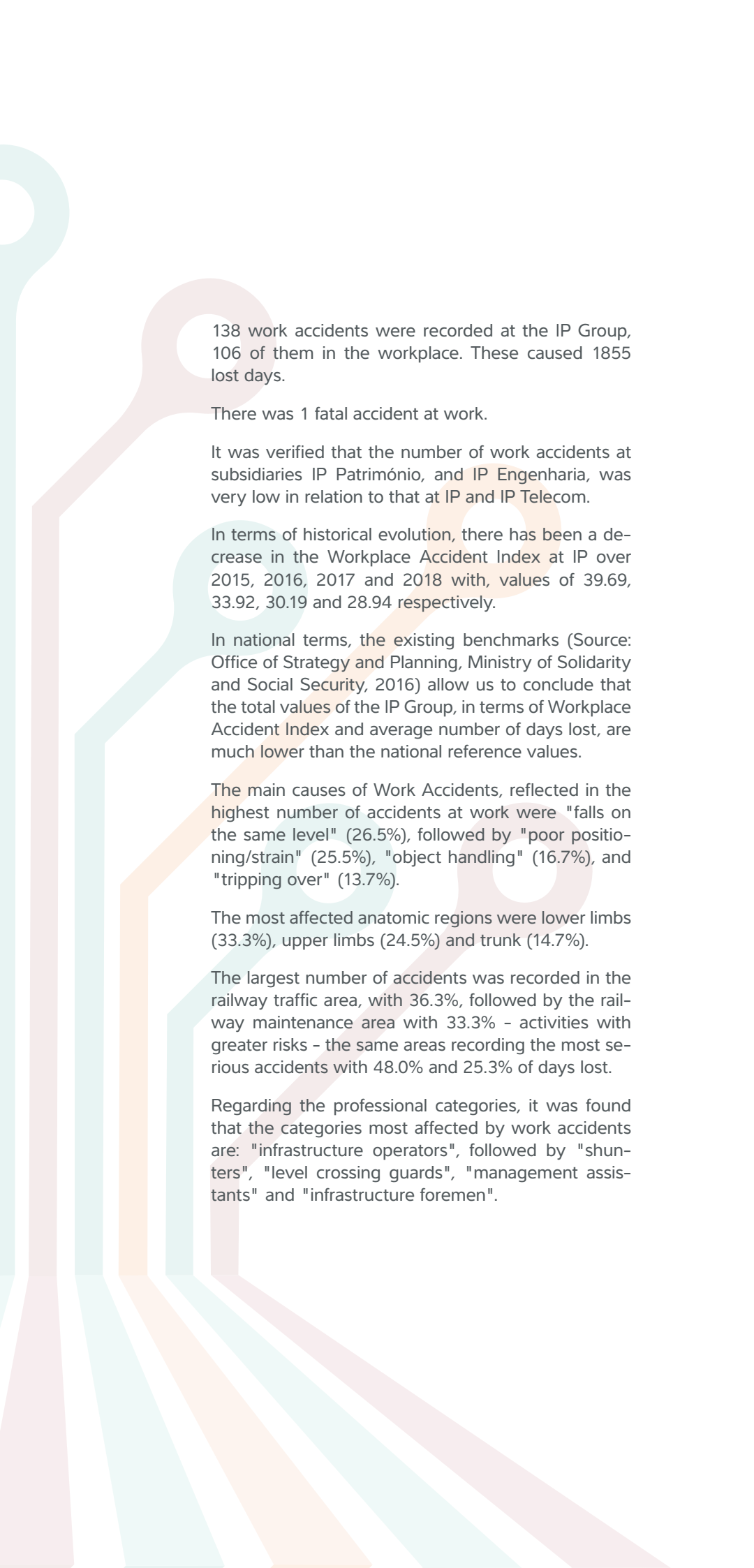
<sup>(1)</sup> Source: Workplace accidents 2016. Published by the Office of Strategy and Planning on 23 October 2018.

## Causal factors of accidents in the workplace at the IP Group

NAME	ACCIDENTS		LOST DAYS	
	NO.	(%)	NO.	(%)
<b>Total</b>	<b>102</b>		<b>1,786</b>	
Fall on the same level	27	26.5%	621	34.8%
Bad positioning/strain	26	25.5%	312	17.5%
Handling of objects	17	16.7%	388	21.7%
Tripping over	14	13.7%	315	17.6%
Thrown materials	5	4.9%	46	2.6%
Impact against objects	4	3.9%	51	2.9%
Jamming	2	2.0%	8	0.4%
Insect bites	2	2.0%	7	0.4%
Road accidents	1	1.0%	18	1.0%
Other causes	1	1.0%	16	0.9%
Penetration	1	1.0%	4	0.2%
Contact with live electrical installations	1	1.0%	0	0.0%
Fall from height	1	1.0%	0	0.0%

## Distribution of accidents and accident rates at IP, by professional category

NAME	NO. OF ACCIDENTS	LOST DAYS
<b>Total</b>	<b>102</b>	<b>1,786</b>
Infrastructure Operator	18	344
Shunter	17	204
Level Crossing Guard	12	361
Management Assistant	11	90
Infrastructure Manager	10	163
Specialist	7	155
Technician	7	117
Traffic Controller	6	126
Traffic Operator	4	195
Infrastructure Supervisor	4	31
Junior Technician	2	0
Technical Assistant 2 - III	1	0
General Support Assistant	1	0
Logistics Operator	1	0
Logistics Technician	1	0



138 work accidents were recorded at the IP Group, 106 of them in the workplace. These caused 1855 lost days.

There was 1 fatal accident at work.

It was verified that the number of work accidents at subsidiaries IP Património, and IP Engenharia, was very low in relation to that at IP and IP Telecom.

In terms of historical evolution, there has been a decrease in the Workplace Accident Index at IP over 2015, 2016, 2017 and 2018 with, values of 39.69, 33.92, 30.19 and 28.94 respectively.


In national terms, the existing benchmarks (Source: Office of Strategy and Planning, Ministry of Solidarity and Social Security, 2016) allow us to conclude that the total values of the IP Group, in terms of Workplace Accident Index and average number of days lost, are much lower than the national reference values.

The main causes of Work Accidents, reflected in the highest number of accidents at work were "falls on the same level" (26.5%), followed by "poor positioning/strain" (25.5%), "object handling" (16.7%), and "tripping over" (13.7%).

The most affected anatomic regions were lower limbs (33.3%), upper limbs (24.5%) and trunk (14.7%).

The largest number of accidents was recorded in the railway traffic area, with 36.3%, followed by the railway maintenance area with 33.3% - activities with greater risks - the same areas recording the most serious accidents with 48.0% and 25.3% of days lost.

Regarding the professional categories, it was found that the categories most affected by work accidents are: "infrastructure operators", followed by "shunters", "level crossing guards", "management assistants" and "infrastructure foremen".



## 6.3 Intellectual Capital

### 6.3.1 Generation Z IP Internship Programme

Considered a reference company in the market and in its sector of activity, the IP Group is frequently asked to provide curricular internships, with varying duration and characteristics. We answer affirmatively whenever possible, and 14 curricular internships were completed in 2018.

In the field of Training and Education, the IP Group has been supporting the personal and professional development of students and recent graduates. Since 2015, it has promoted a one-year Professional Internship Programme that resulted in 2018 in the admissions of 33 trainees, mainly with a higher academic qualification.

INTERNSHIPS	SCHOOL	PROFESSIONAL	TOTAL
<b>IP</b>	<b>13</b>	<b>29</b>	<b>42</b>
Academy	1		1
Telematic Access and ITS	1	1	2
Asset Management	1	3	4
Human Capital		2	2
Business Development		1	1
Procurement and Logis-tics		3	3
Engineering and Envi-ronment	1	1	2
Rail Network Management	2	3	5
Road Network Manage-ment		4	4
Concession Management	3	1	4
Planning		1	1
General Secretariat		1	1
Safety		2	2
Information Systems	4	6	10
<b>IP Património</b>		<b>1</b>	<b>1</b>
<b>IP Telecom</b>	<b>1</b>	<b>3</b>	<b>4</b>
<b>TOTAL</b>	<b>14</b>	<b>33</b>	<b>47</b>

The basic training of young people was varied, with predominance of engineering and management, and they were given the opportunity to develop activities of their respective training and profile in different sectors of the company, closely monitored by a tutor.

These professional trainees are also priority candidates for the filling of vacancies at IP:

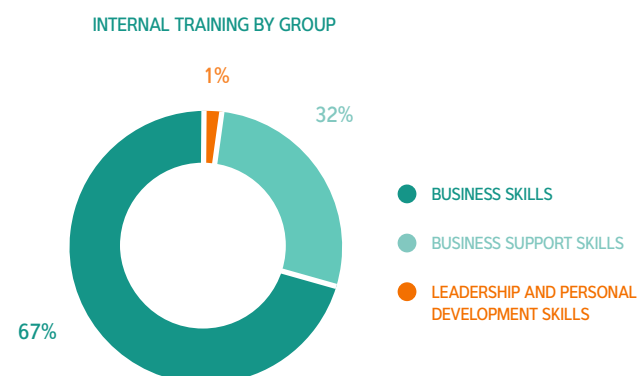
PROFESSIONAL CATEGORIES BY GENDER	TRAINING TIME
<b>Female</b>	<b>44,758.54</b>
Operational Assistants, Workers and Auxiliary Personnel	792.71
Assistant Technicians, Intermediate Level Technicians and Administrative Personnel	4976
Managers	3,969.42
Nursery Teachers	23.50
IT officers	69.50
Senior Technicians	19,367.41
Intern	15,560.00
<b>Male</b>	<b>109,148.38</b>
Operational Assistants, Workers and Auxiliary Personnel	32,009.6
Assistant Technicians, Intermediate Level Technicians and Administrative Personnel	24,364.37
Managers	7,337.25
IT officers	332.75
Senior Technicians	25,204.41
Intern	19,872.00
Board of Directors	28.00
<b>Grand Total</b>	<b>153,906.92</b>

## 6.3.2 Training and Talent Management and Retention

At the human resources' level, it is possible to identify a series of people management practices that contribute to the retention in the company of employees who demonstrate high performance and create value for the company and the teams where they work.

In a global analysis of the activity carried out in 2018, approximately 153,900 training hours were carried out, reaching an average of 32.5 hours of training per employee.

In the table below we detail the training activity by categories and gender:



In 2018, the training coverage rate reached 99% of IP employees. Up to December, of the total of 17,556 hours taught, 12,454 hours were taught by internal trainers, representing internal training, 71% of the total training hours. Also, the training activity quality indicator translated into the perceived satisfaction of the trainees stood at 3.57, on a scale of 1 to 4.



We always seek to involve, stimulate and motivate internal trainers. Every year we promote the Trainers Meeting with diverse sharing, including external speakers, on the panorama of vocational training and main challenges, experiences and courses and also the vision on the most innovative and disruptive training methods and techniques.

### 6.3.3 Skills Management

With regard to skills management, 2018 was marked by the consolidation and operationalisation of the management system and performance evaluation in the IP group, with a performance evaluation of around 3,570 employees, i.e. 98% of the universe of IP Group employees.

Also in the scope of performance in 2018, the development of performance management skills for the hierarchies was continued, and in-house training actions were given to a group of about 130 performance managers, in order to enable them to deal with the principles and good practices of a structured performance management process.

## 6.4 Social Capital and Relationships

The IP Group is committed to sustainability policies in its social, economic, cultural and environmental dimensions and with the best Social Responsibility practices, not only in its business areas, but also in its external relationships.

The objectives and the commitments that govern the company's sustainable performance in society, taking into account the public interest inherent in our activity, are established in the IP Group's Declaration of Social Responsibility Policy, of 15 July 2016.

The work of the IP Group is directed both at the internal public and at the external public and is structured around quality of life, the environment, mobility and safety, and is based on a set of innovative partnerships and initiatives.

### 6.4.1 IP Solidarity Programme

In 2018, this axis gained great momentum, especially through the Support Programme to the populations affected by the fires of the summer of 2017, entitled "IP Solidária", which was divided into three actions:

#### REFORESTATION OF LAND IN THE MUNICIPALITY OF PEDRÓGÃO GRANDE

On April 10, IP employees planted around 700 native trees (Portuguese ash and oak trees) on a plot of 9,000 m<sup>2</sup>, located in the parish of Ribeiro Joaninho, near the IC8.

This reforestation action was carried out in partnership with the Pedrogão Grande Municipal Council, and also counted on the collaboration of a local garden company.

#### RECONSTRUCTION OF A CHILDREN'S PLAYGROUND IN THE MUNICIPALITY OF MIRA

Presas Children's Playground was only a year old when the great fire of October 2017 destroyed it, burning not only the equipment, but also the large trees there, which, fortunately, have already started to regrow. The fire was at the gates of the small settlement, located in the vicinity of the town of Mira, but both the forest areas and houses of the municipality were heavily affected.

IP assumed the responsibility for equipping the children's playground and, on 3 August, our employees gave it the finishing touches by planting flowers in the beds.

The children of the Social Solidarity Association of Carapelhos and Corticeiro de Baixo opened the space on that day and left their mark on it - they painted their hands on the inside wall of the Playground.

This initiative was carried out in partnership with the Mira Municipal Council, and also counted on the collaboration of a local company.

#### RECONSTRUÇÃO DE VEDAÇÕES EM ESPAÇOS AGROPECUÁRIOS NO CONCELHO DE OLIVEIRA DO HOSPITAL

Given the importance of agricultural areas for the Serra da Estrela economy, IP provided the fencing needs and, on 20 November, our volunteers placed wooden poles and installed nets for sheep shelters on land owned by ANCOSE - National Association of Sheep Breeders of Serra da Estrela.



## 6.4.2 Partnerships

### GREENFEST 2018 - SUSTAINABILITY 4.0

Greenfest is one of the biggest sustainability events in the country, in which IP participates, both through the development of activities and through internal games, to offer tickets to the event.

In 2018, the Company developed an activity for the children of the 1st and 2nd school years (Schools Programme), within the ambit of the Ecolanes.

### PROGRAMME TO RECONCILE PERSONAL AND FAMILY LIFE "3 IN LINE"

IP was invited by the sector's regulator to join, as one of the flag companies, the Conciliation Pact - Conciliation management system for professional, family and personal life.

This is the 3 in Line Programme, which invites society to make a collective commitment with short, medium and long-term impact measures to promote the balance between professional, personal and family life in the public and private sectors.

### IGEN - EQUALITY ORGANISATIONS FORUM

IP renewed its commitment to gender equality, reconciliation and protection of maternity and paternity, through the definition and implementation of concrete measures and actions, in line with the Equality Plan.

IGen, being an unregulated entity, has played a very important role in raising awareness of the issue and encouraging the implementation of continuous improvement measures.

### IP IN THE NATIONAL SOCIAL RESPONSIBILITY NETWORK

Ten years after its creation, the RSO PT Network has about 300 members of public, charity and business organisations from various sectors and carries out many actions, including RSO (Organisational Social Responsibility) campaigns, seminars and workshops.

Our participation in the RSO PT Network, with regulated rights and obligations, is another opportunity to enhance knowledge and operationalise practices, in compliance with the Charter of Principles which we endorse, benefiting from a community of good Social Responsibility practices and solutions.





The RSO PT Network is a subscriber of the United Nations "Sustainable Development Goals Alliance", which embodies an agenda of global social responsibility in its Horizon 2030.

#### IP PARTNER OF THE "ENGINEERS FOR A DAY" PROJECT

IP was associated with the 2nd edition of the "Engineers for a Day" Project, which is promoted by the Portuguese Government, and is integrated into the National Strategy for Equality and Non-Discrimination in Portugal + Equality, focusing on combating and preventing the sex-based segregation of occupations and, in particular, the lack of women in the engineering and technology field.

### 6.4.3 Engagement with stakeholders/communities

#### VULNERABLE GROUPS

In supporting vulnerable groups, we highlight the partnership with the Food Bank Against Hunger.

The Company permanently supports this cause by allowing the use of its facilities in Lisbon, Caldas da Rainha, Évora and Covilhã.

Internally, it encourages the participation of employees in the Collection Campaign in supermarkets, which usually takes place twice a year. In 2018, the collection took place on the 27th and 28th of May and in December.

#### CAMPAIGN FOR THE PREVENTION OF ABUSE OF CHILDREN AND YOUNG PEOPLE

IP has given spaces of some stations of the Sintra and Greater Lisbon Line for the dissemination of the "Only the Heart can Beat" Campaign. The purpose of this initiative was to make society aware of the importance of preventing child abuse, strengthening families, towards positive parenting and strengthening of children themselves.

#### HEALTH AND DISEASE CONTROL

In relation to health promotion and disease control issues, IP was particularly active and associated with many initiatives, as a general rule providing spaces in railway stations:

- World Multiple Sclerosis Day
- International Thyroid Awareness Week
- World Sleep Day
- "Scream at the top of your Lungs" Campaign



## 6.5 Natural Capital

Natural capital is the stock of natural assets (e.g. water, soil, air, oceans, forests, etc.) from which a series of benefits flow to society, such as food, water, pharmaceutical and medicinal resources, renewable resources for the production of energy, and space for transportation and to develop leisure and sports activities. Other very important but invisible benefits include temperature regulation, carbon sequestration and oxygen production. All these benefits are vital for human well-being and for a sustainable economy.

**As part of the promotion of environmental protection and sustainable development at IP, 2018 was marked by the continuation of the consolidation of processes related to environmental management in the company, in the road and railway fields.**

These processes are geared to the entire life cycle of the infrastructure, from planning, design, construction, to operation and maintenance.

It also sought to reflect "eco-design" principles in the projects developed, by introducing, whenever possible, solutions of raw materials' reuse and recycling that might reconcile environmental protection options with other intervention needs in the network, in line with the principles of the EU-promoted Circular Economy.

We continue to contribute to the preservation of the environment and biodiversity, guiding the Company's growth towards environmentally sustainable results.

In this context, we highlight the environmental management activities in design, construction and maintenance carried out in 2018, in which the best environmental practices were applied.

**The IP Group pursues a set of objectives related to the defence of the environment and the natural resources on which its activity has an impact.**

The following table presents a summary comparative ENVIRONMENTAL PERFORMANCE between the years 2016, 2017 and 2018 at the IP Group:

ENVIRONMENTAL INDICATORS	UNIT	2016	2017	2018
Global energy consumption *	GJ	312,349.0	325,055.00	331,462.00
Water consumed	m <sup>3</sup>	243,691.00	215,780.00	204,148.00
Greenhouse gas emissions	tonCO <sub>2eq</sub>	15,079.00	15,226.00	15,585.00
Total weight of waste produced	ton	11,376.00	6,069.90	6,096.24
Investment in the environment	M€	7.00	7.90	16.50
Fuel consumption	l	1,554,962.00	1,680,801.00	1,746,987.00

\* Based on the conversion factors contained in Decrees 15793-D/2013 of 3 December and 17313/2008 of 26 June.

## 6.5.1 Main Eco-efficiency Indicators (Detail)

### MATERIALS

In the construction and maintenance of the road and rail network, several types of materials are consumed, and whenever possible they are reused in IP's activity.

On the railway, the following consumption, use and reapplication of the following track materials were recorded in the year 2018:

RAIL (KM)			SLEEPERS (UNITS)				
INFLOW (TOTAL)	NEW OUTFLOW	USED OUTFLOW	WOOD		CONCRETE (MONO-BLOCK AND BI-BLOCK)		
			INFLOW	OUTFLOW	INFLOW	NEW OUTFLOW	USED OUTFLOW
305	72	3	27,741	31,627	192,569	30,916	10,577

REAPPLICATION OF TRACK MATERIALS FOR USES OTHER THAN THE ORIGINAL USE		
MATERIAL	UNIT	TOTAL QUANTITY
Rail	Metro	168
Switchgear balance	Unit	2
Connection and fastening material	Unit	474
Lifting equipment	Unit	0
Metallic panels	Unit	0
Profiles	Unit	0

The following consumptions of raw materials were registered in 2018 in the road sector:

It was possible, depending on the nature of the road works, to use recycled material in the region of 3 to 5%.

RAW MATERIAL	TOTAL
Bituminous mixtures (m <sup>3</sup> )	154,496.00
Concrete (m <sup>3</sup> )	10,214.00
Iron and Steel (tonne)	44,181.00
Soils selected for embankments and aggregates (m <sup>3</sup> )	54,153.00

## ENERGY CONSUMPTION

In the IP Group, the main energy consumption refers to the consumption of electricity, fuel and gas.

YEAR	GAS CONSUMPTION (GJ)
2016	4,385.00
2017	4,257.00
2018	5,066.00

### GAS CONSUMPTION

Gas consumption in 2018 at the IP Group was 5,066.00 GJ, an increase of around 19% over the previous year.

### ELECTRICITY CONSUMPTION

The overall consumption of electricity in the IP Group in 2018 was 72,661,759.00 kWh, an increase of 1.2% compared to 2017.

Consumption was calculated for low voltage, special low voltage and medium voltage, associated with the operation of buildings, facilities and road and rail equipment (traffic lights, street lighting, etc.).

YEAR	CONSUMPTION (KWH)	CONSUMPTION (GJ)
2016	70,618,842.00	254,228.00
2017	71,788,906.00	258,440.00
2018	72,661,759.00	261,582.00

## OVERALL ENERGY CONSUMPTION

Based on the diverse consumption previously presented, a global energy consumption value was recorded for the IP group of 331,462.00 in 2018, corresponding to an increase of 2% over 2017, which accounted for the increase in overall consumption of diesel oil, gas and electricity.

ENERGY SOURCE	CONSUMPTION IN 2016 (GJ)	CONSUMPTION IN 2017 (GJ)	CONSUMPTION IN 2018
Diesel fuel	62,533	62,358	64,813
Gas			
Electricity	254,228	258,440	261,582
<b>TOTAL</b>	<b>321,146</b>	<b>325,055</b>	<b>331,462</b>

The distribution of the various types of energy consumption is shown in the graph below, and it has been observed that they have remained relatively constant over the last 3 years.

Electricity consumption is the greatest energy component in the organisation, in contrast to gas consumption, which is of little relevance compared with the other energy sources.

## INITIATIVES TO REDUCE ENERGY CONSUMPTION

PROGRAMME - ENERGY SUSTAINABILITY IN THE IP GROUP "SEE"

Energy Sustainability in the IP Group was marked in 2018 by the implementation of the Energy Strategy for 2017-2020. This strategy is guided by 7 main axes that translate the vision, a focused set of priorities and a statement of measures that allow the implementation of the established guidelines.



The implementation of the Energy Strategy included the implementation of several actions ranging from the analysis and diagnosis of energy consumption of the IP Group, to the performance of energy audits of facilities and/or equipment, the Energy Certification of Buildings and the implementation of energy efficiency measures.

## WATER

In the buildings and facilities belonging to the IP Group, water is essentially from the public network, and therefore the assignment of water source by water consumption was not identified. In the year 2018, total water consumption of 204,148 m<sup>3</sup> was recorded at the IP Group.

WATER CONSUMPTION AT IP (M <sup>3</sup> )		
2016	2017	2018
243,691.00	215,780.00	204,148.00

## EMISSIONS

### GREENHOUSE GASES

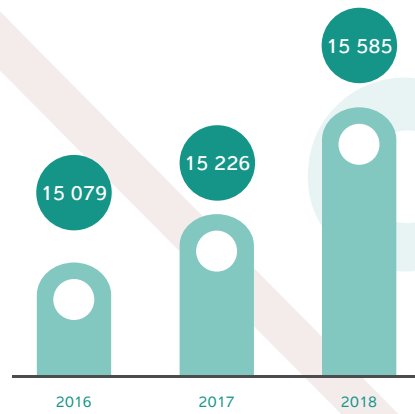
The calculation of direct emissions includes the emissions of greenhouse gases generated by the burning of fossil fuels from the IP Group's vehicle fleet and also gas consumption. Indirect emissions were calculated as the result of the consumption of electricity in buildings, facilities and by equipments.

As in previous years, indirect emissions (electricity) continue to have the greatest weight in the IP group's activity in 2018.

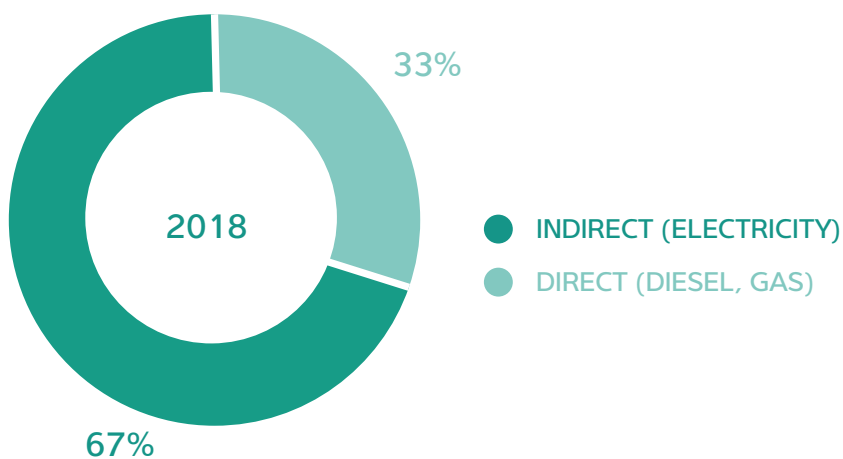
It can be seen that global emissions increased slightly compared to 2017, due to the higher consumption of electricity, fuel and gas in 2018.

Based on the 2018 emissions, the IP Group's calculated carbon intensity was 47 kgCO<sub>2</sub>/GJ.

EVOLUTION OF TOTAL EMISSIONS AT IP, SA  
[tonnes CO<sub>2</sub>]



DIRECT AND INDIRECT EMISSIONS OF GREENHOUSE GASES IN 2018



## EFFLUENT AND WASTE

The following production of waste resulting from the operation of IP's facilities and infrastructure was recorded in 2018:

2018	TONS
Total waste produced	6,096.247
Total waste for recovery	6,042.144
Total waste for disposal	54.103
Total hazardous waste	44.54
Total non-hazardous waste	6,051.707

There were no significant spills of hazardous substances in 2018. IP's water consumption is mainly drawn from the public network, so there are no significant impacts on its consumption. The discharge of wastewater at IP's facilities is carried out mainly into the municipal networks, although the facilities sometimes have connections to septic tanks.

## 6.5.2 Environmental Protection

The year 2018 was marked by the consolidation of the processes related to environmental management in the company, in the road and railway fields.

Whenever possible, we tried to introduce eco-design principles into solutions for the reuse and recycling of raw materials that reconcile environmental protection options with other intervention needs in the network, in line with the principles of the Circular Economy promoted by the EU.

On the roads, there is an increase, compared to 2017, in the number of projects with environmental management, developed internally and using external contracting, and an increase in the number of works and services rendered with environmental management and/or cultural heritage management.

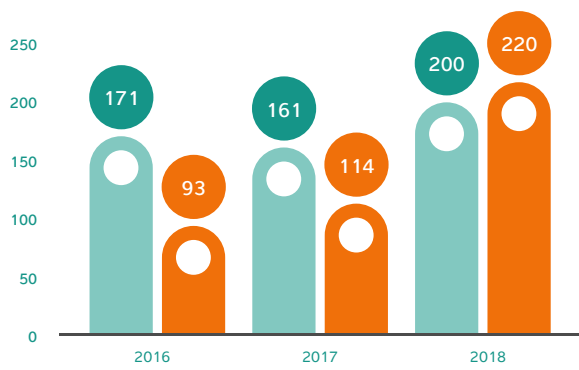
In the railway sector, this increase was also seen in 2018, both in the number of projects with environmental management carried out with internal and external resources, and in the number of works with environmental management and/or cultural heritage management, compared to 2017.

In our interactions with external stakeholders, activities were developed at various levels, highlighted by the increasing number of requests and responses to customers on environmental matters, with emphasis on the area of forest and noise management.

Likewise, significant figures are also identified for participation in processes related to Land Management Instruments and procedures promoted by Environmental Impact Assessment Authorities (EIAs), within the legal framework of EIA.

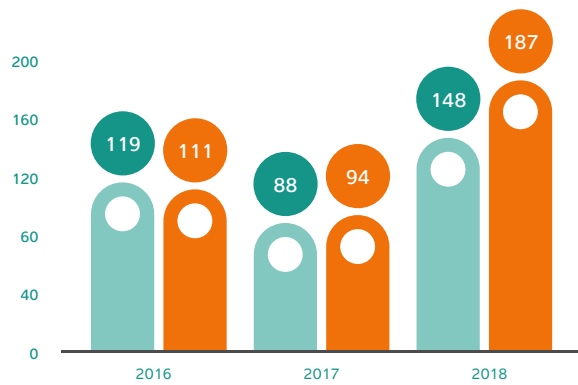
In the context of the management of the environmental activities of networks in operation, attention should be paid to the landscape integration of roads, in conciliation with road and railway safety and the owners of the neighbouring land, as well

### ROAD SECTOR



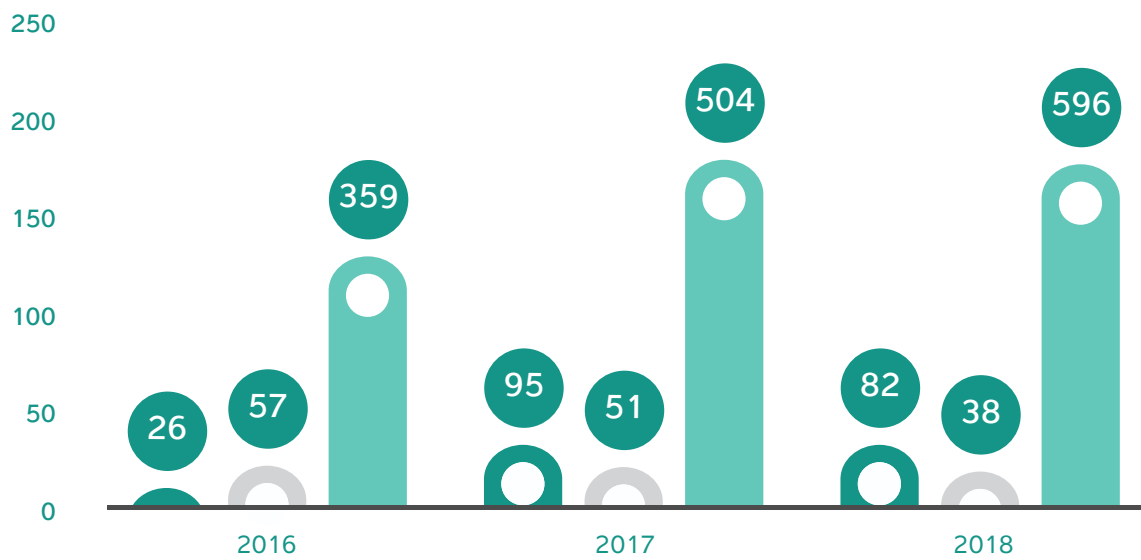
- INTERNAL AND EXTERNAL PROJECTS WITH ENVIRONMENTAL MANAGEMENT
- WORKS AND SERVICES RENDERED WITH ENVIRONMENTAL MANAGEMENT / CULTURAL HERITAGE

### RAILWAY SECTOR



- INTERNAL AND EXTERNAL PROJECTS WITH ENVIRONMENTAL MANAGEMENT
- WORKS AND SERVICES RENDERED WITH ENVIRONMENTAL MANAGEMENT / CULTURAL HERITAGE





- ADVICE ON AIA, RECAPE AND OTHER PROCESSES
- PARECERES A IGT
- CUSTOMER REQUESTS

as performance in the field of natural fuel management for the prevention and protection of the forests against fire, in the areas adjacent to the road and rail network. 2018 was especially demanding in this regard.

**In 2018, 751 inspections were carried out, covering a total of 1,762 km of surveyed network.**

#### SUSTAINABILITY AND EFFICIENCY PROGRAM (SEE)

As part of the Company's environmental sustainability drive, in 2018, the Sustainability and Efficiency Program (ESS) was set out. It will be launched in 2019 and covers dimensions, energy efficiency, water, landscape, mobility and waste.

At the level of innovation, the Eco Sustainable Rail project (Portugal 2020), which began in July 2016 and will end in June 2019, aims to reuse plastic waste, with great potential for transformation.

The project responds at the same time to the need to find an alternative to the wooden beam, in view of the ban on the use of biocides (creosote), as determined in the Directive of the European Commission. The validity of the approval of creosote for use in biocidal type-8 products has been postponed, until 31 October 2020, by Commission Implementing Decision (EU) 2017/2334 of 14 December 2017.

#### ECO SUSTAINABLE RAIL TRAVESSAS DE CAMIÑO DE FERRO ECO SUSTENTÁVEIS



PROTOTYPE OF SLEEPER FOR RAILWAY INFRASTRUCTURE MADE OF PLASTIC.





INITIAL TEST OF SLEEPER FOR RAILWAY INFRASTRUCTURE MADE OF PLASTIC.



Also in the innovation field, but particularly on the Climate Change theme, IP's participation should be noted in multidisciplinary teams in several consortia for projects already approved by the EU as part of H2020, under the theme "Resilience to Extreme events", which aim to develop smart systems for the management of road and railway infrastructures, enabling better management and subsequent mitigation of the effects of climate change on mobility.

#### BIODIVERSITY

Recognising the need for Species Preservation, IP implemented a Wildlife Mortality Monitoring Programme on the roads under its jurisdiction. It has been in place since 2010. Accordingly, sightings of animal carcasses are recorded in a geo-referenced database during road inspections and, based on these records, the critical situations and blackspots for fauna mortality are identified, with the aim of proposing measures to minimise them.

In the last two years, the University of Évora has collaborated with the IP Group as a partner on the LIFE LINES Project. In this context the University team is monitoring the EN114, EN4 and EN18 roads in the district of Évora. It sends its results to IP, which analyses them together with its own data. In 2018, 1,735 animal roadkills were recorded, about 61% of which were wild animals, and the remaining 39% domestic animals/pets. Mammals constitute the most recorded group, especially domestic animals and wild carnivores. Recent studies have shown that, in general, carnivores and other mammals use water drainage tunnels and agricultural passages under the road to cross them, and that the availability of these structures can positively influence the reduction of their mortality on the roads (e.g. Ascensão, 2005). The results of this programme are taken into consideration in the definition of specific requirements to be included in work to improve these tunnels or roads, in order to consider the need to include measures to minimise the danger to fauna. It should also be noted that in most of the segments where minimisation measures have already been implemented, there has been a reduction in the mortality rates of fauna.

Other measures include the implementation of Longitudinal Barriers to prevent the entry of species on to the EN114 and the implementation of tight-mesh Metallic Nets designed to ensure the flight of owls at two sites on the EN114.

#### REDUCING THE ENVIRONMENTAL AND SOCIAL IMPACT ON COMMUNITIES

The IP Group, in the framework of its works and services on the road and rail network, provides for inclusion of environmental requirements in its specifications to be implemented by the Contractors, in order to minimise the environmental impacts in the construction phase.

The checking of these requirements is carried out by the technicians from the IP Group, and in 2018 407 services and road and rail works were monitored. In the operational phase, we highlight the execution of anti-root screens on the EN4 that allow us to avoid cutting down trees bordering the road; the construction of barriers for amphibians in Montemor-Évora that prevent them accessing to the road and promote their route to the water courses.

#### IMPROVED ENVIRONMENTAL QUALITY IN THE ROAD ENVIRONMENT

Incorporation of low-noise road surfaces in several road infrastructures classified as Large Transport Infrastructures. Installation of 752 m<sup>2</sup> of acoustic barriers on the IC2/Sacavém. Implementation of several roundabouts as Landscape Integration Projects. Regarding the elaboration of the Strategic Noise Maps, it is worth mentioning its completion of Phase 1, both road and rail, for the Large Transportation Infrastructures (LTI). For Phase 2 of the LTI, 85% of the road is complete and 100% of the railway is complete. In relation to the Action Plans, these are 85% implemented on the roads.

On the Railway, the Railway Climate Responsibility Pledge stands out. The electrification of several railway lines will allow the reduction of CO<sub>2</sub> emissions by reducing the combustion of fossil fuels.

Regarding IP's operations, we highlight the Energy Efficiency Programme underway that aims to reduce energy consumption and emissions associated with the operation of the IP facilities.

## 7. GOVERNANCE MODEL AND ORGANISATIONAL STRUCTURE

IP takes the form of a state-owned enterprise set up as a public limited company and it is governed by Decree-Law 91/2015 of 29 May, which created it, by its bylaws, approved in the annex to said law, by the legal scheme for the state-owned business sector, approved by Decree-Law 133/2013 of 3 October, by the good practices of corporate governance applicable to the sector, by the provisions of the Portuguese Commercial Companies Code, internal regulations and national and European legal norms underlying its business activity.

IP adopted a two-tier corporate governance model, allowing effective separation of supervision from the management in pursuit of the objectives and interests of the company, its shareholder, employees and other stakeholders, in order to achieve the degree of trust and transparency necessary for its adequate functioning and optimisation.

IP is subject to the supervision of the Ministry of Planning and Infrastructures and, under the terms of the legal scheme of the state-owned business sector, is subject to the jurisdiction and control exercised by the Court of Auditors, as well as to

the supervision of the General Inspectorate of Finance, pursuant to law.

The share capital is represented by nominative shares in book-entered form, owned by the Portuguese State and held by the Directorate-General for Treasury and Finance.

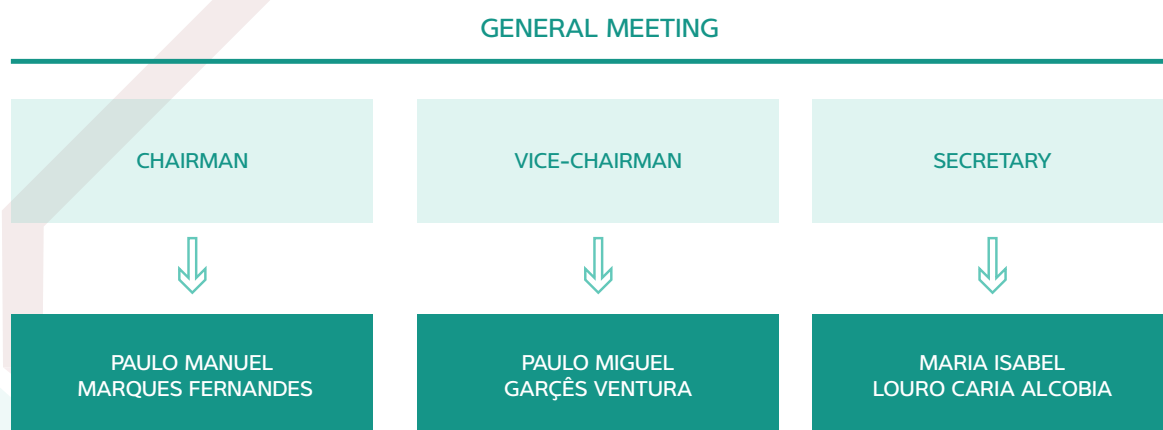
On 31 December 2018, the share capital was EUR 5,811,510,000, fully subscribed and paid up by its shareholder, corresponding to 1,162,302 fully subscribed and paid shares each with a par value of EUR 5,000.

### CORPORATE BODIES

IP's corporate bodies are the General Meeting, the Executive Board of Directors, the General and Supervisory Board, which includes a Financial Matters Committee, and the Statutory Auditor.

### GENERAL MEETING

It is composed of the shareholders. The General Meeting Board consists of a chairman, vice-chairman and secretary.



## EXECUTIVE BOARD OF DIRECTORS

The Executive Board of Directors was constituted in 2017 by the Chairman, two Vice-Chairmen and three Directors, with the constitution presented in the following table.

### EXECUTIVE BOARD OF DIRECTORS

CHAIRMAN	VICE-CHAIRMAN	VICE-CHAIRMAN	MEMBER	MEMBER	MEMBER
↓	↓	↓	↓	↓	↓
ANTÓNIO CARLOS LARANJO DA SILVA	JOSÉ SATURNINO SUL SERRANO GORDO	CARLOS ALBERTO JOÃO FERNANDES	ALBERTO MANUEL DE AMLEIDA DIOGO	VANDA CRISTINA LOUREIRO SOARES NOGUEIRA	ALEXANDRE SOFIA VIEIRA NOGUEIRA BARBOSA

## GENERAL AND SUPERVISORY BOARD

The General and Supervisory Board (GSB) should be made up of six to nine members, appointed at a General Meeting, which also designates who, from among them, holds the position of chairman.

Three members are currently assigned to the General and Supervisory Board, who also constitute the Financial Matters Commission, and the composition is as follows.

### GENERAL AND SUPERVISORY BOARD

FINANCIAL MATTERS COMMITTEE		
CHAIRMAN	MEMBER	MEMBER
↓	↓	↓
JOSÉ CASTEL-BRANCO	DUARTE PITTA FERRAZ	ISSUF AHMAD

## STATUTORY AUDITOR

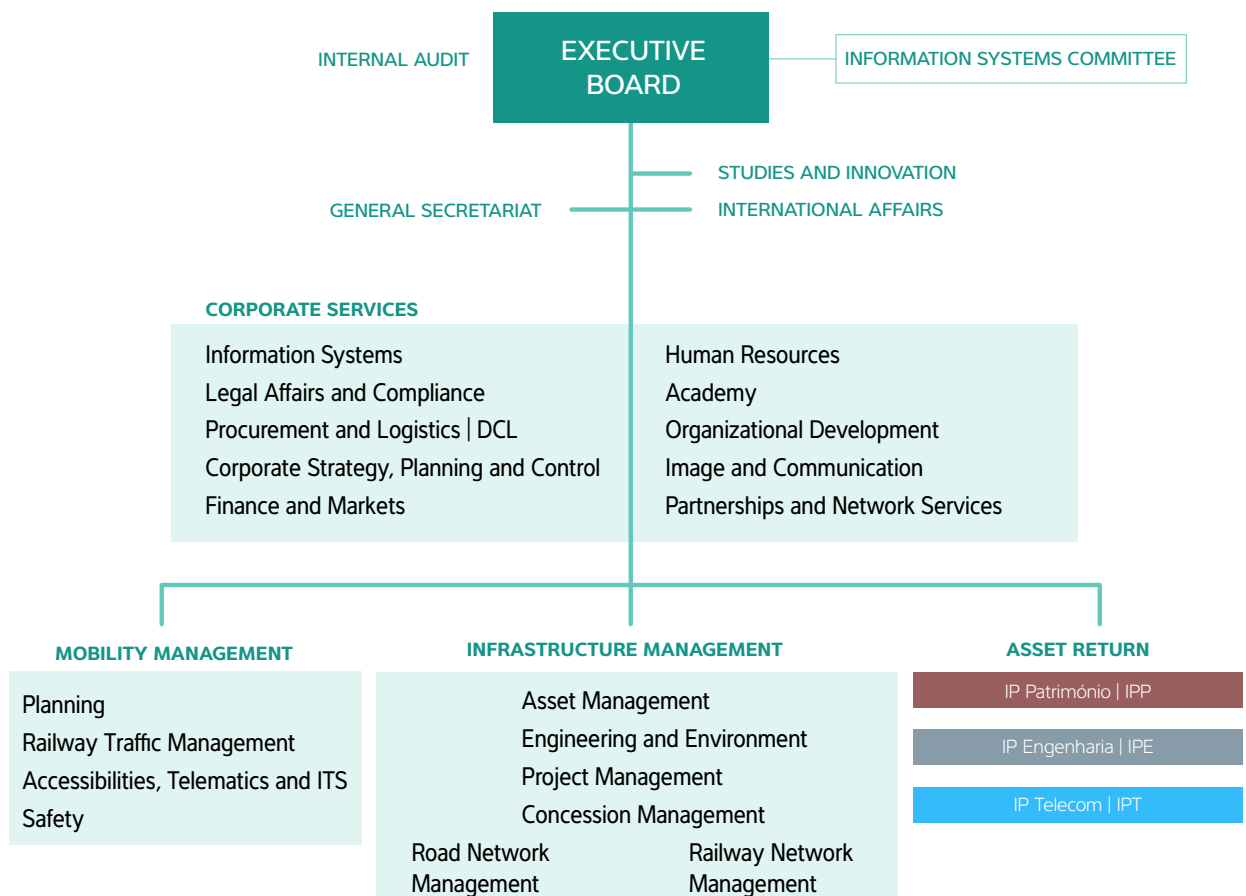
On 13 April 2017, the Shareholder appointed the company Vitor Almeida e Associados, SROC, Lda (statutory audit firm no. 191, registered with the CMVM under No. 20161491), represented by its partner Vitor Manuel Batista de Almeida (statutory auditor no. 691, registered with the CMVM under no. 20160331), as Statutory Auditor.

## ORGANISATIONAL STRUCTURE

Three years after the merger, some adjustments were made to the IP Group's organisational structure in 2018 to enhance the generation/creation of value against the needs and expectations of the stakeholders, promoting greater efficiency among the various areas and companies of the IP Group.

In this organisation chart the business areas are aligned with the company's major strategic objectives and are divided into three groups:

- **MOBILITY MANAGEMENT**, ensuring the implementation of integrated network planning and road-rail mobility management, in accordance with principles of safety, sustainability and optimisation of core revenue.
- **INFRASTRUCTURE MANAGEMENT**, anticipating efficiency gains derived from the application of asset management principles.
- **ASSET MONETISATION**, where the investees are geared to optimise non-core IP Group revenue, monetising the excess capacity of the assets not used in the main activities and the non-core assets.



## 8. SUBSEQUENT EVENTS

By Unanimous Corporate Decision in Writing, dated 15 February 2019, the share capital of IP was increased by EUR 945 million through the issue of 189,000 shares with a nominal value of EUR 5,000 each subscribed and paid up or to be paid up by the shareholder, the Portuguese State.

Election of the members of the Social Bodies of IPE, IPP and IPT through its Unanimous Decision in Writing of 1 March 2019.

Appointment by the Shareholder, at a General Meeting held on 19 March 2019, of the Vitor Almeida e Associados Company, SROC, Lda, to be a Statutory Auditor for IP, for the 2018-2020 term.

IP achieved the ISO 9001 (Quality) and ISO 55001 (Asset Management) Standard Certifications. Following the audit carried out last December.

Conclusion on 31 March 2019 of the Collective Bargaining Agreement (CBA) for the IP Group, after a long negotiation process, which constitutes a decisive milestone in the process of harmonisation of labour relations. The CBA was agreed with the vast majority of the Company's unions. It represents not only an improvement in the current conditions for each worker but also the stabilisation and standardisation of rules applicable to all, in the same way.





## 9. PROPOSED PROFIT DISTRIBUTION

The Executive Board of Directors proposes the following distribution for the Net Profit calculated for 2018 in the amount of EUR **109,287,314.98** (one hundred and nine million two hundred and eighty-seven thousand three hundred and fourteen euros and ninety-eight cents):

### LEGAL RESERVE

EUR 109,287,314.98

The prospect of maintaining high levels of investment for the coming years means that the annual profit should be retained as a measure to strengthen the Company's equity.

**Almada, 26 April 2019**



## The Executive Board of Directors

**Chairman,** ANTÓNIO CARLOS LARANJO DA SILVA

**Vice-Chairman,** JOSÉ SATURNINO SUL SERRANO GORDO

**Vice-Chairman,** CARLOS ALBERTO JOÃO FERNANDES

**Member,** ALBERTO MANUEL DE ALMEIDA DIOGO

**Member,** VANDA CRISTINA LOUREIRO SOARES NOGUEIRA

**Member,** ALEXANDRA SOFIA VIEIRA NOGUEIRA BARBOSA







**Part II**  
**IP Financial**  
**Statements and**  
**Accompanying Notes**  
**to the Financial**  
**Statements**

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# FINANCIAL STATEMENTS AND NOTES

(amount in thousand euros - EUR thousand)





# STATEMENT OF COMPLIANCE

Pursuant to and for the purposes of article 245 (1) (c) of the Portuguese Securities Code, each member of the Executive Board of Directors of Infraestruturas de Portugal, S.A., identified below, signed the following Statement:

"I hereby declare, pursuant to and for the purposes set forth in article 245 (1)(c) of the Portuguese Securities Code, that, to the best of my knowledge, acting in the capacity and scope of the functions assigned to me and on the basis of the information provided through the Executive Board of Directors, the financial statements have been prepared in ac-

cordance with the applicable accounting standards. I further declare that they provide a true and fair view of the assets and liabilities, the cash flows, the financial situation and the profit/loss of Infraestruturas de Portugal, S.A., and that the management report for 2018 faithfully details the important events that occurred in that period and the impact on the respective financial statements, which also describes the main risks and uncertainties for the forthcoming financial year."

## The Executive Board of Directors

**Chairman**, ANTÓNIO CARLOS LARANJO DA SILVA

**Vice-Chairman**, JOSÉ SATURNINO SUL SERRANO GORDO

**Vice-Chairman**, CARLOS ALBERTO JOÃO FERNANDES

**Member**, ALBERTO MANUEL DE ALMEIDA DIOGO

**Member**, VANDA CRISTINA LOUREIRO SOARES NOGUEIRA

**Member**, ALEXANDRA SOFIA VIEIRA NOGUEIRA BARBOSA

# SEPARATE FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018 AND 2017

	NOTES	31-12-2018	31-12-2017
<b>Assets</b>			
<b>Non-current</b>			
Tangible fixed assets	5	50,877	51,282
Investment properties		98	104
Intangible assets	6	20,328,642	20,071,235
Investments in subsidiaries	7	13,006	10,326
Loans granted	8	0	0
Deferred tax assets	9	261,833	220,971
Financial Investments		32	32
		<b>20,654,489</b>	<b>20,353,949</b>
<b>Current</b>			
Inventories	19	61,599	42,058
Trade receivables (Clients)	11.2	68,753	75,445
Grantor - State - Account receivable	12	3,767,165	5,625,616
Current tax assets	13	0	16
Government and other public bodies	13	1,285,852	1,423,552
Loans granted	11.3	49,717	27,158
Other accounts receivable	11.1	142,671	165,755
Deferrals	10	1,464	690
Non-current assets held for sale		3	3
Cash and cash equivalents	14	301,624	322,886
		<b>5,678,849</b>	<b>7,683,179</b>
<b>Total Assets</b>		<b>26,333,338</b>	<b>28,037,128</b>
To be read jointly with the notes to the separate financial statements.			

**STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018 AND 2017 (cont.)**

	NOTES	31-12-2018	31-12-2017
<b>Equity</b>			
<b>Capital and reserves attributable to equity holders</b>			
Paid-up capital	15	5,811,510	4,925,375
Reserves	15	33,096	1,947
Cumulative results		128,682	36,913
		<b>5,973,289</b>	<b>4,964,234</b>
Net profit or loss for period		109,287	122,919
<b>Total equity</b>		<b>6,082,576</b>	<b>5,087,154</b>
<b>Liabilities</b>			
<b>Non-current</b>			
Provisions	16	890,608	869,430
Borrowings	17.1	2,641,345	3,221,317
Shareholder funding/Shareholder loans	17.2	272,528	534,390
Other accounts payable	18.2	2,083,284	2,370,818
Deferrals	10	10,382,351	10,454,767
Deferred tax liabilities	9	159	125
		<b>16,270,275</b>	<b>17,450,848</b>
<b>Current</b>			
Trade payables (Suppliers)	18.1	14,668	18,212
Cash advances of trade receivables (clients)		8,027	8,049
Government and other public bodies	13	7,839	8,092
Current tax liabilities	13	19,878	47,796
Borrowings	17.1	633,531	141,629
Shareholder funding/Shareholder loans	17.2	2,354,537	4,392,482
Other accounts payable	18.2	932,291	872,887
Deferrals	10	9,717	9,980
		<b>3,980,487</b>	<b>5,499,127</b>
<b>Total Liabilities</b>		<b>20,250,762</b>	<b>22,949,974</b>
<b>Total Equity and Liabilities</b>		<b>26,333,338</b>	<b>28,037,128</b>
To be read jointly with the notes to the separate financial statements.			

COMPREHENSIVE INCOME STATEMENT FROM 1 JANUARY 2018 TO 31 DECEMBER 2018  
AND FROM 1 JANUARY 2017 TO 31 DECEMBER 2017

	NOTES	2018	2017
Sales and services	20	1,150,664	1,160,362
Compensatory Allowances	21	62,904	68,416
Cost of goods sold and materials consumed	22	-272,381	-273,643
External supplies and services:	23	-271,319	-253,895
Maintenance, repair and safety of road network	23	-96,874	-97,578
Maintenance, repair and safety of railway network	23	-69,734	-56,220
Other ESS	23	-104,711	-100,098
Personnel expenses	24	-125,784	-123,345
Impairment (losses/reversals)	25	23,679	18,642
Provisions (increases/reductions)	16	-16,451	-8,689
Other income and gains	26	96,222	95,592
Other costs and losses	27	-12,102	-10,449
Income/(expenses) in subsidiaries	28	5,180	3,857
<b>Earnings before depreciation, financing expenses and taxes</b>		<b>640,611</b>	<b>676,847</b>
Depreciation and amortisation expenses/reversals	5, 6	-277,843	-276,159
<b>Operating profit (before financing and tax expenses)</b>		<b>362,769</b>	<b>400,689</b>
Interest and similar income	29	93,428	94,727
Interest and similar costs	29	-319,010	-352,778
<b>Profit before tax</b>		<b>137,187</b>	<b>142,637</b>
Income tax for the period	30	-27,900	-19,718
<b>Net profit for the year</b>		<b>109,287</b>	<b>122,919</b>
<b>Comprehensive income</b>		<b>109,287</b>	<b>122,919</b>
To be read jointly with the notes to the separate financial statements.			

STATEMENT OF CHANGES TO SHAREHOLDERS EQUITY FROM 1 JANUARY 2018  
TO 31 DECEMBER 2018 AND FROM 1 JANUARY 2017 TO 31 DECEMBER 2017

	SHARE CAPITAL	RESERVES	CUMULATIVE RESULTS	PROFIT FOR THE YEAR	TOTAL
<b>Balance at 31-12-2017</b>	<b>4,925,375</b>	<b>1,947</b>	<b>36,913</b>	<b>122,919</b>	<b>5,087,154</b>
Appropriation of net profit for 2017		31,150	91,769	-122,919	0
Share capital increases	886,135				886,135
2018 Comprehensive income				109,287	109,287
<b>Balance at 31-12-2018</b>	<b>5,811,510</b>	<b>33,096</b>	<b>128,682</b>	<b>109,287</b>	<b>6,082,576</b>

	SHARE CAPITAL	RESERVES	CUMULATIVE RESULTS	PROFIT FOR THE YEAR	TOTAL
<b>Balance at 31-12-2016</b>	<b>4,045,375</b>	<b>631</b>	<b>11,909</b>	<b>26,320</b>	<b>4,084,234</b>
Appropriation of net profit for 2016		1,316	25,004	-26,320	0
Share capital increases	880,000				880,000
2017 Comprehensive income				122,919	122,919
<b>Balance at 31-12-2017</b>	<b>4,925,375</b>	<b>1,947</b>	<b>36,913</b>	<b>122,919</b>	<b>5,087,154</b>

To be read jointly with the notes to the separate financial statements.

CASH FLOW STATEMENT FROM 1 JANUARY TO 31 DECEMBER 2018 AND  
FROM 1 JANUARY TO 31 DECEMBER 2017

	NOTES	2018	2017
<b>Operating Activities</b>			
Cash receipts from clients		1,181,960	1,174,282
Cash paid to suppliers		-813,642	-834,360
Cash paid to personnel		-123,216	-117,126
<b>Flow generated by operations</b>		<b>245,101</b>	<b>222,796</b>
Income tax (paid)/received		-96,114	-91,616
Other receipts/(payments) relating to operating activity		67,157	105,970
<b>Net cash from operating activities (1)</b>		<b>216,145</b>	<b>237,150</b>
<b>Investing Activities</b>			
<b>Cash receipts relating to:</b>			
Investment grants		75,899	50,878
Tangible assets		3,197	3,060
Financial investments		2,500	3,000
		<b>81,596</b>	<b>56,937</b>
<b>Cash payments relating to:</b>			
Investment grants		-82	-460
Financial investments		0	-8,382
Tangible assets		-88,737	-59,320
Intangible assets		-897,636	-827,744
		<b>-986,455</b>	<b>-895,906</b>
<b>Net cash from investing activities (2)</b>		<b>-904,858</b>	<b>-838,968</b>
<b>Financing Activities</b>			
<b>Cash receipts relating to:</b>			
Share capital contribution	15	886,135	880,000
		<b>886,135</b>	<b>880,000</b>
<b>Cash payments relating to:</b>			
Borrowings		-95,332	-101,528
Interest and similar costs		-130,176	-132,122
		<b>-225,508</b>	<b>-233,649</b>
<b>Net cash from financing activities (3)</b>		<b>660,627</b>	<b>646,351</b>
<b>Change in cash and cash equivalents (4)=(1)-(2)+(3)</b>		<b>-28,087</b>	<b>44,532</b>
Cash and cash equivalents at end of period	14	294,548	322,634
Cash and cash equivalents at the beginning of the period	14	322,634	278,103
<b>Change in cash and cash equivalents</b>		<b>-28,087</b>	<b>44,532</b>
To be read jointly with the notes to the separate financial statements.			

Almada, 26 April 2019

## The Executive Board of Directors

**Chairman**, ANTÓNIO CARLOS LARANJO DA SILVA

**Vice-Chairman**, JOSÉ SATURNINO SUL SERRANO GORDO

**Vice-Chairman**, CARLOS ALBERTO JOÃO FERNANDES

**Member**, ALBERTO MANUEL DE ALMEIDA DIOGO

**Member**, VANDA CRISTINA LOUREIRO SOARES NOGUEIRA

**Member**, ALEXANDRA SOFIA VIEIRA NOGUEIRA BARBOSA

**Finance Director**

MARIA DO CARMO DUARTE FERREIRA

**Certified Accountant**

DIOGO MENDONÇA LOPES MONTEIRO



NOTES TO THE SEPARATE  
FINANCIAL STATEMENTS FOR  
THE YEAR 2018





# 1. INTRODUCTORY NOTE

Infraestruturas de Portugal, S.A. is the State-owned company resulting from the merger of Rede Ferroviária Nacional – REFER, E.P.E. (REFER) and EP - Estradas de Portugal, S.A. (EP) through which REFER merged into EP and is transformed into a public limited company, being renamed Infraestruturas de Portugal, S.A. (hereinafter IP). The merger entered into force on 1 June 2015, as provided for in Decree-Law 91/2015 of 29 May.

The immediate consequence of the merger determines that the road and rail infrastructure are to be managed by a single company, in accordance with a joint, integrated and complementary strategy.

## 1.1 Company Activity

According to Decree-Law 91/2015, the main business activity is “the design, construction, financing, maintenance, operation, restoration, widening and modernisation of national road and rail networks, including the command and control of traffic movements.”

In order to carry out its activity, IP takes the position of infrastructure manager under the terms of the overall concession contract for the national road network and the national rail network programme, both concluded with the Portuguese State.

In the development of its business and in order to ensure a high level of efficiency and effectiveness, IP employs additional services in business areas that are not included in its core business, but are carried out by its subsidiaries.

## 2. BASES OF PRESENTATION AND ACCOUNTING POLICIES

### 2.1 Bases of Presentation

The financial statements presented herein reflect the financial position, the results of the operations and the cash flows of IP for the periods ending on 31 December 2018 and 2017, forming the separate financial statements of the Company.

These financial statements were approved by the Executive Board of Directors at its meeting on 26 April 2019. It is the opinion of the Executive Board of Directors that these provide a true and appropriate reflection of the operations of IP as well as its financial position, performance and cash flows.

All figures are expressed in thousands of euros (EUR thousand) unless otherwise stated. EUR million is also used to signify millions of euros, when necessary.

The financial statements of IP were prepared on the basis of ongoing operations in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), issued and in force on 31 December 2018.

IFRS includes the accounting policies issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), and the respective bodies that preceded them.

In the financial statements presented, we preferred to measure by historical cost

The preparation of financial statements in accordance with IFRS requires the Company to exercise judgments, estimates and assumptions that affect the application of accounting policies and the amounts of income, expenses, assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors considered applicable and they form the basis for judgements about the values of assets and liabilities that could not possibly be valued from other sources. Issues requiring a higher degree of judgment or complexity, or for which the assumptions and estimates are considered significant, are presented in note 2.3. (Main estimates used in the financial statements).

### 2.2 Accounting Policies

The financial statements include, with reference to 31 December 2018 and 31 December 2017, the Company's assets, liabilities, profit/loss and cash flows.

The main accounting policies used in preparing these financial Statements are described in the following paragraphs. These policies were consistently applied in relation to the 2017 financial year, unless otherwise specified.

The accounting standards and interpretations recently issued but which have not yet entered into force and that the company has not yet applied in preparing its financial statements can be analysed in note 33.

#### A) EQUITY INTERESTS IN SUBSIDIARIES

According to IAS27 – Separate Financial Statements, when an entity presents separate financial statements, investments in subsidiaries, joint ventures and associated companies must be recorded at cost, at fair value or using the equity method.

IP records the previously mentioned financial investments at cost less any impairment losses.

Dividends from these entities are recognised under "Income/ (expenses) in subsidiaries" when the right to them is established.

According to IFRS 10 – Consolidated Financial Statements, a subsidiary is an entity controlled by another entity.

An investor controls an entity when it is exposed to or holds rights in relation to variable results through its relationship with that entity and it has the ability to generate an impact on those results through the power of influence it has over the investee.

#### B) EQUITY INTERESTS IN JOINT ARRANGEMENTS

A joint arrangement is, according to IFRS 11 – Joint Arrangements, an arrangement whereby two or more parties have joint control.

The joint arrangements have the following characteristics:

- The parties are bound by a contractual agreement; and
- The contractual agreement confers on two or more parties joint control of the arrangement.

According to that standard, a joint arrangement is a joint operation or joint venture.

A joint operation is a joint arrangement whereby the parties holding joint control of the arrangement have rights to the assets and obligations on the liabilities related to that arrangement. These parties are designated as joint operators.

A joint operator recognises, in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its income from the sale of its share of the output of the joint operation;
- its share of the income from the sale of the output of the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

A joint venture is a joint arrangement whereby the parties holding joint control of the arrangement have rights over the net assets of the arrangement. These parties are designated as joint venturers.

### C) STATE GRANTOR – ACCOUNT RECEIVABLE – SERVICE CONCESSION ARRANGEMENTS – IFRIC 12

Following the spin-off of the railway activity in Portugal in 1997, IP (formerly REFER) was assigned the responsibility of building and renovating long-duration railway infrastructures. This activity is carried out according to the Government directives; its financing is guaranteed through the share capital, by State and European grants and loans. The majority of the loans are secured by the State, and IP plays the role of “agent”.

Applying this understanding, the effects of this activity are recognised and measured in accordance with IFRIC 12 – Concession Arrangements.

Therefore, for the purposes of IFRIC 12, the Invest-

ment Activity in Long-Duration Infrastructure (LDI) is considered to constitute the existence of a concession between the State (Public Entity) and IP (equivalent to Private Entity despite the only shareholder being the State), with IP taking the role of “concessionaire” in this activity.

IFRIC 12 applies to public service concession contracts in which the grantor (State) controls (regulates):

- The services to be provided by the concession holder (through the use of infrastructure), to whom and at what price; and
- Any residual interests over the infrastructure at the end of the contract.

IFRIC 12 applies to infrastructure:

- Built or acquired by the operator from third parties; and
- That already exists and to which the operator is given access.

In this way, and given the above described, it is IP’s understanding that the existing railway concession is included within the scope of this IFRIC for the following reasons:

- IP is a profit-making entity and subject to the application of the Companies Code, despite its shareholder being the State, it is set up according to the framework established in the legislation applicable to the public corporate sector (Decree Law 133/2013 of 3 October) having equity and financial independence vis-à-vis its shareholder, thereby averting the exclusion of application of IFRIC 12 in accordance with its §4;
- The decree-law that establishes IP in substance can be considered a concession agreement, since the State in the capacity of grantor, controls and regulates the public services provided by IP, in the capacity of concessionaire, with the infrastructure forming part of or may form part of the public national rail domain, also defining to whom the services are provided and at what price; and
- The State, through ownership, controls the infrastructure, as this belong to the public domain of the State, leasing to IP the right to access the same in order to provide the public service by charging a tariff to passenger and freight transport operators.

This interpretation establishes the generic principles for the recognition and measurement of rights and obligations under the concession contracts with the above-mentioned characteristics and sets out the following models:

- Intangible asset model – When the operator receives from the grantor the right to charge a tariff based on the use of the Infrastructure;
- Financial asset model – When the operator has an unconditional contractual right to receive cash or another financial asset from the grantor, corresponding to specific or determinable amounts, the operator must recognise a financial asset (receivable). In this model, the grantor has few or no discretionary powers to avoid payment, due to the agreement being generally legally binding; and
- "Mixed" model – This model, provided for in §18 of IFRIC 12, applies when the concession includes commitments of guaranteed remuneration by the grantor and remuneration commitments dependent on the level of use of the concession infrastructures.

Taking into accounting the types of existing models, the model which best translates IP's railway activity is the Financial Asset model, since according to the law in force, the State (public entity) will fully bear the costs of the investments in national railway infrastructures, whereas IP has an unconditional right to receive funds from the State for its investments in LDI. This right is granted either by article 11 of the General Land Transportation Law for rail transport (IARC), by Decree-Law 141/2008 of 22 July, or by the 2011-2015 Strategic Transport Plan (PET) and finally, in 2014, by the Strategic Plan for Transport and Infrastructures (2014-2020 horizon) (PETI3+).

As regards the Financial Asset, resulting from the application of this standard, it was framed in accordance with the provisions of IAS 32, IFRS 7 and IFRS 9.

As there is no formal concession agreement for the Investment Activity in Long-Duration Infrastructures, IP makes the following assumptions to determine the value of the concession, based on the principle of substance over form and the existing legislation, namely:

- The General Land Transportation Law Infras-

tructure Maintenance and Supervision – Law 10/90 – which establishes in number 3 of article 11 the compensation payable by the State for shouldering in full the infrastructure construction, maintenance and supervision costs, in accordance with rules to be approved by the Government.

- **The Strategic Transport Plan (RCM 45/2011)**

"The investment necessary for the construction of transport infrastructure, as goods and assets in the public domain, is the responsibility of the State as set out in the General Land Transportation Law. Nevertheless, over the past decades, state-owned enterprises operating in the land transport and railway sectors have carried the burden of having to register in their financial statements – via the issuing of debt – the costs of this investment made on behalf of the State," and

"The historic debt of state-owned enterprises operating in the public railway transport and infrastructures sector, results in part from the development of investment projects which are the State's responsibility, (...)"

- **PETI3+ – Strategic Plan for Transport and Infrastructure (2014-2020 horizon)**

PETI3+ "...is a revision of PET 2011-2015, including a second phase of structural reforms to be made in this sector, as well as a set of investments in transport to be carried out until the end of this decade. It is estimated that 61% of priority railway projects can be financed through community funds and 39% through public funds. Where any assets are withdrawn from the public railway domain, the profit or loss will be allocated to this activity, as established in each withdrawal order."

Therefore, the costs borne with LDIs assume the form of "accounts receivable" (financial assets) charged to the "State grantor", being initially recognised at fair value.

Financial assets correspond to the investment in the assets under concession, which include public railway domain property, to which IP only has access to provide "Infrastructure Management" services, less the return on assets and any grants received plus the interest of loans contracted, debited to the concession and not settled by

the Grantor. As there is no defined maturity, as a result of the absence of a formalised concession contract, the amounts receivable are assumed to become due on the debit date. Consequently, from that date, the interest on the outstanding amount is deemed to be payable to the concessionaire (IP). The form of calculating that interest is based on the same terms of financing obtained to directly fund this activity. Interest and other financial expenses incurred with borrowings for financing the concession are therefore debited.

#### LONG-DURATION INFRASTRUCTURE (LDI)

Tangible fixed assets classified as long-duration infrastructures belong to the public railway domain, and IP only has access to them so as to provide the services associated with the Railway Infrastructure Management. Accordingly, they are recorded under the "Statement of Financial Position - Grantor - State - Account receivable" item, as they constitute an unconditional right to receive money from the State for the investments made. These assets, in addition to acquisitions and buildings after the spin-off of the CP assets, include the assets of the former divisions, freight terminals and property transferred from that company, which have the nature of "public domain goods".

#### D) TANGIBLE FIXED ASSETS

Tangible fixed assets are valued at cost less accumulated depreciation and any impairment losses. The acquisition cost includes the asset's purchase price, expenses directly chargeable to its acquisition and costs incurred with preparing the asset to start operations. Costs incurred with loans for the construction of tangible assets are recognised as part of the asset's construction cost.

Subsequent costs incurred with renovation and major repairs that increase the useful life or productive capacity of the assets are recognised at the cost of the asset or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated to it will flow to the entity and when the cost can be reliably measured. Consequently, the carrying amount of the replaced part is derecognised on the Statement of Financial Position.

Costs of current repairs and maintenance are recognised as an expense in the period in which they are incurred.

The expenses to be incurred with the disassembling, dismantling or removal of assets, when such are significant, are considered part of the initial cost of their assets.

Land is not depreciated. Depreciation of the other assets is calculated using the straight-line method. The annual depreciation rates for the most significant tangible fixed assets are as follows:

	% AVERAGE
Buildings and Other Constructions	2
Basic Equipment	3.3
Transport Equipment	25
Tools	12.5
Administrative Equipment	12.5
Other Fixed Assets	12.5

The useful lives of assets are reviewed at the end of each financial year so that depreciation is in line with the assets' consumption patterns.

Gains or losses on the sale of assets are determined by the difference between the realisation value and the net book value of depreciation of the asset and they are recognised in profit or loss for the period.

#### LEASING

The classification of leasing operations as financial or operational leasing depends on their substance, not their legal form. Operations in which the risks and benefits of ownership of the leased asset are substantially transferred to the lessee are classified as financial leasing.

Assets for which the use arises from lease contracts for which the risks and benefits inherent to ownership of the leased asset are not incurred, are classified as operating leases in accordance with IAS 17 - Leases and therefore not recorded under tangible fixed assets.

Rents are recorded as expenses in the respective periods during the lease term (note 23).

## E) INTANGIBLE ASSETS

Intangible assets are recognised and measured according to the transactions that gave rise to them, as described in the following paragraphs:

### INITIAL RECOGNITION

Intangible assets are recorded at acquisition cost, minus any accumulated depreciation and any impairment losses.

Through the application of IFRIC 12, the asset resulting from the Road Concession Right which has been assigned by the Road Concession Contract with the State is considered to be an intangible asset.

The Road Concession Right was recognised by virtue of a business combination at the time the merging company's corporate object was changed (EP).

The remaining intangible assets result from separate acquisition transactions and their cost reflects:

- The purchase price, including costs of intellectual rights and taxes on non-refundable purchases, after deduction of trade discounts and write-offs;
- Any cost directly attributable to the preparation of the asset for its intended use.

### SUBSEQUENT RECOGNITION

The company values its intangible assets, after initial recognition, by the Cost Model, as defined in IAS 38 - Intangible Assets.

The Road Concession Right is increased by the development of the management activity of the national road infrastructure network which includes, in particular, the construction, financing and operation of the National Road Network (which includes the concession network) and the Future National Road Network, which may happen by:

#### (I) Provision of construction services

It is increased on completion of each significant component of the Future National Road Network, by its execution value. Construction can occur through direct construction of the company or by sub-concession.

Until the completion of each component, the proportion of the amount of the expected execution of the works is recognised as an intangible asset in progress, using the completed percentage method calculated based on the actual physical evolution of each works.

Expenditure incurred by the company for the launch of sub-concession calls for tenders is recognised as intangible assets until the nature of the expenditure made is billed to the sub-concessionaire.

#### (II) Acquisition of future rights on the concessioned network

It is increased by payments relative to the Concessions, accumulated up to the initial term of each concession, after which the company is entitled to the underlying economic benefits of the corresponding section.

Until the initial term, they are recorded in intangible assets in progress when spending occurs.

The Concession Contract presents the following definitions for the 3 key components of the Concession Undertaking:

“**Concessioned Network** — designates the routes that integrate the National Road Network and which are, on the date of signing the concession contract, subject to a state concession contract or those that the State included in a public call for tenders still pending on the same date, with a view to the respective concessioning;”

“**National Road Network** — designates the "Itinerários Principais" (trunk roads), "Itinerários Complementares" (secondary roads), National Roads and Regional Roads included in the PRN 2000 (National Road Plan) in operation or with construction started on the date of signing the Concession Contract. The construction of the Trunk Roads, Secondary Roads, National Roads and Re-

gional Roads as set out in the PRN 2000, is deemed to have started upon award by the State, or by EP — Estradas de Portugal, S. A., of the contract for their construction;”

“**Future National Road Network** — designates the Trunk Roads, Secondary Roads, National Roads and Regional Roads foreseen in the PRN 2000 or any legislation that modifies or replaces it and comes into force up to 5 (five) years prior to the term of the Concession Contract, that are not built on the date of signing the Concession Contract. The Trunk Roads, Secondary Roads, National Roads and Regional Roads envisaged in the PRN 2000 are considered as not having been built if on the date of signing the Concession Contract their construction has not been awarded by the State or by EP - Estradas de Portugal, S.A.”

## AMORTISATION

IP amortises the Concession Right based on its best estimate of the consumption pattern of the economic benefits associated to the asset, i.e., in accordance with the production unit method as defined by IFRIC 12.

The production unit corresponds to the best estimate of the infrastructure use measured by revenue inherent to credits directly associated with the rights already acquired by the company, which excludes income from the toll collection activity before the initial term of the underlying concessions.

Any changes in estimates are corrected prospectively, impacting on the value of amortisation of future periods.

The amortisable value of the Road Concession Right, revised annually in accordance with the best expectations of the company, corresponds to the overall total amount of costs incurred and responsibilities incurred in the general concession for national road infrastructure.

The remaining intangible assets are amortised on a systematic basis from the date they are available for use, during the estimated useful life.

## CAPITALISATION OF BORROWING COSTS

The company capitalises the financial charges associated with the acquisition, construction or production of qualifying assets.

IP considers a qualifying asset to be all those which take a period of more than 12 months to be completed for their intended use. The most significant qualifying asset in the road infrastructure network is the Concession Right. Any component of the National Road Network or the Future National Road Network is considered a component of that same qualifying asset, provided that the estimated duration of its construction is greater than twelve months.

The components of the Concession Right qualifying for capitalisation of loan expenses are essentially the result of:

### (I) Provision of construction services

The provision of construction services usually lasts more than 1 year, so the costs associated with funding obtained for the implementation are considered eligible, irrespective of whether the services are directly provided by IP or by sub-concession.

### (II) Acquisition of future rights on the concessioned network

Payments made on account of the acquisition of future rights on the Concessioned Network up to the initial end of each section of the current Concessioned Network.

Direct financial charges are considered as a cost of the component specifically financed. Whenever there is no funding directly attributable to each component of the current network, a weighted average rate of funding is used during the period, which is applied to the expenditure incurred in the development of the aforementioned network.

The components that were built using grants or which are in a position to become operational, regardless of the completion of the contract they belong to, are not considered for the purpose of calculating the basis for the capitalisation of funding costs obtained.

## F) FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Due to the fact that IFRS 9 replaced the previous IAS 39, an internal analysis was carried out on the impacts of this standard on IP's financial statements, and it was concluded that they are very minor, resulting only in the necessary reclassification of certain items into new categories, without any impact in terms of adjustments affecting past results.

Thus, under IFRS 9, financial assets are initially recognised in one of the following categories:

- i. **Amortised cost** – If the financial asset is held within the scope of a business model whose purpose is to hold the financial asset in order to collect contractual cash flows that are established in capital repayments and interest on outstanding capital.
- ii. **Fair value through other comprehensive income** – If the financial asset is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. The financial asset's contractual terms give rise, on defined dates, to cash flows which are appended to principal repayments and payment of interest on the outstanding capital.
- iii. **Fair value through profit or loss** – Except if measured at amortised cost or at fair value through other comprehensive income. However, there is the irrevocable option of initial recognition of certain investments in equity instruments that are considered at fair value through profit and loss.

From the internal analysis carried out, the financial assets included in the previous categories of IAS 39 of loans granted and other accounts receivable, namely: Trade receivables (Clients), Grantor – State – account receivable, other accounts receivable and cash should now be allocated to the "Amortised cost" category, whose business model is to hold to collect.

IP has the following financial assets:

**Loans granted** – Comprise the shareholder loans provided to group entities with no defined maturity.

**Trade receivables (Clients)** – Includes current accounts with several entities, which are initially recorded at fair value and subsequently measured at amortised cost, less impairment losses. When impairments occur, they have a direct impact on results.

**Grantor – State** – Account receivable – as mentioned in note 2.2.c).

**Available-for-sale financial assets** – this category does not exist in the new standard, with the underlying assets being recorded at fair value and allocated to the fair value category through other comprehensive income.

**Cash and cash equivalents** – For the purposes of the Cash Flow Statement, cash and cash equivalents cover the amounts recorded in the Statement of Financial Position, including the cash and cash equivalents in other credit institutions and in the Treasury and Public Debt Management Agency – IGCP, E.P.E. (IGCP).

Cash and cash equivalents include cash, bank deposits and short-term, high liquidity deposits with original maturity of up to 3 months.

Accounting overdrafts are recorded in the Statement of Financial Position, in current liabilities, under the "Borrowings" item.

Regarding impairments (change in the model of loss incurred for the expected loss model), there was no impact on the company.

Regarding financial liabilities, the existing categories are:

- i. Amortised cost;
- ii. Fair value through profit or loss.

In the case of the company, all its financial liabilities (bank and shareholder financing, suppliers and others) are considered in the "Amortised Cost" category.



**Loans obtained** - The Company recognises non-current loans obtained as a financial liability in accordance with IFRS 9. These financial liabilities are recorded: (i) initially at fair value less transaction costs incurred, and (ii) subsequently at amortised cost, based on the effective interest rate method.

IP has non-current loans in the form of bilateral loans and bond loans to fund the construction of long-duration railway infrastructure (LDI), the railway infrastructure management activity and the road network management activity.

**Trade Payables (Suppliers) and other accounts payable** - The balances of suppliers and other accounts payable are recorded at amortised cost.

#### G) IMPAIRMENT OF ASSETS

In accordance with IAS 36 – Impairment of assets whenever the book value of an asset exceeds its recoverable amount, its value is reduced to the recoverable amount. The impairment loss is recognised in the income statement for the financial year. The recoverable value is the lower of the value of use and the fair value less cost to sell, and is determined whenever there are value loss indicators.

The asset's value is calculated based on the present value of future cash flows estimated by management, arising from the continued use and sale of the asset at the end of its useful life. For the determination of future cash flows, the assets are allocated to the lowest level for which there are separate identifiable cash flows (cash-generating units).

Non-financial assets for which impairment losses have been recognised are assessed on each reporting date for the possible reversal of impairment losses.

The amortisation and depreciation of assets are recalculated prospectively in accordance with the recoverable value when the impairment is carried in the accounts or reversed.

#### H) INVENTORIES

The acquisition or production cost includes all purchase costs, conversion costs and other costs incurred to place the inventories in their location and

in a condition for use or sale. The net realisable value is the estimated selling price in the normal course of business minus the respective selling costs, as provided for in IAS 2 – Inventories.

The outflows from warehouses (consumption) are measured at the weighted average cost.

IP has materials in its warehouses purchased for the specific and unique purpose of application in the long-duration infrastructures.

#### I) PROVISIONS

Provisions are set up whenever there is an actual obligation (legal or constructive) resulting from a past event and whenever it is probable that a reasonably estimated decrease in resources embodying economic benefits will be required to pay the obligation.

Provisions are reviewed at the date of each reporting period and adjusted in accordance with the best estimate on that date.

Provisions are measured at the present value of the estimated expenditures to settle the obligation using a pre-tax rate that reflects the market assessment for the discount period and the risk of the liability in question.

#### J) EMPLOYEE BENEFITS

The former EP granted temporary early retirement pensions and supplements to retirement pensions and survivors' benefits to a restricted and closed group of employees.

These post-employment supplements are paid by Caixa Geral de Aposentações to employees, which then charges them to the IP Group, until those employees are in a position to retire according to General Law.

The liabilities for the payment of these instalments are reviewed annually. The present value of the obligation is determined using the immediate lifetime rent method, by deducting future payments of the benefits that are perfectly identifiable, using the interest rate of high-rated bonds in the same currency in which the benefits will be paid and with a maturity close to the liability taken on.

Liabilities recognised in the statement of financial position correspond to the present value of the benefit obligation determined on the date of the statement of financial position.

## K) RECOGNITION OF REVENUE

In accordance with IFRS15, revenue was recognised at the date of transfer of control to the customer, the value of the transaction being allocated to the diverse performance obligations assumed to the client, and adjusted in its measurement whenever the consideration is variable or subject to a significant financial effect according to the 5-step model which comprises:

- 1) Identify contract with client;
- 2) Identify separate performance obligations to be fulfilled in the contract;
- 3) Determine transaction price;
- 4) Allocate a price to the transaction; and
- 5) Recognise revenue.

The revenue of IP comprises:

Railway infrastructure management: tariffs for infrastructure use, power supply, manoeuvres, capacity claimed not used, and other services according to the network directory available on the IP site, in compliance with the provisions of Decree-Law 270/2003, as amended by Decree-Law 231/2007, and in particular Section III of Chapter IV and in Regulation 630/2011. The Directory aims to provide railway transport companies with the essential information they need for access to and use of national railway infrastructure managed by IP;

Road revenue is derived from the road concession contract (hereinafter "Contract") which the State entered into with the former EP on 23 November 2007. The bases were approved in an annex to Decree-Law 380/2007 of 13 November, amended by Law 13/2008 of 29 February, Decree-Law 110/2009 of 18 May, and Decree-Law 44-A/2010 of 5 May.

This contract terminates at midnight of 31 December 2082, and its object is the concession by the Portuguese State to the former EP of the:

- Design, construction, financing, maintenance, operation, regeneration and widening of the routes that integrate the National Road Network;

- Design, construction, financing, maintenance, operation, regeneration and widening of the routes that integrate the Future National Road Network;
- Financing, operation, maintenance, regeneration and widening of the roads of the national road network or future national Road Network, but also integrating the concession network, though these liabilities are subject to the initial term of the concession agreements currently in force between the State and third parties. The initial term also marks the end of the company's taking-up of all the payments to be made by the State and the receipts to be obtained by the State under the aforementioned contracts.

IP's own revenues, among others, resulting from the 75-year concession agreement, which has been in force since 2008, are:

### i. Road Service Contribution (RSC)

The RSC created by Law 55/2007 of 31 August, represents the consideration paid by users for the use of the national road network. It is levied on petrol and road vehicle diesel subject to tax on petroleum and energy products (ISP) and not exempt from such. In 2014, the RSC was extended to LPG for vehicles, which had been exempted before then.

The cash inflow is made with a mismatch relative to the collection date, through which the revenue is recognised on an accrual basis.

### ii. Other Revenue from the Concession Contract

The company has to provide construction services for the development of the national road infrastructure network, in pursuit of its business object.

The result of the construction of each new component of the national road infrastructure network is registered in accordance with the completion percentage method.

The amount of revenue to be recognised results from the product between the percentage of completion and total value of the works. The total value of the work is the amount agreed with the grantor (State) or, if not agreed, it is the result of the sum of the specific expenses components of the works, both internal and external.

The amount receivable from the provision of construction services under the concession is swapped for the Concession Right.

In the case where the total value of the work is agreed with the grantor, whenever the sum of the specific costs incurred and to be incurred exceeds the agreed revenue, the estimated loss is immediately recognised in profit or loss.

#### iii. The value of toll fees – Roads under IP management or sub-concessioned

Toll collection on roads included in the network managed by the company or the sub-concessioned network is recognised in the year's results according to the real tolls in the period, in so far as these tolls are charged in roads over which IP already has full Concession rights.

#### iv. The value of toll fees – Roads under concession management

Toll collection on roads included in the Concessioned Network is recognised according to the real tolls in the period, with the resulting amount being deducted from IP's investment in the acquisition of rights over said Concessioned Network, as stipulated in the Concession Contract signed with the Portuguese State.

### L) INCOME TAX

Income tax for the period includes current and deferred taxes. Income tax is recorded in the income Statement, unless these are related to items that are recognised directly in equity. The amount of current tax payable is determined based on pre-tax profit, adjusted in accordance with tax rules.

Deferred taxes are recognised when there are differences between the book value of assets and liabilities at a certain time and their value for tax purposes using the expected tax rates in effect on the date of reversal of temporary differences.

Deferred tax liabilities are recognised for all temporary tax differences, while deferred tax assets are only recognised in relation to:

- i. the deductible temporary differences which are expected to be reversible in the future; or

- ii. when deferred tax liabilities exist, the reversal of which is estimated to occur at the same time as deferred tax assets.

The temporary differences underlying the assets and liabilities are reviewed periodically in order to recognise or adjust them according to their expectation of future recovery.

### TAX GROUP

In March 2014, the IP Group adopted the special tax system for groups of companies (RETGS).

This tax group includes all companies resident in Portugal that are 75% or more owned by IP (parent company of the IP Group), and which meet the conditions of article 69 and subsequent of the Corporate Income Tax Code. These are presented below:

#### **Infraestruturas de Portugal, SA**

#### **IP Engenharia, SA**

#### **IP Património – Administração e Gestão Imobiliária, SA**

#### **IP Telecom – Serviços de Telecomunicações, SA**

The companies included in the IP tax group calculate and record income tax as if they were taxed on an individual basis. However, the liabilities calculated are recognised as due to IP, which will be responsible for the overall calculation and settlement of the tax.

The eventual benefit arising from the application of the RETGS is received by IP and reduced to the future tax that the subsidiary companies will incur.

### M) GRANTS

Grants received from the Portuguese State and the European Union are recognised at fair value when there is reasonable certainty that the conditions for receiving the grant will be met, except those relating to the LDI that are recognised only in the event of actual receipt.

Non-refundable grants obtained to fund investment in tangible and intangible fixed assets are recognised as deferred income. Grants are subsequently attributed to profits on a pro-rata basis

of depreciation/amortisation of the assets to which they are associated, and are recorded under "Other income and gains".

Grants obtained for financing assets acquired/built into long-duration infrastructure are recognised in the statement of financial position under the "Grantor-State-Account receivable" item since, as they are allocated within the scope of the concessioned railway activity, they represent a repayment of part of the expenses incurred and are deducted from the amount receivable from the Grantor.

Non-refundable operating grants are recognised in the income statement in the same period in which the associated expenses are incurred.

## N) SEGMENT REPORTING

### BUSINESS SEGMENTS

A business segment is a component of an entity that conducts a business activity: i) from which it can obtain revenue and incur expenses; ii) the operating results of which are regularly reviewed by the chief operational decision-maker of the entity; and iii) for which financial information is available.

IP has identified the Executive Board of Directors as the body responsible for operational decision-making, as it is the body revising the internal information prepared in order to assess the company's performance and resource allocation. The determination of the business segments was based on information that is analysed by the Executive Board of Directors.

An entity must separately report the information on each identified segment, resulting from the aggregation of two or more segments with similar economic characteristics, or exceeding the quantitative levels set out in IFRS 8 – Business Segments.

## O) RELATED PARTIES

The revision of IAS 24 – Disclosures of related parties, established the obligation to disclose existing transactions with the State and with entities that are considered to be related, because they are also owned by the State.

After internal review the Executive Board of Directors did not deem relevant, considering its activity as a whole, the disclosure of balances and transactions with other entities, except those indicated below.

Related parties are those which IP controls (subsidiary companies) or is controlled by (Portuguese State) or in which it has common control (joint ventures) and other entities (railway operators).

IP announces the balances and transactions with related parties in note 32.

## P) SUBSEQUENT EVENTS

Events between the date of the Statement of Financial Position and the date on which the Financial Statements are authorised for publication that provide evidence of conditions that existed on the date of the Statement of Financial Position are reflected in the Financial Statements.

Events between the date of the Statement of Financial Position and the date of authorisation to publish the Financial Statements indicating conditions that arose after the date of the Statement of Financial Position, if material, are disclosed in note 40.

## 2.3 Main Estimates used in the Financial Statements

In preparing the separate financial statements in accordance with IFRS, the IP Executive Board of Directors uses estimates and assumptions that impact on the application of accounting policies and the amounts reported. Estimates and judgments are assessed continuously and are based on past events and other factors, including expectations for future events likely to be probable given the circumstances on which the estimates are based or as a result of information or experience acquired.

The estimates were determined based on the best information available at the date of preparation of the separate financial statements. However situations may occur in subsequent periods that are not foreseeable at the time and were not considered in these estimates. In accordance with IAS 8, changes

to these estimates, which occur after the financial statements' date, are corrected prospectively in profit or loss.

The Executive Board of Directors considers that the estimates made are appropriate and that the financial statements adequately present the financial position of IP, the result of its operations and its cash flows in all materially relevant aspects.

The most significant accounting estimates reflected in the financial statements are:

### INTANGIBLE ASSETS

IP amortises its Road Concession Right by the equivalent production units method, as described in note 2.2. This amortisation is based on the estimate of total income generated by the concession until its end and on the recovery of total investments to be made by IP.

These two parameters are defined in accordance with the best judgement of the Executive Board of Directors for the assets and businesses in question, also considering practices adopted by companies of the sector at international level.

### ESTIMATED REVENUE PATTERN

The amount and timing of future earnings are essential to determine the equivalent units method on which the calculation of the amortisation of the Road Concession Right is based.

This pattern is estimated based on performance in the recent past and on the IP Executive Board of Directors' best outlook for the future, having the same calculation base of the revenues introduced in the multi-annual financial model, with the changes considered in the following paragraphs.

A sensitivity analysis was also carried out on the development of IP's revenues throughout the life of the contract and its impact on amortisation for the year. The analyses were based on the following scenarios:

- Real growth in toll revenues after the initial end of the concession contracts would be 0% and the real growth of RSC would be in accordance with the plan of activities and budget for 2018 and 2019 and after 2020 it would be 0%, with growth remaining in line with the CPI.
- Real growth in toll revenues after the initial end of the concession agreements would be 1% up to 2039 and 0% after 2040 and the real growth of RSC would be in accordance with the plan of activities and budget for 2018 and 2019, and after 2020 it would be 0.5%, with growth remaining in line with the CPI.
- Real growth in toll revenues after the initial end of the concession contracts would be 1% and the real growth of RSC would be in accordance with the plan of activities and budget for 2018 and 2019 and after 2020 it would be 1%, with growth remaining in line with the CPI.

The result of the different scenarios for 2018 is shown in the following table:

SENSITIVITY ANALYSIS OF GROWTH OF RSC AND TOLL REVENUE	SCENARIO A)	SCENARIO B)	SCENARIO C)
Amortisation of the Year	274	248	199
Amortisation of Grants	-64	-59	-49
	<b>210</b>	<b>189</b>	<b>150</b>
<b>Difference</b>		-21	-61

## **AMORTISABLE VALUE OF CONCESSION RIGHT**

The value taken as the amortisable value of the Concession Right must take into account the value of works and maintenance scheduled up to the term of the concession.

Changes in planned, contracted and executed amounts may vary due to factors outside the company's control with an impact on the amortisable value recorded in the future.

## **REGULAR MAINTENANCE OF ROADS AND ROAD ENGINEERING STRUCTURES**

The annualised cost of scheduled works required to maintain the network's average quality index at the same level as when the network was received (a stipulation of IP's Concession Contract) is calculated based on technical assessments of repair needs and an index of the average quality of road and engineering structures.

## **PROVISIONS**

The company regularly analyses any obligations arising from past events and which must be recognised or disclosed.

The subjectivity inherent in determining the likelihood and amount of future internal resources required for the payment of the obligations may lead to significant adjustments, either due to changes in the assumptions used or the future recognition of provisions previously disclosed as contingent liabilities.

Provisions resulting from ongoing legal proceedings are periodically assessed by the internal and external lawyers of IP responsible for the cases in question.

With regard to the provision for disqualified roads, IP makes a comprehensive survey of the disqualified roads still under its responsibility and checks, on the basis of technical analyses of the cost of preparing them for hand over to the municipalities, if the recorded value of this provision is appropriate.

As a result of the evolution of the VAT process described in note 13, a provision was set up for

the VAT case, which is estimated to be the impact of a possible negative decision against the former EP, which corresponds to the total VAT deducted by IP in activities financed by the RSC (note 16).

## **CONSTRUCTION BY MEANS OF SUB-CONCESSIONS**

Construction through Sub-Concessions is recognised to reflect the effective evolution of the works, based on the percentage of completion data obtained from the sub-concessionaires and validated by IP.

## **INCOME TAX**

Deferred tax assets are recognised only when there is strong certainty that there will be profit and future taxable income available for the use of temporary differences, or when there are deferred tax liabilities, the reversal of which is expected in the same period in which deferred tax assets are reversed. The assessment of deferred tax assets is made by the Executive Board of Directors at the end of each reporting period, taking into account the expected future performance of IP. Deferred taxes are determined based on current tax legislation or legislation published for future application. Changes in tax legislation can influence the value of deferred taxes and these are analysed carefully by management.

## 3. FINANCIAL RISK MANAGEMENT POLICIES

### FINANCIAL RISKS

IP activity is exposed to financial risk factors such as currency risk, credit risk, liquidity risk, interest rate risk associated with cash flows arising from borrowings and capital risk.

Decree-Law 133/2013 of 3 October changed the autonomy of reclassified public entities (EPR) with regard to access to finance from the financial system and risk management through derivative financial instruments.

In article 29 therein, the access of the EPR to financing from the credit institutions is established as not possible, except for those of a multilateral nature (e.g. the European Investment Bank), while article 72 established the transfer of these companies' derivatives portfolios to the Public Debt and Treasury Management Agency (Agência de Gestão da Tesouraria e da Dívida Pública – IGCP, EPE) (IGCP).

These risks are managed by the Finance and Markets Division according to the risk mitigation policies defined by the Executive Board of Directors.

### CREDIT RISK MANAGEMENT

IP is subject to credit risk.

Credit risk is associated with the risk of another party failing to comply with its contractual obligations resulting in a financial loss for the company.

The revenue from the road activity is mainly the result of the Road Service Contribution (RSC) which is collected and handed over to the company by the Tax Authority (TA) and the toll revenues which have a diversified customer base and comprises low-value transactions so that they do not have significant associated credit risk.

The credit risk arising from the railway activity is essentially related to the non-compliance by railway operators with their responsibilities. CP – Comboios de Portugal, EPE is the main counterparty as the exclusive passenger operator across the entire network, with the exception of the crossing of the 25 de Abril bridge, which is operated by Fertagus. Thus, despite the credit risk being heavily concentrated on CP, it is mitigated by the legal nature of that entity, since it is 100% owned by the

Portuguese State and, as of 2015, by the fact it is an EPR.

Impairment adjustments of other accounts receivable are calculated considering the counterparty credit risk profile and their financial condition.

Regarding credit risk associated with the financial activity, IP is exposed to the national banking sector through the balances in current accounts. This exposure is reduced due to the application of the legal scheme of the Treasury Unit of the State Principle to public companies, which provides for the concentration of cash assets and investments with IGCP. Currently, IP holds 99% of its cash assets with IGCP.

To date, IP has not incurred any impairment resulting from non-compliance with contractual obligations entered into with financial entities.

The following table summarises the credit quality of the company's deposits at 31 December 2018:

RATING	31-12-2018	31-12-2017
≥ A-	111	172
≤ BBB+	301,145	322,092
No rating	260	508
<b>Total</b>	<b>301,516</b>	<b>322,773</b>

The ratings used are those awarded by Standard and Poor's.

### LIQUIDITY RISK MANAGEMENT

IP is subject to liquidity risk.

This type of risk is measured by the ability to raise financial resources to meet the liabilities with the different economic agents that interact with the company, such as suppliers, banks, the capital market, etc. This risk is measured by the liquidity available to the company to meet the assumed liabilities as well as the capacity to generate cash flow in the course of its business.

The IP seeks to minimise the likelihood of non-compliance with its commitments through rigorous and planned management of its business. Prudent management of liquidity risk requires the

maintenance of an appropriate level of cash and cash equivalents to meet the liabilities assumed. With the inclusion of REFER and EP in the budget consolidation perimeter of the State, these companies became directly funded by the Portuguese State from 2011, so the liquidity risk has fallen considerably.

The table below shows IP's liabilities by intervals of contracted maturity. The amounts presented represent undiscounted future cash flows at 31 December 2018.

	LESS THAN 1 YEAR	1 TO 5 YEARS	+ 5 YEARS
<b>Borrowings</b>			
- amortisation of loans obtained	581,065	1,580,194	1,068,102
- interest on loans obtained	119,790	379,107	119,577
- amortisation of Shareholder funding/Shareholder loans	2,243,230	272,528	-
- interest on Shareholder funding/Shareholder loans	120,621	4,755	-
- Surety	5,194	17,705	4,407
<b>Trade payables and accounts payable</b>	<b>946,959</b>	<b>2,040,637</b>	<b>-</b>
<b>Total</b>	<b>4,016,859</b>	<b>4,294,927</b>	<b>1,192,087</b>

## INTEREST RATE RISK MANAGEMENT

IP is subject to interest rate risk while it maintains in its portfolio loans obtained from the financial system (domestic and international) and from the State which aim to finance its activity.

The primary objective of interest rate risk management is to protect from interest rate rises insofar as the revenues are immune to that variable and, thereby, make a natural hedge infeasible.

No interest rate risk hedging instruments are currently used.

At present, the objective of the policy for managing interest rate risk is essentially the monitoring of interest rates that influence financial liabilities contracted on the basis of Euribor.

## SENSITIVITY TEST TO CHANGE IN INTEREST RATES

IP uses periodic sensitivity analyses to measure the impact on profit or loss of changes in interest rates on fair value of loans. These analyses have been one of the auxiliary means to manage interest rate risk decisions. Sensitivity analysis is based on the following assumptions:

- As of 31 December 2018, IP had not recognised any loan obtained at fair value;
- Changes in the fair value of financial loans and liabilities are estimated discounting future cash flows using market rates at the time of reporting;
- On the basis of these assumptions, at 31 December 2018, a 0.5% increase or decrease in the euro interest rate curves would result in the following changes in the fair value of loans with a consequent direct impact on profits:

CHANGE IN FAIR VALUE OF LOANS		
<b>Change in the interest rate curve</b>		
	-0.50%	0.50%
EUR	82,360	-24,128
<b>Net effect on results</b>		
	-0.50%	0.50%
EUR	-82,360	24,128



## CAPITAL RISK MANAGEMENT

The company's goal of managing capital risk, which is a broader concept than the capital disclosed in the Statement of Financial Position, is to safeguard the ongoing nature of the company's operations.

The key instrument to manage this risk is the funding plan (or financial plan) of IP whereby funding sources are identified and monitored. Of note, since 2014, is the policy of strengthening the capital structure by the shareholder, achieved by capital increases in cash or by the conversion into capital of the bank loans /shareholder's loans granted by the shareholder.

IP was set up with a share capital of EUR 2,555,835,000 represented by 511,167 shares, with a nominal value of EUR 5,000 each. At 31 December 2018, the share capital amounted to EUR 5,811,510,000 represented by 1,162,302 shares, each with a nominal value of EUR 5,000.

In 2018 capital increases amounting to EUR 886,135,000 (note 15) were made, all as cash, and to cover the financing needs as set out in the table below:

	2018	2017
Share capital increases	886,135	880,000
Investment	660,257	646,351
Debt service	225,878	233,649
Unit: euros		

On 26 December 2018, by means of notice no. 1091, the Directorate General of the Treasury and Finance (DGTF) granted a new moratorium on the payment of debt service for State loans with effect from 31 May 2018. With regard to loans associated with the road component, the moratorium extends until 31 May 2019 for loans which matured on 31 May and 30 November 2018. For rail component loans, the moratorium was granted until 30 November 2018. Deferrals granted in this context are not subject to the payment of interest.

Following the provisions of article 129 of the State Budget 2018 Law, the DGTF and IP defined the terms of the offsetting operation between the amount recorded in the Grantor – State - Account receivable Statement (assets) and the value of the debt servicing of the State loans granted to finance the railway activity. This transaction was formalised on 27 December through a written agreement for the amount of EUR 2,315 million (EUR 2,200 million corresponding to capital and EUR 115 million to interest). This Agreement took effect on 30 November 2018. (note 12).

## 4. SEGMENT REPORTING

The company has the following business segments:

- High Performance
- Road Infrastructure Management Activity
- Railway Infrastructure Investment Activity
- Railway Infrastructure Management Activity

The 'High Performance' segment corresponds to the entire activity related to Road High Performance and includes all currently managed Public-Private Partnerships (PPP), including concessions of the State and sub-concessions, and the other high performance routes currently directly managed by the Company.

The 'Road Infrastructure Management Activity' segment includes management of the whole National Road Network not included in the previous segment. It comprises both the activities of building and upgrading the routes and engineering structures and the activities of management, maintenance and improvement of network safety.

The 'Railway Infrastructure Investment Activity' segment includes the set of investments associated with new infrastructure and/or expansion

of the network; modernisation and rehabilitation, with the introduction of new technologies in the mode of operation; and infrastructure replacement, which comprises interventions that introduce improvements of a lasting nature or which can increase the value and/or useful life of the asset without changing operating conditions;

The contracting of the funding needed for the investments described above is made by the company and is in the form of credit from financial and capital market institutions, shareholder loans and obtaining grants.

The 'Railway Infrastructure Management Activity' segment corresponds to the provision of a public service, including functions such as maintenance and repair of infrastructures, capacity management, management of regulatory and safety control, command and control of traffic, and including other activities supplementary to the infrastructure management.

The information relating to the results from 1 January 2018 to 31 December 2018 and from 1 January 2017 to 31 December 2017, assets and liabilities for the periods ended 31 December 2018 and 2017 of the identified segments is as follows:

2018	RAILWAY INFRASTRUCTURE INVESTMENT ACTIVITY	RAILWAY INFRASTRUCTURE MANAGEMENT ACTIVITY	HIGH PERFORMANCE	ROAD INFRASTRUCTURE MANAGEMENT ACTIVITY	TOTAL
Revenue from sales and services	19,029	85,049	33,7857	70,8730	1,150,664
Impairment	–	22,876	–	803	23,679
Provisions	–	212	–	-16,663	-16,451
Other revenue	–	82,723	8,924	72,659	164,306
Other expenses	-17,961	-193,079	-302,576	-167,971	-681,586
<b>EBITDA</b>	<b>1,067</b>	<b>-2,219</b>	<b>44,205</b>	<b>597,558</b>	<b>640,611</b>
Amortisation and depreciation	-1,067	-2,179	-274,597		-277,843
<b>EBIT</b>	<b>0</b>	<b>-4,398</b>	<b>367,166</b>		<b>362,769</b>
Financial expenses	-93,428	-30,380	-195,201		-319,010
Financial income	93,428	–	–		93,428
<b>EBT</b>	<b>0</b>	<b>-34,778</b>	<b>171,965</b>		<b>137,187</b>
Income tax	–		-27,900		-27,900
<b>Net Profit or Loss</b>	<b>0</b>		<b>109,287</b>		<b>109,287</b>

2017	RAILWAY INFRASTRUCTURE INVESTMENT ACTIVITY	RAILWAY INFRASTRUCTURE MANAGEMENT ACTIVITY	HIGH PERFORMANCE	ROAD INFRASTRUCTURE MANAGEMENT ACTIVITY	TOTAL
Revenue from sales and services	25,137	80,444	357,466	697,315	1,160,362
Impairment	–	18,301	–	341	18,642
Provisions	–	4,248	–	-12,937	-8,689
Other revenue	–	87,287	8,987	71,591	167,865
Other expenses	-23,918	-173,259	-305,043	-159,113	-661,332
<b>EBITDA</b>	<b>1,219</b>	<b>17,021</b>	<b>61,410</b>	<b>597,197</b>	<b>676,847</b>
Amortisation and depreciation	-1,219	-2,489	-272,451		-276,159
<b>EBIT</b>	<b>0</b>	<b>14,532</b>	<b>386,156</b>		<b>400,689</b>
Financial expenses	-94,727	-36,606	-221,446		-352,778
Financial income	94,727	–	–		94,727
<b>EBT</b>	<b>0</b>	<b>-22,074</b>	<b>164,711</b>		<b>142,637</b>
Income tax	–		-19,718		-19,718
<b>Net Profit or Loss</b>	<b>0</b>		<b>122,919</b>		<b>122,919</b>

31-12-2018	RAILWAY INFRASTRUCTURE INVESTMENT ACTIVITY	RAILWAY INFRASTRUCTURE MANAGEMENT ACTIVITY	HIGH PERFORMANCE	ROAD INFRASTRUCTURE MANAGEMENT ACTIVITY	TOTAL
<b>Assets</b>					
Concession Right	-	-	20,326,040		20,326,040
Grantor	3,767,165	-	-	-	3,767,165
Other assets	24,653	213,187	49,332	1,952,961	2,240,133
<b>Total Assets</b>	<b>3,791,818</b>	<b>213,187</b>	<b>22,328,333</b>		<b>26,333,338</b>
<b>Liabilities</b>					
Borrowings	2,462,077	841,078	2,598,786	-	5,901,941
Grants	-	-	10,094,906		10,094,906
Other liabilities	1,583	90,904	2,938,061	1,223,367	4,253,915
<b>Total Liabilities</b>	<b>2,463,660</b>	<b>931,982</b>	<b>16,855,120</b>		<b>20,250,762</b>

31-12-2017	RAILWAY INFRASTRUCTURE INVESTMENT ACTIVITY	RAILWAY INFRASTRUCTURE MANAGEMENT ACTIVITY	HIGH PERFORMANCE	ROAD INFRASTRUCTURE MANAGEMENT ACTIVITY	TOTAL
<b>Assets</b>					
Concession Right	-	-	20,068,339		20,068,339
Grantor	5,625,616	-	-	-	5,625,616
Other assets	17,674	156,747	44,129	2,124,623	2,343,173
<b>Total Assets</b>	<b>5,643,289</b>	<b>156,747</b>	<b>22,237,091</b>		<b>28,037,128</b>
<b>Liabilities</b>					
Borrowings	2,874,493	2,817,414	2,597,911	-	8,289,818
Grants	-	-	10,158,468		10,158,468
Other liabilities	2,222	87,088	3,192,666	1,219,712	4,501,688
<b>Total Liabilities</b>	<b>2,876,715</b>	<b>2,904,502</b>	<b>17,168,757</b>		<b>22,949,974</b>

## 5. TANGIBLE FIXED ASSETS

In the years ended 31 December 2018 and 31 December 2017, the movement in tangible fixed assets as well as in accumulated depreciation was as follows:

	LAND AND NATURAL RESOURCES	BUILDINGS AND OTHER CONSTRUCTIONS	BASIC EQUIPMENT	TRANSPORT EQUIPMENT	ADMINISTRATIVE EQUIPMENT	OTHER TANGIBLE FIXED ASSETS	WORK IN PROGRESS	TOTAL
<b>31 December 2017</b>								
Acquisition cost	5,940	74,053	35,927	11,624	18,937	6169	1,512	154,162
Accumulated depreciation	-	-37,689	-29,348	-11,331	-18,573	- 5940	-	-102,881
<b>Net value</b>	<b>5,940</b>	<b>36,364</b>	<b>6,580</b>	<b>293</b>	<b>364</b>	<b>229</b>	<b>1,512</b>	<b>51,282</b>
Increases	-	-	1,364	23	1,222	-	1,091	3701
Transfers	-	-	300	-	-	-	-300	0
Write-offs/Corrections	-	-	-7	-188	-1,773	-9	-	-1,977
Depreciation – Financial year	-	-1,659	-1,886	-88	-420	-52	-	-4,105
Depreciation – Write-offs/Corrections	-	-	7	188	1,773	9	-	1,977
<b>Net value</b>	<b>5,940</b>	<b>34,705</b>	<b>6,358</b>	<b>228</b>	<b>1,166</b>	<b>177</b>	<b>2,303</b>	<b>50,877</b>
<b>31 December 2018</b>								
Acquisition cost	5,940	74,053	37,585	11,459	18,386	6,160	2,303	155,886
Accumulated depreciation	-	-39,348	-31,227	-11,231	-17,220	-5,983	-	-105,009
<b>Net value</b>	<b>5,940</b>	<b>34,705</b>	<b>6,358</b>	<b>228</b>	<b>1,166</b>	<b>177</b>	<b>2,303</b>	<b>50,877</b>

	LAND AND NATURAL RESOURCES	BUILDINGS AND OTHER CONSTRUCTIONS	BASIC EQUIPMENT	TRANSPORT EQUIPMENT	ADMINISTRATIVE EQUIPMENT	OTHER TANGIBLE FIXED ASSETS	WORK IN PROGRESS	TOTAL
<b>31 December 2016</b>								
Acquisition cost	5,940	73,762	35,180	11,479	19,334	6,116	1,726	153,535
Accumulated depreciation	-	-35,986	-27,384	-11,269	-18,659	-5,890	-	-99,187
<b>Net value</b>	<b>5,940</b>	<b>37,776</b>	<b>7,796</b>	<b>210</b>	<b>675</b>	<b>226</b>	<b>1,726</b>	<b>54,348</b>
Increases	-	-	596	177	95	53	170	1,091
Transfers	-	292	152	-	-	-	-443	0
Write-offs/Corrections	-	-	-	-32	-492	-	60	-464
Depreciation – Financial year	-	-1,704	-1,980	-94	-406	-50	-	-4,234
Depreciation - Write-offs/Corrections	-	-	16	32	492	-	-	540
<b>Net value</b>	<b>5,940</b>	<b>36,364</b>	<b>6,580</b>	<b>293</b>	<b>364</b>	<b>229</b>	<b>1,512</b>	<b>51,282</b>
<b>31 December 2017</b>								
Acquisition cost	5,940	74,053	35,927	11,624	18,937	6,169	1,512	154,162
Accumulated Depreciation	-	-37,689	-29,348	-11,331	-18,573	-5,940	-	-102,881
<b>Net value</b>	<b>5,940</b>	<b>36,364</b>	<b>6,580</b>	<b>293</b>	<b>364</b>	<b>229</b>	<b>1,512</b>	<b>51,282</b>

IP holds a number of surplus plots of land resulting from the expropriations it carries out due to the construction of the National Road Network. Since the possibility of using or selling them depends on several legal and/or commercial contingencies, the Company considers these surplus assets to represent contingent assets and they are not recorded or disclosed until they are likely to generate an inflow of economic benefits to the company, at which time they are recorded as assets Held for Sale or Investment Properties, depending on the use given them.

## 6. INTANGIBLE ASSETS

In the years ended 31 December 2018 and 31 December 2017, the movement in the value of intangible assets, as well as in accumulated amortisation, was as follows:

	CONCESSION RIGHT	SOFTWARE	OTHERS	TOTAL
<b>31 December 2017</b>				
Acquisition cost	22,381,852	28,126	2,171	22,412,149
Accumulated amortisation	-2,313,514	-26,069	-1,332	-2,340,914
<b>Net value</b>	<b>20,068,339</b>	<b>2,057</b>	<b>839</b>	<b>20,071,235</b>
Increases	530,727	385	27	531,140
Amortisation - Financial year	-273,692	-40	-	-273,732
<b>Net value</b>	<b>20,325,374</b>	<b>2,402</b>	<b>866</b>	<b>20,328,642</b>
<b>31 December 2018</b>				
Acquisition cost	22,912,580	28,511	2,198	22,943,289
Accumulated amortisation	-2,587,206	-26,109	-1,332	-2,614,647
<b>Net value</b>	<b>20,325,374</b>	<b>2,402</b>	<b>866</b>	<b>20,328,642</b>

	CONCESSION RIGHT	SOFTWARE	OTHERS	TOTAL
<b>31 December 2016</b>				
Acquisition cost	21,866,422	27,333	2,156	21,895,912
Accumulated amortisation	-2,042,217	-25,447	-1,332	-2,068,996
<b>Net value</b>	<b>19,824,205</b>	<b>1,887</b>	<b>824</b>	<b>19,826,916</b>
Increases	515,430	793	15	516,238
Amortisation - Financial year	-271,296	-622	-	-271,919
<b>Net value</b>	<b>20,068,339</b>	<b>2,057</b>	<b>839</b>	<b>20,071,235</b>
<b>31 December 2017</b>				
Acquisition cost	22,381,852	28,126	2,171	22,412,149
Accumulated amortisation	-2,313,514	-26,069	-1,332	-2,340,914
<b>Net value</b>	<b>20,068,339</b>	<b>2,057</b>	<b>839</b>	<b>20,071,235</b>

The value of the intangible assets refers essentially to the right resulting from the Road Concession Contract. The value of this right is increased through investments made under the contract.

Assets are calculated according to the completion percentage of each work, regardless of whether this construction is directly carried out by IP or under Public-Private Partnerships (PPP).

Of the EUR 531 million of investments in 2018, about EUR 512 million correspond to net payments of receipts from State concessions, EUR 17.4 million to IP's own work and EUR 1.5 million to sub-concessions.

These included capitalised financial charges amounting to EUR 20 million in 2018.

Amortisation for the year is calculated under IFRIC 12 by the equivalent unit method and refers to the value of the total investment that has already been made or will be made in the future, in the context of the concession between IP and the State, based on the economic and financial flows for the concession period. These figures have the same basis as the multi-annual financial model of IP with the changes mentioned in note 2.3.

The estimated total investment of the concession was based on the following main assumptions:

- The annual costs with the formerly toll-free motorways (former SCUT) are effective until 2032 and represent the best estimate based on the renegotiated contracts between the Negotiation Committee and the Concessionaires;
- The costs of construction under the Sub-Concession Contracts, valued at the cost of each baseline case, including the changes resulting from the Memoranda of Understanding;
- The costs of modernising and maintaining IP's own network;
- The remaining investments consist of installation and improvement of assets and studies, projects, supervision and assistance;
- The regular maintenance costs reflect the guidelines defined in 2014 by the former EP, resulting from the implementation of the strategic plan;

- The National Road Plan 2000 is implemented until 2040.

The total investment is amortised in accordance with the best estimate of the revenue to be generated during the concession period.

The estimated annual revenue was based on the following main assumptions:

- Road Service Contribution (RSC), until 2019, takes the best management estimate for these years. From 2020, the RSC evolves on the basis of an assumption of annual growth in petrol and diesel consumption of 0% and the evolution of unit values per litre consumed, according to the CPI (2%/year);
- Receipts from the tolls of sub-concessions are based on the baseline cases or on more recent traffic studies conducted by specialised consultants, available on the date of the review and approval of the economic and financial flows for the concession period. Following the reverting of the sub-concessions to IP, growth is considered according to the CPI, based on the latest year of these studies and baseline cases;
- After the formerly toll-free motorways revert to IP, growth is considered according to the CPI, based on traffic studies carried out by IP's specialist technicians;
- In the State Concessions under the current toll scheme, after the concessions revert to IP, growth is considered according to the CPI, based on the latest year of the respective base cases or traffic studies by IP's specialist technicians;
- Overall, the remaining operating income (revenue from service areas, telematics and others) was estimated in 2018, as part of the revision of the economic and financial model for the concession period.

On the basis of these assumptions, the amortisation recorded in 2018 amounted to EUR 273.7 million.



## 7. INVESTMENTS IN SUBSIDIARIES

At 31 December 2018 and 2017, the movements under this item were as follows:

	31-12-2018	31-12-2017
<b>Opening balance</b>		
Acquisition Values	20,152	20,152
Accumulated impairment	-9,825	-10,682
<b>Net value</b>	<b>10,326</b>	<b>9,469</b>
<b>Movements in the financial year</b>		
Impairment	2,680	857
<b>Total</b>	<b>2,680</b>	<b>857</b>
<b>Closing balance</b>		
Acquisition Values	20,152	20,152
Accumulated impairment	-7 145	-9,825
<b>Net value</b>	<b>13,006</b>	<b>10,326</b>

The variation in the impairment item refers to the reversal of the adjustment to the shareholding in IP Património in the amount of EUR 2.680 million (2017: reversal of EUR 857,000), through the profit recorded by IP Património in 2018 (note 28).

Investments in subsidiaries are as follows:

COMPANIES	31-12-2018		31-12-2017	
	% SHAREHOLDING	SHAREHOLDING VALUE	% SHAREHOLDING	SHAREHOLDING VALUE
<b>IP Engenharia, SA</b> Rua José da Costa Pedreira nº11 - Lisboa	98.43	2,589	98.43	2,589
<b>IP Património - Administração e Gestão Imobiliária, SA</b> Av. de Ceuta - Estação de Alcântara Terra - Lisboa	99.9968	9,418	99.9968	6,737
<b>IP Telecom - Serviços e Telecomunicações, SA</b> Rua Passeio do Báltico, 4 -Lisboa	100	1,000	100	1,000
<b>Gil - Gare Intermodal de Lisboa, SA</b> Av. João II, Estação do Oriente, lote 1.15 - Lisboa	-	-	100	-
		<b>13,006</b>		<b>10,326</b>

GIL was merged with and incorporated into IP Património on 27 June 2018, with effect from 1 January 2018.

## 8. LOANS GRANTED (NON-CURRENT)

This item records the effect of the incorporation of ancillary services (EUR 10.805 million) into the IP Património subsidiary, through the conversion of shareholder loans (note 11.3). It should be noted that the shareholder loans in question were already impaired and were monitored for this item. (see note 25).

These ancillary benefits were provided for in the merger project in order to ensure that equity neutrality would be achieved by incorporating them into the company's assets and liabilities.

## 9. DEFERRED TAX ASSETS AND LIABILITIES

The balances recognised on deferred taxes are presented in the Statement of Financial Position at their gross value, at 31 December 2018 and 31 December 2017.

The Executive Board of Directors is convinced that the tax results generated in the future will enable the reversal of all deferred tax assets recorded.

The impact on the profit/loss of movements in deferred tax items in the financial years was as follows:

	31-12-2018	31-12-2017
<b>Impact on income statement</b>		
Deferred tax assets	-40,863	-90,120
Deferred tax liabilities	33	-31
	<b>-40,829</b>	<b>-90,151</b>

The movements in the deferred tax assets and liabilities for the financial years are as follows:

### DEFERRED TAX ASSETS

	FINANCING EXPENSES	EMPLOYMENT BENEFITS	PROVISION FOR DISQUALIFIED ROADS	TAX LOSSES	VAT PROVISION	REGULAR MAINTENANCE	PENSIONS	AMORTISATION OF CONCESSION RIGHT	OTHER ADJUSTMENTS	TOTAL
<b>Balance at 31 December 2017</b>	4,572	80	1,951	89	65,116	86,714	293	61,366	790	220,971
Set up/(reversals)	13,184	28	-	-89	5,327	7,372	39	15,140	-	41,000
Review of estimate	-137	-	-	-	-	-	-	-	-	-137
<b>Balance at 31 December 2018</b>	<b>17,618</b>	<b>108</b>	<b>1,951</b>	<b>0</b>	<b>70,442</b>	<b>94,086</b>	<b>331</b>	<b>76,507</b>	<b>790</b>	<b>261,833</b>

	CLIENT ADJUSTMENTS	FINANCING EXPENSES	EMPLOYMENT BENEFITS	PROVISION FOR DISQUALIFIED ROADS	TAX LOSSES	VAT PROVISION	REGULAR MAINTENANCE	PENSIONS	AMORTISATION OF CONCESSION RIGHT	OTHER ADJUSTMENTS	TOTAL
<b>Balance at 31 December 2016</b>	<b>9</b>	<b>0</b>	<b>76</b>	<b>1,839</b>	<b>806</b>	<b>57,486</b>	<b>69,550</b>	<b>339</b>	<b>0</b>	<b>745</b>	<b>130,850</b>
Set up / (reversals)	-9	4,572	3	-	-473	4,116	13,123	-63	61,366	-	82,635
Change in tax rate	-	-	1	112	-	3,514	4,041	17	-	45	7,730
Review of estimate	-	-	-	-	-244	-	-	-	-	-	-244
<b>Balance at 31 December 2017</b>	<b>0</b>	<b>4,572</b>	<b>80</b>	<b>1,951</b>	<b>89</b>	<b>65,116</b>	<b>86,714</b>	<b>292</b>	<b>61,366</b>	<b>790</b>	<b>220,971</b>

## DEFERRED TAX LIABILITIES

	OTHERS	SIFIDE (R&D INCENTIVES FOR SMES)	TOTAL
<b>Balance at 31 December 2017</b>	<b>111</b>	<b>14</b>	<b>125</b>
Set up/(reversals)	-	33	33
<b>Balance at 31 December 2018</b>	<b>111</b>	<b>47</b>	<b>159</b>

	OTHERS	SIFIDE (R&D INCENTIVES FOR SMES)	TOTAL
<b>Balance at 31 December 2016</b>	<b>156</b>	<b>0</b>	<b>156</b>
Set up/(reversals)	-45	14	-31
<b>Balance at 31 December 2017</b>	<b>111</b>	<b>14</b>	<b>125</b>

## OTHER DIFFERENCES THAT DID NOT GENERATE DEFERRED TAX

At 31 December 2018 there are other temporary differences for which reversals are not expected in future years and which therefore do not result in deferred tax assets. The impairments on subsidiaries, loans, other accounts receivable and inventories are to be highlighted.

## 10. DEFERRALS

At 31 December 2018 and 2017 the company has registered the following balances under deferrals:

DEFERRALS	NOTES	31-12-2018	31-12-2017
<b>Current expenses to be recognised</b>			
Other services		1,464	690
		<b>1,464</b>	<b>690</b>
<b>Non-current income to be recognised</b>			
Investment grants - Road Concession Right	10.1	10,094,906	10,158,468
<i>Greater Lisbon Concession Signature Fee</i>		19,833	21,000
<i>Douro Litoral Concession Signature Fee</i>		115,312	122,999
Long-term Concession Brisa		152,300	152,300
		<b>10,382,351</b>	<b>10,454,767</b>
<b>Current income to be recognised</b>			
<i>Greater Lisbon Concession Signature Fee</i>		1,167	1,167
<i>Douro Litoral Concession Signature Fee</i>		7,687	7,687
Other revenue		863	1,126
		<b>9,717</b>	<b>9,980</b>

The expenses to be recognised relate to payments of services contracted and not yet provided.

Concerning the increase in the item of expenditure to be recognised, this is justified by the increase in software licences (EUR 346,000) and by the deferral of civil liability insurance (EUR 431,000).

The income to be recognised essentially resulted from investment grants of EUR 10,095 million (see note 10.1) and prepayments from concessions amounting to EUR 296 million to be recognised in profit or loss over the period of the respective concession.

### 10.1 INVESTMENT GRANTS - ROAD CONCESSION RIGHT

This item incorporates the investment grants received by IP to finance the intangible assets relative to the Concession Right and not yet recognised through profit or loss. The movements occurred

during the period ending on 31 December 2018 and 31 December 2017 are as follows:

	INVESTMENT GRANTS
<b>31 December 2017</b>	<b>10,158,468</b>
Increases	-
Write-offs	-
Allocation to income (note 2.3)	- 63,562
<b>31 December 2018</b>	<b>10,094,906</b>

	INVESTMENT GRANTS
<b>31 December 2016</b>	<b>10,221,365</b>
Increases	-
Write-offs	-78
Allocation to income (note 2.3)	-62,819
<b>31 December 2017</b>	<b>10,158,468</b>

# 11. TRADE RECEIVABLES (CLIENTS) AND OTHER ACCOUNTS RECEIVABLE

At 31 December 2018 and 31 December 2017 this item is broken down as follows:

ITEMS	NOTES	31-12-2018	31-12-2017
<b>Current</b>			
Other accounts receivable	11.1	142,671	165,755
Trade receivables (Clients)	11.2	68,753	75,445
Cash loans	11.3	49,717	27,158
		<b>261,142</b>	<b>268,358</b>

Trade receivables (Clients) and other accounts receivable are current balances and are therefore close to their fair value.

## 11.1 OTHER ACCOUNTS RECEIVABLE

The balance of other accounts receivable at 31 December 2018 and 31 December 2017 is broken down as follows:

ITEMS	NOTES	31-12-2018	31-12-2017
Accrued Income - Road Service Contribution		74,076	83,555
Subsidiaries	32.3	5,384	6,376
Railway Operators	32.4	1,206	4,758
Sundry		68,627	77,007
Accumulated impairment		-6,623	-5,941
		<b>142,671</b>	<b>165,755</b>

The Increased Income – Road Service Contribution item refers to the recognition of the revenue collected by the Tax Administration and not yet delivered to IP.

The Other Accounts Receivable - Miscellaneous item relates to, among others:

- Provision of guarantee (cash collateral) in the amount of EUR 28,126,000 relating to proceedings brought by the Tax Authority concerning 2012 VAT.
- Protocols with several municipalities regarding the construction and redevelopment of various infrastructure, of which we highlight, Viana do Castelo, Cascais, Fundão, Lisbon and Coimbra in the amount of EUR 12.107 million (EUR 19.326 million in 2017). It should be noted that the value for the Municipality of Aveiro referring to the Protocol for the Construction of the New Aveiro Railway Station – Road/Rail interchange, Urban Renewal of the Surrounding Area, which dates back to 2011, was fully settled during the 2018 financial year.

## 11.2 TRADE RECEIVABLES (CLIENTS)

At 31 December 2018 and 31 December 2017 this item is broken down as follows:

	NOTES	31-12-2018	31-12-2017
<b>Current</b>			
Other related parties	32.4	10,108	5,109
Subsidiaries	32.3	4,232	8,198
Sundry		34,790	36,495
Tolls		21,272	28,095
		<b>70,401</b>	<b>77,896</b>
Accumulated impairment		-1,648	-2,451
<b>TOTAL</b>		<b>68,753</b>	<b>75,445</b>

The debits charged to other related parties (CP) and Sundry – (the railway operators Fertagus, Tarkargo and Medway), essentially include the tariff for the use of the infrastructure charged to operators and also the debits paid to operators for other services rendered related to the rail operations: manoeuvres, capacity demanded and not used, parking of rolling stock and other services.

In relation to the probability of collection, we consider that the amounts due from municipalities, local authorities and other public entities or in which the State has a direct or indirect stake are likely to be recovered in full despite their arrears, since they are debts duly recognised by those entities.

The age of trade receivable (client) balances at 31 December 2018 and 31 December 2017 were as follows:

AGE OF BALANCES AT 31-12-2018	TOTAL DEBT	UP TO 30 DAYS	30 TO 180 DAYS	181 TO 360 DAYS	OVER 361 DAYS
Trade receivables (Clients)	70,401	31,416	6,439	1,949	30,598
Impairment	-1,648	-	-	-	-1,648
<b>Total</b>	<b>68,753</b>	<b>31,416</b>	<b>6,439</b>	<b>1,949</b>	<b>28,950</b>

AGE OF BALANCES AT 31-12-2017	TOTAL DEBT	UP TO 30 DAYS	30 TO 180 DAYS	181 TO 360 DAYS	OVER 361 DAYS
Trade receivables (Clients)	77,896	25,454	10,020	3,444	38,978
Impairment	-2,451	-	-	-	-2,451
<b>Total</b>	<b>75,445</b>	<b>25,454</b>	<b>10,020</b>	<b>3,444</b>	<b>36,527</b>

## 11.3 LOANS GRANTED (CURRENT)

	NOTES	31-12-2018	31-12-2017
Loans to subsidiaries	32.3	49,717	60,522
Impairment of loans to subsidiaries	25	-	-33,364
<b>Total</b>		<b>49,717</b>	<b>27,158</b>

In 2018, with the completion of the merger between GIL and IP Património, the loans granted to the former GIL were transferred to IP Património, and the latter became responsible for them.

Regarding the valuation of the shareholder loans, it is expected that they will be recovered with the planned acquisition of Gare Intermodal de Lisboa, with the intention of including it under the Grantor – State – Account Receivable item in the future, since we are dealing with public domain assets.



## 12. GRANTOR - STATE - ACCOUNT RECEIVABLE

The breakdown of the financial asset underlying the rail concession at 31 December 2018 and 31 December 2017 is as follows:

	31-12-2018	31-12-2017
Concessed assets (LDI)	9,291,776	8,852,957
Interest charged	1,636,433	1,543,005
Grants	-4,533,476	-4,458,553
Impairment	-305,200	-305,200
Return on assets	-6,981	-6,593
Receipts	-2,315,387	-
	<b>3,767,165</b>	<b>5,625,616</b>

Assets under concession, known as Long-Duration Infrastructure (LDI) form part of the Public Railway Domain, with IP having access to that infrastructure to provide the public service of Infrastructure Management. Accordingly, they are recorded under the statement of contingent financial position Grantor - State - Account receivable item, as they constitute an unconditional right to receive money from the State for the investments made.

In addition to the acquisitions and construction made subsequent to the merger of CP – Comboios de Portugal, E.P.E., as provided for in Decree-Law 104/97, of 29 April, these assets include the property belonging to extinct entities (Gabinete do Nó Ferroviário de Lisboa, Gabinete do Nó Ferroviário do Porto and Gabinete de Gestão das Obras de Instalação do Caminho-de-Ferro na Ponte sobre o Tejo) and property transferred from the said company, deemed as assets of the public railway domain.


The increase resulting from grants directly allocated to IP for the development of the railway infrastructure is included in the net increase of EUR 74.923 million from European Structural and Investment Funds (EUR 398 million from ERDF and EUR 59.974 million from the Cohesion Fund, EUR

1.425 million from CEF-GERAL and EUR 13.126 million from CEF-Coesão), which corresponds to advances and repayments of applications approved in the 2014-2020 planning period (COMPETE 2020 and CEF programmes).

The Return on assets item is the result of the obligation, expressed in the joint Orders of the Ministries of Finance and Economy, to authorise the public railway domain separation and that the results of the sales are deducted from the amounts receivable from the grantor.

In the current year, interest was charged to the grantor amounting to EUR 93.428 million (2017: EUR 94.727 million) and the respective financial consideration is offset under the Financial Gains – interest earned – Grantor – State item (note 29).

When REFER was set up, the paid-in capital was carried out in kind with the delivery of the railway infrastructure then valued at EUR 62.350 million. From 1998 to 2001, the Portuguese State increased the statutory capital of REFER in the total of EUR 242.850 million. These increases were intended, as set out in each joint approval package, to finance investments in long-duration infrastructure forming the public railway domain.

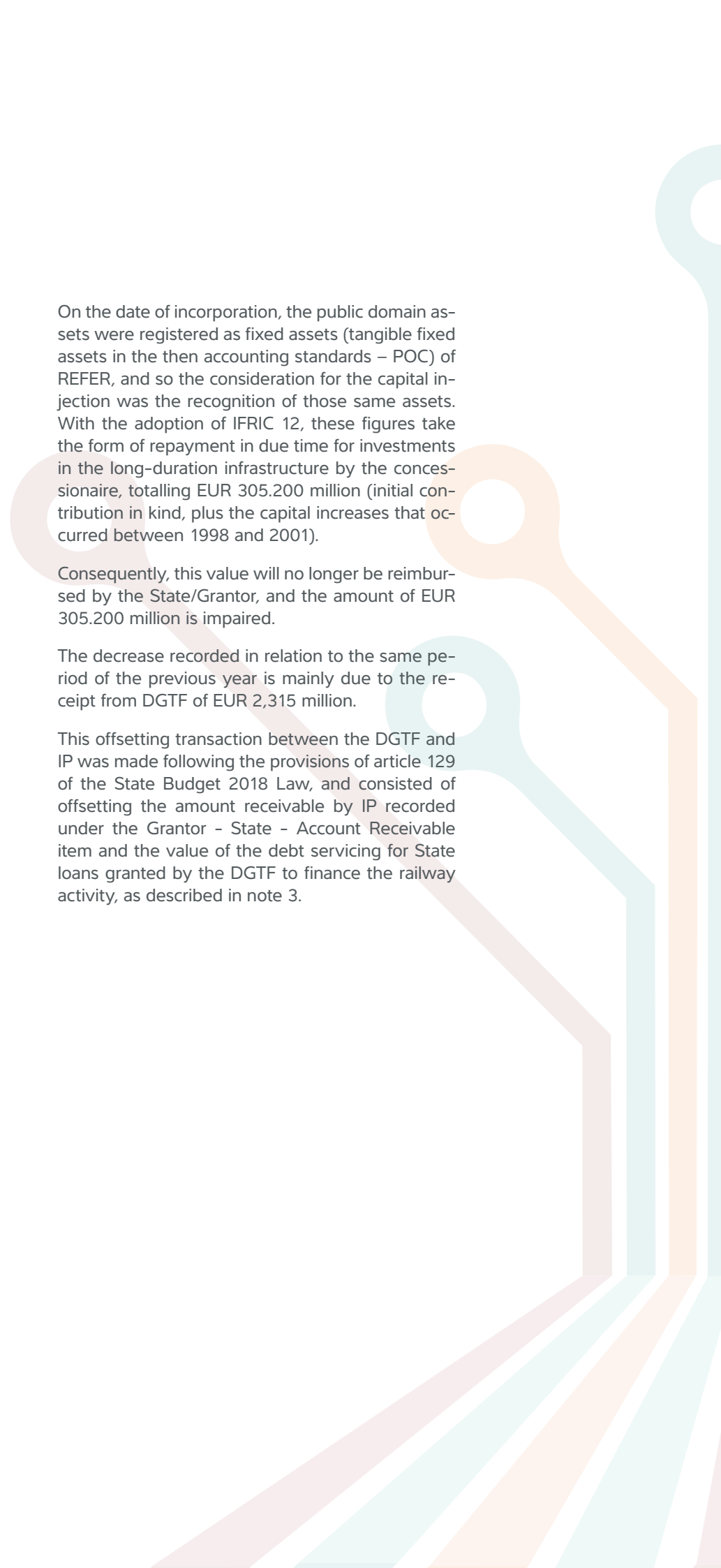


On the date of incorporation, the public domain assets were registered as fixed assets (tangible fixed assets in the then accounting standards – POC) of REFER, and so the consideration for the capital injection was the recognition of those same assets. With the adoption of IFRIC 12, these figures take the form of repayment in due time for investments in the long-duration infrastructure by the concessionaire, totalling EUR 305.200 million (initial contribution in kind, plus the capital increases that occurred between 1998 and 2001).

Consequently, this value will no longer be reimbursed by the State/Grantor, and the amount of EUR 305.200 million is impaired.

The decrease recorded in relation to the same period of the previous year is mainly due to the receipt from DGTF of EUR 2,315 million.

This offsetting transaction between the DGTF and IP was made following the provisions of article 129 of the State Budget 2018 Law, and consisted of offsetting the amount receivable by IP recorded under the Grantor - State - Account Receivable item and the value of the debt servicing for State loans granted by the DGTF to finance the railway activity, as described in note 3.



## 13. GOVERNMENT AND OTHER PUBLIC BODIES

At 31 December 2018 and 31 December 2017 this item is detailed as follows:

	31-12-2018		31-12-2017	
	PAYABLE	RECEIVABLE	PAYABLE	RECEIVABLE
CORPORATE INCOME TAX	-	19,878	16	47,796
<b>Total current tax assets and liabilities</b>	<b>0</b>	<b>19,878</b>	<b>16</b>	<b>47,796</b>
Personal income tax - Withholding tax	-	1,586	-	1,535
VAT	1,285,775	-	1,423,448	-
Contributions to Social Security, CGA pension and ADSE health systems	-	6,241	-	6,543
Other taxes and charges	77	12	104	14
<b>Total Government and other public bodies</b>	<b>1,285,852</b>	<b>7,839</b>	<b>1,423,552</b>	<b>8,092</b>

The corporate income tax payable/receivable balance for the indicated periods is as follows:

	31-12-2018		31-12-2017	
	PAYABLE	RECEIVABLE	PAYABLE	RECEIVABLE
Withholding tax	-	-35	-	-30
Special payment on account	-	-	16	-
Payments on account and additional payments on account	-	-48,329	-	-28,391
Tax estimate	-	68,485	-	76,315
RETGS benefit	-	-243	-	-98
<b>Total current tax assets and liabilities</b>	<b>0</b>	<b>19,878</b>	<b>16</b>	<b>47,796</b>

The IRS - Withholdings and Contributions for SS, CGA and ADSE balances correspond to the processing of the maturities of December 2018, already settled in January 2019.

In the Government and other public bodies item, the VAT receivable corresponds to the amount of EUR 1,258.775 million, of which repayment requests of EUR 227.562 million have already been made in 2009 and for the period from January 2008 to October 2009. This balance is essentially the result of the VAT deducted by former EP and IP in its road activity. The company considers it is

entitled to this deduction since the State collected VAT on a revenue of IP - the Road Service Contribution -, which in accordance with the legally established mechanisms for its settlement and collection, was paid to the company by the fuel distributors.

IP has two ongoing legal proceedings. The first is relative to the application for repayment of VAT up to June 2009 and the second relative to the request for the refund of VAT from July to September and deduction of October 2009.

The first case, concerning the request for reimbursement of VAT up to June 2009, was refused by the Tax and Customs Authority which issued notifications of additional VAT payments and interest in the amount of EUR 277.124 million and EUR 11.697 million, respectively.

Not agreeing with these demands for payment due to the fact that it considered them unfounded, on 30 November 2010 the former EP filed a challenge in Almada Administrative and Tax Court to the rejection of the hierarchical appeal. The challenge by the former EP was considered inadmissible by the court of first instance, in January 2013. The former EP did not agree with the decision, and filed its appeal on 6 March 2013.

The second case, with respect to the request for the refund of VAT for July to September and deduction of October 2009, which was also rejected by the Tax Authority, also resulted in the issue of additional demands for VAT and interest payments of EUR 64.506 million and EUR 763,000 respectively. On 29 July 2011, the former EP filed a challenge in Almada Administrative and Tax Court to the ruling out of a hierarchical appeal. The challenge by the former EP was considered inadmissible in the court of first instance, in January 2013. The former EP did not agree with the decision, and filed its appeal on 11 March 2013.

In this second case, the appeal was filed and IP was notified on 17 October 2017 of the Ruling repealing the appealed decision and considered the legal challenge of EP to be wholly valid, and it annuls in full all the additional demands for VAT issued by the Tax Authority. The Treasury appealed, claiming various errors in that ruling. These were considered wholly inadmissible on 26 January 2018.

An appeal was filed by the Tax Authority on 1 March 2018, to the Supreme Administrative Court, and the appeal was accepted for consideration. This is a review appeal of an exceptional nature, which envisages that the decision taken by the court may be reviewed whenever the analysis of an issue which, due to its legal or social importance, is of fundamental importance or when the review is necessary for better application of the law. This appeal was rejected by the TCAS on 18 October 2018.

An appeal filed by the Treasury was also admitted by the Supreme Administrative Court. We are currently waiting for the decision.

In the course of the usual annual tax inspection process, the Tax and Customs Authority has been making corrections on the same basis as those described for the above proceedings. IP has followed the complaints process, maintaining its position also in the terms described above. The situation of the proceedings for each year inspected are as follows:

YEAR	PROCEEDINGS PHASE	PHASE DATE	ADDITIONAL TAX SETTLEMENTS	INTEREST
2011	Judicial challenge of the rejection of the hierarchical appeal	22-05-2018	195,514	29,412
2012	Judicial challenge of the rejection of the hierarchical appeal	22-05-2018	188,756	2,867
2013	Hierarchical Appeal	19-09-2018	171,213	13,300
2014	Notification of Final Decision Refusal of Adm. Appeal	29-03-2019	248,308	12,475
2015 (January to May) <sup>a)</sup>	Tax Inspection Report	14-02-2019	121,043	4164

<sup>a)</sup> Regarding the period prior to the merger (NIF, formerly EP)

As a result of the described evolution of the VAT case, IP increased the provision in the first half of 2018 by EUR 17.712 million, taking its cumulative value at 31 December 2018 to EUR 366.479 million, which corresponds to the VAT that IP estimates it will cease to receive from the Tax Authority if it is considered that the RSC is not income liable for VAT (note 16).

In addition, it should be noted that the corrected values of the Tax Authority, for which the IP has not made provisions, mainly result from the value of VAT deducted from the State concession network. Therefore, if the Tax Authority's interpretation is backed by the Court, the consideration of the additional expense for IP will always be an increase of its intangible assets, without a direct impact on the profit or loss of the year, only impacting on future years by means of an increase in the amortisation of that asset.

## 14. CASH AND CASH EQUIVALENTS

The cash and cash equivalents shown in the cash flow statement for the financial years ending on 31 December 2018 and 31 December 2017 are reconciled with the amounts shown in the statement of financial position, as follows:

	31-12-2018	31-12-2017
Bank deposits	101,516	322,773
Other investments	200,000	-
Cash	108	113
<b>Cash and Cash equivalents in the Statement of Financial Position</b>	<b>301,624</b>	<b>322,886</b>
Accounting Overdrafts	-7,077	-252
<b>Cash and Cash equivalents in the Cash Flow Statement</b>	<b>294,548</b>	<b>322,634</b>

Accounting overdrafts in the statement of financial position are shown in liabilities under the borrowings item.

At 31 December 2018, there was no restriction on the movement of these amounts.



# 15. SHARE CAPITAL AND RESERVES

## I) SHARE CAPITAL

The share capital is represented by nominative shares in book-entered form, owned by the Portuguese State and held by the Directorate-General for Treasury and Finance.

At 31 December 2017, the share capital was EUR 4,925,375,000 fully subscribed and paid up by its shareholder, corresponding to 985,075 shares with a nominal value of EUR 5,000 each.

During the 2018 financial year, the share capital was increased in February, April, June and December in the amount of EUR 450 million, EUR 145 million, EUR 145 million and EUR 146.135 million, by issuing 90,000, 29,000, 29,000 and 29,227 new shares respectively, to make up the amount of EUR 5,811,510,000 corresponding to 1,162,302 fully subscribed and paid-up shares.

The basic/diluted earnings per share is as follows:

	31-12-2018
Profits allocated to shareholders (in euros)	109,287,315
Average number of shares during the period	1,125,689
Average number of diluted shares during the period	1,125,689
Basic earnings per share (in euros)	97.08
Diluted earnings per share (in euros)	97.08

The basic and diluted earnings per share is EUR 97.08 as there are no dilution factors.

IP calculates its basic and diluted earnings per share by using the weighted average of the shares in circulation during the reporting period, as follows:

	(NO. OF SHARES)
January 2018	985,075
February 2018	1,075,075
April 2018	1,104,075
June 2018	1,133,075
December 2018	1,162,302
<b>Weighted average of shares in circulation</b>	<b>1,125,689</b>

## II) RESERVES

Reserves can be broken down as follows:

	31-12-2018	31-12-2017
Merger reserves	4	4
Legal reserve	33,093	1,943
	<b>33,096</b>	<b>1,947</b>

With regard to legal reserves, commercial legislation establishes that at least 5% of the annual net profit is allocated to increase the legal reserve until it represents at least 20% of the share capital. This reserve is not distributed unless the company is liquidated, but it can be used to absorb losses after the other reserves are exhausted, or incorporated into capital.

## 16. PROVISIONS

The evolution of provisions for other risks and charges for the years ended 31 December 2018 and 2017 was as follows:

	GENERAL RISKS	EXPROPRIATIONS	CONTRACTS	EMPLOYEE BENEFITS	DISQUALIFIED ROADS	WORKS AT NEGOTIATION PHASE	VAT PROCEEDING	TOTAL
<b>At 31 December 2017</b>	<b>39,759</b>	<b>25,088</b>	<b>45,438</b>	<b>936</b>	<b>408,882</b>	<b>561</b>	<b>348,766</b>	<b>869,430</b>
Increase/Reinforcement	9,140	1,014	12,438	159	–	–	17,712	40,464
Reduction/Use	-9,332	-4,157	-5,071	-35	-130	-561	–	-19,286
<b>At 31 December 2018</b>	<b>39,567</b>	<b>21,945</b>	<b>52,805</b>	<b>1,061</b>	<b>408,752</b>	<b>0</b>	<b>366,479</b>	<b>890,608</b>
Non-current balance	39,567	21,945	52,805	1,061	408,752	–	366,479	890,608
	<b>39,567</b>	<b>21,945</b>	<b>52,805</b>	<b>1,061</b>	<b>408,752</b>	<b>0</b>	<b>366,479</b>	<b>890,608</b>

	GENERAL RISKS	EXPROPRIATIONS	CONTRACTS	EMPLOYEE BENEFITS	DISQUALIFIED ROADS	WORKS AT NEGOTIATION PHASE	VAT PROCEEDING	TOTAL
<b>At 31 December 2016</b>	<b>44,240</b>	<b>36,301</b>	<b>33,216</b>	<b>1,151</b>	<b>409,280</b>	<b>561</b>	<b>333,968</b>	<b>858,718</b>
Increase/Reinforcement	4,354	3,022	17,017	–	185	–	14,798	39,376
Reduction/Use	-8,836	-14,236	-4,794	-215	-584	–	–	-28,664
<b>At 31 December 2017</b>	<b>39,759</b>	<b>25,088</b>	<b>45,438</b>	<b>936</b>	<b>408,882</b>	<b>561</b>	<b>348,766</b>	<b>869,430</b>
Non-current balance	39,759	25,088	45,438	936	408,882	561	348,766	869,430
	<b>39,759</b>	<b>25,088</b>	<b>45,438</b>	<b>936</b>	<b>408,882</b>	<b>561</b>	<b>348,766</b>	<b>869,430</b>

### PROVISIONS FOR ONGOING LEGAL PROCEEDINGS

#### GENERAL RISKS

A risk of EUR 39.567 million was accepted by the Legal Affairs Department as at 31 December 2018 inherent to the potential liabilities of general litigation proceedings unconnected to works.

#### EXPROPRIATIONS

This provision was set up to deal with the risk of IP having to make additional payments relating to the road expropriation processes that are in litigation. This is the result of the consultations conducted by the Legal Department of the external and internal lawyers of the cases.

It should be noted that, by its nature, the total increases and reductions in this provision are offset by intangible assets in progress.

#### CONTRACTS

In the case of general disputes connected with road contract works, the analysis by external and internal lawyers of the cases produced an estimate of EUR 52.805 million. This is influenced by the strengthening of the provision in 2018 by around EUR 12.438 million corresponding to the risk associated with new cases opened and not closed during the year. It should be noted that, by its nature, the total increases and reductions of this provision are offset by intangible assets.

## VAT PROCEEDING

It was decided in 2010 for prudence and as a result of the evolution of the VAT proceeding described in note 13 to set up a provision for the VAT proceeding for the estimated impact of a decision unfavourable to IP.

Since the issue giving rise to the dispute between the former EP and the Tax Authority was the acceptance or not of the RSC as income liable for VAT, a provision was set up which is equivalent to the amount of VAT deducted by the former EP and by IP in activities financed by the RSC. It should also be noted that the consideration of this provision was based on the accounting classification of the expenditure that resulted in the deductible VAT, i.e. VAT deducted from the financial year's expenses was provisioned against costs (EUR 17,045 million) and VAT deducted from the acquisition or construction of assets was provisioned by being offset against intangible assets (EUR 667,000).

## PROVISIONS FOR OTHER NON-LITIGATION SITUATIONS

### PROVISION FOR DISQUALIFIED ROADS

IP is required to transfer disqualified roads within the National Road Plan to the responsibility of municipalities, having set up a provision which reflects the best estimate to fulfil the obligations of renovating disqualified roads still under the company's responsibility. The entering of the transfer protocols with the Municipalities led to the utilisation of this provision in the amount of EUR 130,000 in 2018.

## PROVISION FOR CONTRACTS AT NEGOTIATION PHASE

This provision corresponds to payments foreseen to settle claims relating to road contracts, which are still being negotiated in the pre-litigation phase.

## EMPLOYEE BENEFITS

IP grants temporary early retirement benefits and retirement and survival pension benefits to its employees, which at 31 December 2018 totalled EUR 1.061 million.

The complementary retirement and survival pension benefits attributed to the employees constitute a defined benefit plan under which IP pays early retirement pensions to a closed group of employees covered by the plan until such time as they retire under the Caixa Geral de Aposentações system.

This provision refers to liabilities for benefits attributed to a small group of beneficiaries, about 33, for a limited period of time. It was therefore the Executive Board of Directors' opinion that it was not necessary to have the annual liabilities assessed by a specialised firm, as this could be done internally.



# 17. BORROWINGS

## 17.1 BORROWINGS

The following breakdown of current and non-current loans at 31 December 2018 and 31 December 2017 is presented below:

DESCRIPTION	31-12-2018	31-12-2017
<b>Non-current loans</b>		
Borrowings	2,641,345	3,221,317
<b>Current loans</b>		
Borrowings	633,531	141,629
	<b>3,274,876</b>	<b>3,362,946</b>
Unit: euros		

The terms and timing of repayment are as follows:

ACTIVITY	NAME	DATE OF SIGNATURE	AMOUNT CONTRACTED (EUROS)	OUTSTANDING CAPITAL (EUROS)	AMORTISATION			INTEREST RATE SCHEME	INTEREST RATE	FREQUENCY
					START DATE	END DATE	FREQUENCY			
Railway	CP III North Line-B	14-07-1997	49,880	13,301	15-06-2008	15-06-2022	Annual	EIB variable, may not exceed 3M Euribor+0.15%	0.000%	15/Mar 15/Jun 15/Sept 15/Dec
Railway	Rail Crossing of the River Tagus-B	14-11-1997	99,760	0	15-09-2003	15-09-2017	Annual	EIB variable, may not exceed 3M Euribor+0.15%	0.000%	15/Mar 15/Jun 15/Sept 15/Dec
Railway	CP III North Line-D	10-11-2000	25,937	12,104	15-09-2011	15-09-2020	Annual	EIB variable, may not exceed 3M Euribor+0.15%	0.000%	15/Mar 15/Jun 15/Sept 15/Dec
Railway	Connection to Algarve-A	08-10-2001	90,000	48,000	15-09-2012	15-09-2021	Annual	EIB variable, may not exceed 3M Euribor+0.12%	0.000%	15/Mar 15/Jun 15/Sept 15/Dec
Railway	Minho Line-B	08-10-2001	59,856	31,923	15-09-2012	15-09-2021	Annual	EIB variable, may not exceed 3M Euribor+0.12%	0.000%	15/Mar 15/Jun 15/Sept 15/Dec
Railway	CP III/2 North Line-B	02-10-2002	100,000	70,000	15-03-2013	15-03-2022	Annual	EIB variable, may not exceed 3M Euribor+0.12%	0.000%	15/Mar 15/Jun 15/Sept 15/Dec
	<b>to carry forward</b>		<b>425,433</b>	<b>175,328</b>						

ACTIVITY	NAME	DATE OF SIGNATURE	AMOUNT CONTRACTED (EUROS)	OUTSTANDING CAPITAL (EUROS)	AMORTISATION			INTEREST RATE SCHEME	INTEREST RATE	FREQUENCY
					START DATE	END DATE	FREQUENCY			
	<b>carried forward</b>		<b>425,433</b>	<b>175,328</b>						
Railway	CP III/2 North Line-B	02-06-2004	200,000	150,000	15-12-2014	15-12-2023	Annual	EIB variable, may not exceed 3M Euribor+0.15%	0.000%	15/mar 15/jun 15/set 15/dez
Railway	Suburban	28-10-2004	100,000	52,381	15-06-2009	15-06-2024	Annual	EIB variable, may not exceed 3M Euribor+0.15%	0.000%	15/mar 15/jun 15/set 15/dez
Railway	Suburban B	14-12-2005	100,000	57,143	15-09-2010	15-09-2025	Annual	Fixed adjustable	3.615%	15/set
Railway	Suburban C	12-10-2006	55,000	34,048	15-03-2011	15-03-2026	Annual	Fixed adjustable	4.247%	15/mar
Railway	Connection to Algarve-B	02-10-2002	30,000	18,000	15-03-2013	15-03-2022	Annual	EIB variable, may not exceed 3M Euribor+0.12%	0.000%	15/mar 15/jun 15/set 15/dez
Railway	CP III 2 North Line-C	11-12-2009	100,000	90,000	15-06-2017	15-06-2026	Annual	Fixed adjustable	1.887%	15/jun
Railway	CP III 2 North Line-D	12-07-2007	100,000	90,000	15-12-2017	15-12-2026	Annual	3M Euribor+0.435%	0.172%	15/mar 15/jun 15/set 15/dez
Road	EIB- Roads 2009-2019	17-12-2009	200,659	140,461	15-06-2014	15-06-2029	Half-yearly	Fixed	2.189%	15/jun 15/dez
Railway	Refer V	04-08-2008	160,000	120,000	15-03-2014	15-03-2033	Annual	Fixed adjustable	2.653%	15/mar
Railway	Refer VI	10-09-2009	110,000	77,000	15-09-2013	15-09-2032	Annual	Fixed adjustable	2.271%	15/set
Railway	Eurobonds,06/26	10-11-2006	600,000	599,364	16-11-2026		Bullet	Fixed	4.047%	16/nov
Railway	Eurobonds 09/19	13-02-2009	500,000	499,937	18-02-2019		Bullet	Fixed	5.875%	18/fev
Railway	Eurobonds 09/24	16-10-2009	500,000	498,877	16-10-2024		Bullet	Fixed	4.675%	18/out
Railway	Eurobonds 06/21	11-12-2006	500,000	498,787	13-12-2021		Bullet	Fixed	4.250%	13/dez
Road	Eurobonds 10/30	09-07-2010	125,000	121,022	13-07-2030		Bullet	Fixed	6.450%	13/jul
	<b>External Financing</b>	<b>TOTAL</b>	<b>3,806,092</b>	<b>3,222,347</b>						
	<b>Accrued interest</b>			<b>45,453</b>						
	<b>Accounting overdrafts</b>			<b>7,077</b>						
	<b>TOTAL</b>			<b>3,274,876</b>						

Interest on these loans is quarterly, half-yearly or annually and paid in arrears.

In EIB loans, the principal amount of capital is reimbursed periodically after the grace period. The remaining Eurobonds will be fully amortised at maturity (bullet).

At 31 December 2018, loans that benefitted from the State's guarantee totalled a nominal value of EUR 2,604 million (2017: EUR 2,700 million).

## 17.2 SHAREHOLDER FUNDING/SHAREHOLDER LOANS

At 31 December 2018 and 31 December 2017, the shareholder funding/shareholder loans item is broken down as follows:

	31-12-2018	31-12-2017
<b>Non-current loans</b>		
State Loan	272,528	534,390
<b>Current loans</b>		
State Loan	2,354,537	4,392,482
	<b>2,627,065</b>	<b>4,926,872</b>
Unit: euros		

Loan agreements with the State/loans had the purpose of meeting the financing needs of the companies (REFER and EP) since 2011.

No new bank loans/shareholder loans were raised during 2018, as the shareholder assured the financing needs through capital increases (note 15).

The reduction in the value of State loans/Shareholder loans was due to the amortisation of State loans allocated to the railway activity in the amount of EUR 2,200 million. For this amortisation, the offsetting transaction concluded with the Portuguese State (note 12) and regulated by the State Budget Law 2018 (Law 71/208 of 31 December) was decisive.

These loans bear interest at different fixed rates, agreed with the DGTF, in accordance with the respective deadlines and amounts. Details are given below:

ACTIVITY	NAME	DATE OF SIGNATURE	AMOUNT CONTRACTED (EUROS)	OUTSTANDING CAPITAL (EUROS)	AMORTISATION			INTEREST RATE SCHEME	INTEREST RATE	PERIODICIDADE
					START DATE	END DATE	FREQUENCY			
Railway	Portuguese State Loan	24-05-2013	282,937	94,312	31-05-2015	30-11-2020	Half-yearly	Fixed	2.100%	31/May 30/nov
Railway	Portuguese State Loan	24-05-2013	21,723	7,241	31-05-2015	30-11-2020	Half-yearly	Fixed	2.270%	31/May 30/nov
Railway	Portuguese State Loan	24-05-2013	23,394	7,798	31-05-2015	30-11-2020	Half-yearly	Fixed	2.350%	31/May 30/nov
Railway	Portuguese State Loan	24-05-2013	102,488	34,163	31-05-2015	30-11-2020	Half-yearly	Fixed	2.440%	31/May 30/nov
Railway	Portuguese State Loan	24-05-2013	20,000	6,667	31-05-2015	30-11-2020	Half-yearly	Fixed	2.150%	31/May 30/nov
Railway	Portuguese State Loan	13-11-2013	37,000	12,333	31-05-2015	30-11-2020	Half-yearly	Fixed	1.860%	31/May 30/nov
Railway	Portuguese State Loan	13-11-2013	293,000	97,667	31-05-2015	30-11-2020	Half-yearly	Fixed	1.880%	31/May 30/nov
Railway	Portuguese State Loan	13-11-2013	24,000	8,000	31-05-2015	30-11-2020	Half-yearly	Fixed	1.960%	31/May 30/nov
Railway	Portuguese State Loan	27-05-2014	15,000	7,500	31-05-2016	30-11-2021	Half-yearly	Fixed	2.430%	31/May 30/nov
Railway	Portuguese State Loan	27-05-2014	15,000	7,500	31-05-2016	30-11-2021	Half-yearly	Fixed	2.330%	31/May 30/nov
Railway	Portuguese State Loan	27-05-2014	20,000	10,000	31-05-2016	30-11-2021	Half-yearly	Fixed	2.220%	31/May 30/nov
Railway	Portuguese State Loan	27-05-2014	14,000	7,000	31-05-2016	30-11-2021	Half-yearly	Fixed	2.010%	31/May 30/nov
Road	Portuguese State Loan	30-12-2011	1,705,000	852,500	31-05-2013	30-11-2016	Half-yearly	Fixed	2.770%	31/May 30/nov
Road	Portuguese State Loan	27-01-2012	204,000	153,000	31-05-2014	30-11-2017	Half-yearly	Fixed	3.69%	31/May 30/nov
Road	Portuguese State Loan	27-01-2012	230,000	172,500	31-05-2014	30-11-2017	Half-yearly	Fixed	3.440%	31/May 30/nov
Road	Portuguese State Loan	27-01-2012	75,000	56,250	31-05-2014	30-11-2017	Half-yearly	Fixed	2.930%	31/May 30/nov
Road	Portuguese State Loan	27-01-2012	28,000	21,000	31-05-2014	30-11-2017	Half-yearly	Fixed	2.690%	31/May 30/nov
	<b>to carry forward</b>		<b>3,110,542</b>	<b>1,555,431</b>						

ACTIVITY	NAME	DATE OF SIGNATURE	AMOUNT CONTRACTED (EUROS)	OUTSTANDING CAPITAL (EUROS)	AMORTISATION			INTEREST RATE SCHEME	INTEREST RATE	PERIODICIDADE
					START DATE	END DATE	FREQUENCY			
	<b>carried forward</b>		<b>3,110,542</b>	<b>1,555,431</b>						
Road	Portuguese State Loan	30-05-2012	44,000	33,000	31-05-2014	30-11-2017	Half-yearly	Fixed	2.690%	31/May 30/nov
Road	Portuguese State Loan	30-05-2012	80,000	60,000	31-05-2014	30-11-2017	Half-yearly	Fixed	2.700%	31/May 30/nov
Road	Portuguese State Loan	30-05-2012	33,500	25,125	31-05-2014	30-11-2017	Half-yearly	Fixed	1.980%	31/May 30/nov
Road	Portuguese State Loan	26-09-2012	156,800	117,600	31-05-2014	30-11-2017	Half-yearly	Fixed	1.810%	31/May 30/nov
Road	Portuguese State Loan	29-10-2012	16,000	12,000	31-05-2014	30-11-2017	Half-yearly	Fixed	1.710%	31/May 30/nov
Road	Portuguese State Loan	29-10-2012	13,300	9,975	31-05-2014	30-11-2017	Half-yearly	Fixed	1.590%	31/May 30/nov
Road	Portuguese State Loan	29-01-2013	85,000	85,000	31-05-2015	30-11-2020	Half-yearly	Fixed	2.750%	31/May 30/nov
Road	Portuguese State Loan	29-01-2013	135,600	135,600	31-05-2015	30-11-2020	Half-yearly	Fixed	2.420%	31/May 30/nov
Road	Portuguese State Loan	29-01-2013	17,400	17,400	31-05-2015	30-11-2020	Half-yearly	Fixed	2.150%	31/May 30/nov
Road	Portuguese State Loan	08-03-2013	25,654	25,654	31-05-2015	30-11-2020	Half-yearly	Fixed	2.150%	31/May 30/nov
Road	Portuguese State Loan	08-03-2013	266,405	266,405	31-05-2015	30-11-2020	Half-yearly	Fixed	2.180%	31/May 30/nov
Road	Portuguese State Loan	08-03-2013	28,042	28,042	31-05-2015	30-11-2020	Half-yearly	Fixed	2.610%	31/May 30/nov
Road	Portuguese State Loan	04-09-2013	26,202	26,202	31-05-2015	30-11-2020	Half-yearly	Fixed	2.190%	31/May 30/nov
Road	Portuguese State Loan	04-09-2013	25,000	25,000	31-05-2015	30-11-2020	Half-yearly	Fixed	2.18%	31/May 30/nov
Road	Portuguese State Loan	04-09-2013	17,943	17,943	31-05-2015	30-11-2020	Half-yearly	Fixed	2.070%	31/May 30/nov
Road	Portuguese State Loan	09-10-2013	3,688	3,688	31-05-2015	30-11-2020	Half-yearly	Fixed	2.100%	31/May 30/nov
Road	Portuguese State Loan	09-10-2013	21,805	21,805	31-05-2015	30-11-2020	Half-yearly	Fixed	1.870%	31/May 30/nov
Road	Portuguese State Loan	09-10-2013	49,891	49,891	31-05-2015	30-11-2020	Half-yearly	Fixed	1.970%	31/May 30/nov
	<b>Total shareholder funding</b>		<b>4,156,770</b>	<b>2,515,759</b>						
	<b>Accrued interest</b>			<b>111,306</b>						
	<b>TOTAL</b>			<b>2,627,065</b>						

## FIXED RATE FINANCING

The fair value of the fixed rate financing at 31 December 2018 is presented below:

NAME	NOMINAL VALUE	OUTSTANDING CAPITAL	FAIR VALUE	INTEREST RATE
EIB - Suburban B	100,000	57,143	60,165	3.615%
EIB - suburban C	55,000	34,048	40,345	4.247%
EIB - REFER V	160,000	120,000	136,388	2.653%
EIB - REFER VI	110,000	77,000	85,623	2.271%
EIB - CP112 North Line C	100,000	90,000	91,884	1.887%
EIB- Roads 2009-2019	200,659	140,461	153,458	2.189%
Eurobonds 06/26	600,000	600,000	700,512	4.047%
Eurobonds 09/19	500,000	500,000	529,516	5.875%
Eurobonds 09/24	500,000	500,000	604,187	4.675%
Eurobonds 06/21	500,000	500,000	552,765	4.250%
Eurobonds 10/30	125,000	125,000	147,118	6.750%
Portuguese State Loan	282,937	94,312	97,034	2.100%
Portuguese State Loan	21,723	7,241	7,464	2.270%
Portuguese State Loan	23,394	7,798	8,046	2.350%
Portuguese State Loan	102,488	34,163	35,286	2.440%
Portuguese State Loan	20,000	6,667	6,863	2.150%
Portuguese State Loan	37,000	12,333	12,654	1.860%
Portuguese State Loan	293,000	97,667	100,230	1.880%
Portuguese State Loan	24,000	8,000	8,218	1.960%
Portuguese State Loan	15,000	7,500	7,834	2.430%
Portuguese State Loan	15,000	7,500	7,821	2.330%
Portuguese State Loan	20,000	10,000	10,409	2.220%
Portuguese State Loan	14,000	7,000	8,212	2.010%
Portuguese State Loan	1,705,000	852,500	883,259	2.770%
Portuguese State Loan	204,000	153,000	163,174	3.690%
<b>To carry forward:</b>	<b>5,728,201</b>	<b>4,049,332</b>	<b>4,458,467</b>	

NAME	NOMINAL VALUE	OUTSTANDING CAPITAL	FAIR VALUE	INTEREST RATE
<b>Carried forward:</b>	<b>5,728,201</b>	<b>4,049,332</b>	<b>4,458,467</b>	
Portuguese State Loan	230,000	172,500	183,205	3.440%
Portuguese State Loan	75,000	56,250	59,231	2.930%
Portuguese State Loan	28,000	21,000	21,880	2.690%
Portuguese State Loan	44,000	33,000	34,608	2.690%
Portuguese State Loan	80,000	60,000	62,934	2.700%
Portuguese State Loan	33,500	25,125	26,032	1.980%
Portuguese State Loan	156,800	117,600	121,491	1.810%
Portuguese State Loan	16,000	12,000	12,376	1.710%
Portuguese State Loan	13,300	9,975	10,266	1.590%
Portuguese State Loan	85,000	85,000	93,120	2.750%
Portuguese State Loan	135,600	135,600	147,038	2.420%
Portuguese State Loan	17,400	17,400	18,709	2.150%
Portuguese State Loan	25,654	25,654	27,583	2.150%
Portuguese State Loan	266,405	266,405	286,711	2.180%
Portuguese State Loan	28,042	28,042	30,588	2.610%
Portuguese State Loan	26,202	26,202	28,208	2.190%
Portuguese State Loan	25,000	25,000	26,906	2.180%
Portuguese State Loan	17,943	17,943	19,243	2.070%
Portuguese State Loan	3,688	3,688	3,959	2.100%
Portuguese State Loan	21,805	21,805	23,238	1.870%
Portuguese State Loan	49,891	49,891	53,339	1.970%
<b>TOTAL</b>	<b>7,107,429</b>	<b>5,259,410</b>	<b>5,749,130</b>	
Unit: euros				

# 18. TRADE PAYABLES (SUPPLIERS) AND OTHER ACCOUNTS PAYABLE

## 18.1 TRADE PAYABLES (SUPPLIERS)

This item is broken down as follows at 31 December 2018 and 2017:

	NOTAS	31-12-2018	31-12-2017
General trade payables (suppliers)		13,133	17,118
Trade payables (Suppliers) - other related parties	32	261	217
Trade payables (Suppliers) - subsidiaries	32	1,275	877
<b>Total Trade payables (Suppliers) - current</b>		<b>14 668</b>	<b>18,212</b>

## 18.2 OTHER ACCOUNTS PAYABLE

At 31 December 2018 and 2017, the details of this item are as follows:

	31-12-2018	31-12-2017
<b>Non-current</b>		
Sub-concessions	2,083,284	2,370,818
	<b>2,083,284</b>	<b>2,370,818</b>
<b>Current</b>		
Sub-concessions	515,840	496,086
Regular Road Maintenance	301,074	277,484
Increased Expenses	39,152	38,717
Investment Suppliers	29,254	12,890
Advances on Sales Account	20,378	17,615
Remuneration to be paid	16,270	17,521
Sundry Creditors	10,323	12,573
	<b>932,291</b>	<b>872,887</b>
	<b>3,015,574</b>	<b>3,243,706</b>

This item includes IP's liability to sub-concessionaires for construction, operation and maintenance services carried out by these companies and not yet invoiced, in the amount of EUR 2,599.124 million, remunerated in accounting at rates between 5% and 9%, of which EUR 515.840 million is payable within twelve months.

The Investment Suppliers item refers mainly to the amounts billed for the execution of own works and the amount payable for the State Concessions and Sub-concessions.

The Accrued item includes the amounts payable by IP relating to its Concession Contract with the State, in the amount of EUR 24 million, as well as the value of the IMT for the years between 2013 and 2018, a total of EUR 9.5 million.

The Regular Road Maintenance item includes IP's responsibility for maintaining or restoring certain service levels in the infrastructure, and it is set up throughout the period up to the scheduled date for performance of the works.



## 19. INVENTORIES

At 31 December 2018 and 31 December 2017 this item is detailed as follows:

	NOTES	31-12-2018	31-12-2017
Raw materials and consumables		62,187	43,644
Impairments in inventories	25	-588	-1,585
<b>Inventories</b>		<b>61,599</b>	<b>42,058</b>

The raw materials and consumables item refer to the various types of materials that are incorporated into the maintenance and construction of railway infrastructure.

The impairments recorded derive from:

- i. the materials that are obsolete or technically depreciated and which cannot be used for IP's activity and may be sold if an interested buyer is found; and
- ii. the comparison between the market price of materials and the value at which they are registered.

Consumption costs of rail materials amounted to EUR 10.302 million (EUR 15.840 million in 2017).

The analysis carried out at the end of 2018 resulted in the increase of the impairment adjustment of inventories by EUR 997,000 (note 25).



## 20. SALES AND SERVICES

From 1 January 2018 to 31 December 2018 and from 1 January 2017 to 31 December 2017, sales and services are detailed as follows:

DESCRIPTION	2018	2017
Road Service Contribution	688,889	684,959
Tolls	316,131	296,493
Use of channels (tariffs)	69,129	69,217
Construction contracts and capitalised financial charges	38,123	70,160
Others	19,364	14,395
Concession grantor - LDI Revenue	19,029	25,137
<b>Total sales and services</b>	<b>1,150,664</b>	<b>1,160,362</b>

The unit values of the Road Service Contribution (fee paid by users for use of the road network) for 2018 remained in line with those established for the 2017 financial year, at EUR 87/1,000 litres for petrol, EUR 111/1,000 litres for road diesel and EUR 63/1,000 litres for LPG vehicles.

The variation recorded in 2018 compared to 2017 reflects the increase in fuel consumption.

In 2018, tolls recorded an increase of EUR 19.6 million resulting from a general increase in traffic volume on the entire network.

With the entry into force, on 1 August 2016, of the new supplementary regime for reducing toll rates applied to motorways located in disadvantaged territories (Ordinance 196/2016, 20 June), the traffic volumes were particularly evident on the A22 (Algarve), and also benefited, in September, from the transfer of revenue due to the greater number of trips taken at the end of August.

The use of channels (Tariffs) item refers mainly to income from the Infrastructure Use Tariffs (IUT). The most important are in terms of volume of Passengers (EUR 57.9 million) and Freight (EUR 8.1

million). The first recorded a decrease of 1.5% and the second an increase of 1.8% over the same period of 2017, which explains the reduced overall variation of the item.

Construction contracts represent IP's income from its NRN construction activity as defined in its Concession Contract. This includes all IP's construction activities by direct contracting or sub-concession.

The details of construction contracts for the periods reported are as follows:

DESCRIPTION	2018	2017
Capitalised financial charges	20,088	38,953
Construction of New Infrastructure	16,758	9,659
Sub-concessioned Network - Construction	1,278	21,549
<b>Construction contracts</b>	<b>38,123</b>	<b>70,160</b>

The values corresponding to the construction of New Infrastructures are under the direct management of IP and are calculated on the basis of the process of monitoring the monthly works and reflecting the physical evolution of the works in progress, plus costs directly attributable to the preparation of the asset for its intended use.

The construction of the Sub-concessioned network is calculated based on the construction values contracted for each sub-concession and the percentage of completion reported to IP for each sub-concession. It reflects the physical evolution of the works and is therefore independent of the billing flow.

The variation reflects the final phase of construction of the A26 - Baixo Alentejo Motorway and the renovation of the EN 125 - Algarve Litoral.

The capitalised financial charges correspond to IP's financial charges during the road construction phase and are composed of financial charges used to finance the acquisition of the State Concession Network.





## 21. COMPENSATORY ALLOWANCES

In compliance with Decree-Law 217/2015 of 7 October, which transposed into Portuguese law Directive 2012/34/EU of the European Parliament and of the Council of 21 November 2012 and through Council of Ministers Resolution 10-A/2016 of 11 March, on 11 March 2016 (with retroactive effect to 1 January 2016), IP and the Portuguese State entered into a Contracting Framework which establishes the terms and conditions of the fulfilment by IP of its public service obligations concerning the management of the National Railway Network Infrastructure, including the compensatory allowances payable by the State during the 2016-2020 period.

The amount allocated in 2018 under the Programme Contract was EUR 62.904 million.

At 31 December 2018, the payment of the amount of EUR 719,000 for the year 2017 (to which VAT is added) is outstanding.

## 22. COST OF GOODS SOLD AND MATERIALS CONSUMED

From 1 January 2018 to 31 December 2018 and in the same period of 2017, the detail of this item is as follows:

	2018	2017
Capitalisation Tolls of Concessions	244,045	226,595
Construction of New Infrastructure	16,758	9,659
Railway Materials	10,302	15,840
Sub-concessioned Network - Construction	1,278	21,549
<b>Cost of goods sold and materials consumed</b>	<b>272,381</b>	<b>273,643</b>

As mentioned in note 2.2 k) (revenue) the amounts received by IP from tolls on government concessions (net of collection costs) are deducted from IP's investment in the acquisition of rights over that same concessioned network. The deduction is offset in this item.

The values corresponding to the construction of New road infrastructures are construction activities directly managed by IP and are calculated on the basis of the process of monitoring the monthly works and reflecting the physical evolution of the works in progress.

Charges for railway materials relate essentially to the various types of materials which are incorporated in the maintenance of railway infrastructure.

The construction of the Sub-concessioned network is calculated based on the construction values contracted for each road sub-concession and the percentage of completion reported to IP for each sub-concession. It reflects the physical evolution of the works and is therefore independent of the billing flow.



## 23. EXTERNAL SUPPLIES AND SERVICES

From 1 January 2018 to 31 December 2018 and from 1 January 2017 to 31 December 2017, supplies and services are broken down as follows:

	2018	2017
Railway Maintenance	69,734	56,220
Regular Road Maintenance	53,000	53,000
Current Maintenance and Road Safety	43,874	44,578
Sub-concessions Operation and Maintenance	28,868	27,213
Toll Collection Expenses	21,587	21,575
Electricity	15,835	13,835
RSC Collection Expenses	13,778	13,699
Surveillance and Security	4,787	4,690
Rent	2,978	3,133
Specialised work	3,297	2,575
Maintenance and Repairs	2,592	2,429
Cleaning, Hygiene and Comfort	2,890	2,187
Fuel	2,216	2,095
Software licences	1,968	1,934
Others less than EUR 1 million	3,916	4,733
<b>External supplies and services</b>	<b>271,319</b>	<b>253,895</b>

The costs of railway maintenance relate essentially to the outsourcing of maintenance services: i) track - the amount of EUR 31.176 million (EUR 21.168 million in 2017), ii) signalling - the sum of EUR 14.738 million (EUR 14.520 million in 2017), iii) telecommunications - totalling EUR 8.011 million (EUR 7.678 million in 2017) and iv) catenary - amounting to EUR 4.948 million (EUR 4.793 million in 2017).

Regular Road Maintenance corresponds to the recognition of the increase in the responsibility of the IP Group with the costs needed to maintain the service level of the routes and road engineering structures which is imposed on it by the Concession Contract. This value does not correspond to a need for investment in conservation in the period but rather the average annual investment needed to maintain the service level of the network.

The Regular Maintenance and Road Safety item contains the year's expenditure on current maintenance of roads and engineering structures and road safety.

Operating costs and maintenance of sub-concessions result from the accounting recognition of the operation and maintenance carried out by sub-concessionaires under the sub-concession contracts in force.

The expenses for collecting the RSC correspond to 2% of the RSC retained by the Tax Authority for provision of the service of calculation and collection of the RSC.

The rents and leases item includes EUR 2.433 million (EUR 2.461 million in 2017) relating to the cost of the operational leasing of vehicles and EUR 131,000 (EUR 250,000 in 2016) with the operational leasing of administrative equipment.

The total future minimum leasing payments, non-cancellable, related to operating lease agreements that IP has concluded, are:

	LESS THAN 1 YEAR	2 TO 5 YEARS
<b>According to contracts concluded</b>		
Vehicles	101	0
	<b>101</b>	<b>0</b>



## 24. PERSONNEL EXPENSES

From 1 January 2018 to 31 December 2018 and from 1 January 2017 to 31 December 2017, personnel expenses are broken down as follows:

	2018	2017
Wages	96,726	92,758
Wage Expenses	21,992	22,626
Other Personnel Expenses	3,545	4,288
Indemnities	1,208	1,509
Occupational Accident Insurance	1,195	903
Social Security Expenses	572	773
Remuneration of members of Governing Bodies	547	488
	<b>125,784</b>	<b>123,345</b>

In 2018, IP staff expenses (EUR 125.8 million) increased by approximately EUR 2.4 million in relation to 2017, mainly due to the EUR 4 million increase in Staff Remuneration: EUR 96.7 million in 2018, as opposed to expenses of EUR 92.7 million in 2017.

In spite of the decrease in the average number of employees, from 3,444 in 2017 to 3,421 in the current year, the replacement of Acquired Rights (automatic career progressions and increase in seniority bonuses) begun in the second half of 2017 and 100% complete from January 2018 led to an increase in expenses of EUR 8.7 million and a fall in the number of staff departures.



## 25. IMPAIRMENT

The evolution of impairment in the financial years ending on 31 December 2018 and 31 December 2017 is as follows:

	LOANS GRANTED NON-CURRENT	INVENTORIES	TRADE RE- CEIVABLES (CLIENTS)	OTHER ACCOUNTS RECEIVABLE	LOANS GRANTED CURRENT	GRANTOR	TOTAL
	(NOTE 8)	(NOTE 19)	(NOTE 11.2)	(NOTE 11.1)	(NOTE 11.3)	(NOTE 12)	
Balance at 31 December 2017	-	1,585	2,451	5,941	33,364	305,200	348,542
Reinforcement/(Reversal)	-	-997	-803	681	-22,559	-	-23,679
Transfers	10,805	-	-	-	-10,805	-	0
<b>Balance at 31 December 2018</b>	<b>10,805</b>	<b>587</b>	<b>1,648</b>	<b>6,623</b>	<b>0</b>	<b>305,200</b>	<b>324,863</b>

	INVENTORIES	TRADE RE- CEIVABLES (CLIENTS)	OTHER ACCOUNTS RECEIVABLE	LOANS GRANTED CURRENT	GRANTOR	TOTAL
	(NOTE 19)	(NOTE 11.2)	(NOTE 11.1)	(NOTE 11.3)	(NOTE 12)	
Balance at 31 December 2016	1,119	2,793	5,932	52,140	305,200	367,184
Reinforcement/(Reversal)	466	-341	9	-18,776	-	-18,642
<b>Balance at 31 December 2017</b>	<b>1,585</b>	<b>2,451</b>	<b>5,941</b>	<b>33,364</b>	<b>305,200</b>	<b>348,542</b>

## 26. OTHER INCOME AND GAINS

Other income and gains for the periods ended 31 December 2018 and 31 December 2017 are broken down as follows:

	2018	2017
Allocation of investment grants	63,562	62,819
Income from Concession Signature Fees	8,854	8,854
Concessions for use and licences	7,319	6,434
Telecommunications	5,201	5,365
Accidents	2,166	1,609
Gains from the sale of waste/spent materials	2,021	3,018
Gains from the sale of tangible assets	1,909	1,453
Others	5,190	6,041
<b>Other Income and Gains</b>	<b>96,222</b>	<b>95,592</b>

Income recognised in Allocation of Investment Grants is recognised in Liabilities under Deferrals (note 10.1).

The item Signature Concession Fees refers to the amount recognised in 2018 of the Fee assigned when signing the Gran Lisboa and Douro Litoral Concessions. (note 10).

The item Concessions of use and licences refers to the Concession Agreement for the Operation of Assets on the Railway Public Domain and Management of Assets of the Private Domain of IP concluded with IP Património amounting to EUR 4.972 million (EUR 4.524 million in 2017).

The Telecommunications item includes the value of the Sub-concession Contract for the Operation of the Telecommunications Infrastructure integrated in the Public Road and Railway Domain, entered into with IP Telecom, which includes the current sub-concession for the operation of the telecommunications infrastructure as well as the exploitation of the Road Technical Channel built or to be built under the administration and management of IP.

The Accidents item corresponds to the revenue resulting from the reimbursement of damages caused on the National Road Network.

In the Gains on the sale of waste/used materials item, the most significant amount is from the sale of ferrous waste in the amount EUR 1.377 million.

Gains from the sale of tangible assets are recorded as capital gains resulting from sales of real estate and surplus plots of land.

## 27. OTHER COSTS AND LOSSES

The detail of other expenses and losses is presented as follows for the years ended 31 December 2018 and 2017:

	2018	2017
Road and Rail Activity Regulatory Rates	4,260	4,061
Indemnities for material damage	4,146	497
Compensatory Interest	993	2,281
Contributions	342	327
Bad debts	79	-
Other indemnities	73	1,724
Others	2,208	1,559
<b>Other costs and losses</b>	<b>12,102</b>	<b>10,449</b>

The value registered in the Regulatory Road and Rail Activity Rates derives from the value due to the AMT – Autoridade da Mobilidade e dos Transportes I.P. (Mobility and Transport Authority) referring to TRIF (Rail Infrastructure Regulatory Rate) and TRIR (Road Infrastructure Regulatory Rate).

The variation in the category of Damages for material damages is explained by the payment of compensation in the amount of EUR 3.6 million to the entities Petróleos de Portugal – Petrogal SA and Ruivo e Carmona Lda., due to the judgment of the supreme administrative court in case no. 288/02.

The compensatory interest item refers to the recording of EUR 993,000 resulting from the substitution of income statements for 2016, arising from Tax Authority inspections of the taxable amount from previous years.

## 28. INCOME/(EXPENSES) IN SUBSIDIARIES

Income and expenses in subsidiaries for the periods ended 31 December 2018 and 31 December 2017 are as follows:

DESCRIPTION	2018	2017
(Reinforcement)/reversal of impairment	2,680	857
Dividends	2,500	3,000
Income/(expenses) in Subsidiaries	<b>5,180</b>	<b>3,857</b>

## 29. FINANCIAL LOSSES AND GAINS

The breakdown of financial losses and gains for the years ended 31 December 2018 and 2017 is as follows:

DESCRIPTION	2018	2017
<b>Financial Losses</b>	<b>319,010</b>	<b>352,778</b>
Interest Incurred:		
Loans	136,118	150,815
Sub-concessions	172,804	191,467
Other interest incurred	46	26
Other financial losses	10,042	10,470
<b>Financial Gains</b>	<b>93,428</b>	<b>94,727</b>
Interest earned - State grantor	93,428	94,727
<b>Financial Results</b>	<b>-225,581</b>	<b>-258,052</b>
Unit: euros		

Interest paid on loans relates to interest incurred with the debt contracted for the High Performance Road, Railway Infrastructure Investment Activity and Railway Infrastructure Management Activity business segments.

The improvement in relation to 2017 was due to the decrease in the debt stock (loans from the EIB and the Portuguese government allocated to the railways) and the non-payment of interest on the moratorium granted for debt servicing on loans from the Portuguese State, which is in effect a decrease of the average balance of those loans.

The expenses of the financial update of the debt to the sub-concessionaires for the works/services provided are recorded in the Sub-concessions interests paid, which will be billed in the future, in accordance with the terms stipulated in the respective Sub-concession contract. These expenses derive from IP's responsibility to sub-concessionaires for construction and operation and road maintenance services already carried out by these sub-concessionaires, which have not yet been paid in the amount of EUR 2.599 million (indirect management debt) and are remunerated at a rate of between 5% and the 9%. The decrease in inte-

rest in Sub-concessions results from the reduction of the liability corresponding to the sub-concessionaires for the work/services provided, which has been reduced with the availability and service payments.

Other financial losses relate to the charges incurred with the fees for the guarantee stood by the Portuguese government, bank commissions and the accrual of charges associated with bond issues.

Interest earned includes interest charged to the Grantor State (note 12). Since the interest charged to the Grantor State is calculated based on the same financing terms as investing in long-duration infrastructure, the aforementioned grace periods were reflected.

## 30. INCOME TAX

The breakdown of the tax amount for the year recognised in the comprehensive income statement at 31 December 2018 and 2017 is as follows:

	2018	2017
Current income tax	-68,729	-109,869
Deferred income tax	40,829	90,151
	<b>-27,900</b>	<b>-19,718</b>

The tax rate adopted in determining the tax amount for the year in the financial statements is as follows:

	2018	2017
Nominal tax rate	21.00%	21.00%
Municipal surcharge	1.25%	1.25%
State surcharge <sup>(1)</sup>	9.00%	7.00%
<b>Current income tax</b>	<b>31.25%</b>	<b>29.25%</b>
Taxable temporary differences <sup>(2)</sup>	31.25%	31.25%
Deductible temporary differences other than tax losses <sup>(2)</sup>	31.25%	31.25%
Tax rate applicable to tax losses	21.00%	21.00%

<sup>(1)</sup> In 2018: 3% on taxable profit between EUR 1.5 million and EUR 7.5 million / 5% on taxable profit between EUR 7.5 million and EUR 35 million / 9% when taxable income exceeds EUR 35 million. In 2017: 3% on taxable profit between EUR 1.5 million and EUR 7.5 million / 5% on taxable profit between EUR 7.5 million and EUR 35 million / 7% when taxable income exceeds EUR 35 million.

<sup>(2)</sup> With the approval of the 2018 State Budget, the highest profits tax bracket rises from 7% to 9%, and this was considered for the purpose of the rates to be applied to the temporary differences in 2017.

The reconciliation of the effective tax rate for the periods under review is shown below:

RECONCILIATION OF EFFECTIVE TAX RATE	%	2018	%	2017
Profit before tax		137,187		142,637
Nominal tax rate	31.25%	<b>42,871</b>	29.25%	<b>41,721</b>
State Surcharge - Amount to be deducted/added	-1.16%	-1,591	-0.63%	-895
Deductible permanent differences (i)	1.22%	1,672	1.45%	2,065
Permanent tax differences	-6.34%	-8,695	-4.66%	-6,643
Temporary differences - Revisions of estimates	0.10%	137	0.17%	244
Temporary differences - Other (ii)	-4.30%	-5,897	-30.16%	-43,019
Tax rate differences	0.00%	-	-5.42%	-7,730
Tax losses and RETGS benefits	-0.38%	-518	-0.15%	-209
Excess/Insufficient estimate	-0.48%	-661	-0.25%	-361
Separate taxation	0.43%	589	0.40%	574
Additional tax settlements	0.00%	-6	23.82%	33,970
<b>Tax Expenses/(Income) in the year</b>	<b>20.34%</b>	<b>27,900</b>	<b>13.82%</b>	<b>19,718</b>
Current tax Expenses/(Income)	50.10%	68,729	77.03%	109,869
Deferred tax Expenses/(Income)	-29.76%	-40,829	-63.20%	-90,151

The effective rate difference compared with the nominal tax rate is essentially the following:

- i) Taxable permanent differences amounting to EUR -8.695 million, of which the tax effects of reversed impairments (IP Património) and dividends in the amounts of EUR -7.887 million and EUR -781,000 respectively; and
- ii) Temporary differences - Others that essentially concern amounts related to undercapitalisation to be recovered in future periods.

## 31. FINANCIAL ASSETS AND LIABILITIES BY CLASS

The breakdown of Financial Assets and Liabilities by category for the years ended 31 December 2018 and 31 December 2017 is as follows:

31-12-2018	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	NON-FINANCIAL ASSETS AND LIABILITIES	TOTAL
<b>Assets</b>				
Financial Investments	-	32	-	32
Trade receivables (Clients)	68,753	-	-	68,753
Grantor - State - Account receivable	3,767,165	-	-	3,767,165
Loans granted *	49,717	-	-	49,717
Other accounts receivable	100,963	-	41,709	142,671
Cash and cash equivalents	301,624	-	-	301,624
<b>Total assets</b>	<b>4,288,223</b>	<b>32</b>	<b>41,709</b>	<b>4,329,963</b>
<b>Liabilities</b>				
Borrowings	3,274,876	-	-	3,274,876
Shareholder funding / Shareholder loans	2,627,065	-	-	2,627,065
Other accounts payable	2,972,928	-	42,647	3,015,574
Trade payables (Suppliers)	14,668	-	-	14,668
<b>Total Liabilities</b>	<b>8,889,537</b>	<b>0</b>	<b>42,647</b>	<b>8,932,184</b>

\* The loans granted comprise the shareholder loans previously made to GIL, but which are part of IP Património's debt, as a result of a merger between IP Património and GIL.

Non-financial assets mainly relate to Deposits (approximately EUR 31 million), deferrals and advances from suppliers (EUR 7.8 million).

Non-financial liabilities include debts from employment benefits (approximately EUR 16.5 million) and advances on sales (approximately EUR 20.4 million).



31-12-2017	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	NON-FINANCIAL ASSETS AND LIABILITIES	TOTAL
<b>Assets</b>				
Financial Investments	–	32	–	32
Trade receivables (Clients)	75,445	–	–	75,445
Grantor – State – Account receivable	5,625,616	–	–	5,625,616
Loans granted *	27,158	–	–	27,158
Other accounts receivable	124,690	–	41,065	165,755
Cash and cash equivalents	322,886	–	–	322,886
<b>Total assets</b>	<b>6,175,795</b>	<b>32</b>	<b>41,065</b>	<b>6,216,892</b>
<b>Liabilities</b>				
Borrowings	3,362,946	–	–	3,362,946
Shareholder funding / Shareholder loans	4,926,872	–	–	4,926,872
Other accounts payable	3,201,219	–	42,486	3,243,706
Trade payables (Suppliers)	18,212	–	–	18,212
<b>Total Liabilities</b>	<b>11,509,249</b>	<b>0</b>	<b>42,486</b>	<b>11,533,523</b>

## 32. DISCLOSURES ABOUT RELATED PARTIES

### 32.1 SUMMARY OF RELATED PARTIES

The entities identified as related parties of IP at 31 December 2018 and 2017, under the provisions of IAS 24 - Related parties, are as follows:

31 DECEMBER 2018	RELATIONSHIP
<b>Subsidiaries</b>	
IP Engenharia	Control (IP holds 98.43% of the share capital)
IP Património	Control (IP holds 99.9968% of the share capital)
IP Telecom	Control (IP holds 100.00% of the share capital)
<b>Joint ventures</b>	
AVEP	Joint operation (IP holds 50.00% of the capital)
AEIE, CFM4	Joint operation (IP holds 25.00% of the venture)
<b>Other related parties</b>	
AMT	Regulator
Portuguese State	Shareholder/grantor
CP	Control relationship – State (Railway Operator)

31 DECEMBER 2018	RELATIONSHIP
<b>Subsidiaries</b>	
IP Engenharia	Control (IP holds 98.43% of the share capital)
IP Património	Control (IP holds 99.9968% of the share capital)
IP Telecom	Control (IP holds 100.00% of the share capital)
GIL*	Control (IP holds 100.00% of the share capital)
<b>Joint ventures</b>	
AVEP	Joint operation (IP holds 50.00% of the capital)
AEIE, CFM4	Joint operation (IP holds 25.00% of the venture)
<b>Other related parties</b>	
AMT	Regulator
Portuguese State	Shareholder/grantor
CP	Control relationship – State (Railway Operator)

\* The Company GIL was merged with and incorporated into IP Património on 27 June 2018, with effect from 1 January 2018.

## 32.2 SIGNIFICANT BALANCES AND TRANSACTIONS WITH PUBLIC BODIES

IP is wholly owned by the Portuguese State, and the shareholder function is performed by the General Directorate of Treasury and Finance and is jointly governed by the Ministry of Infrastructures and Housing and the Ministry of Finance.

The following table shows the main balances and transactions between IP and the State and Public Entities in the years ended 31 December 2018 and 31 December 2017:

31-12-2018		NOTE	ASSETS		LIABILITIES		INCOME	EXPENSES
NATURE	ITEM ACCOUNTING		CURRENT	NON-CURRENT	CURRENT	NON-CURRENT		
Fee - Rail transport operators	Trade receivables (Clients) / Trade payables (Suppliers)		10,108				63,995	1,995
Fee - Rail transport operators	Other accounts re-ceivable/payable		1,206	-	-	-	-	-
Compensatory allowances	Compensatory allowances		-	-	-	-	62,904	-
Grantor - Ac-count receivable	Grantor - State - Ac-count receivable	12	3,767,165	-	-	-	-	-
Grantor State - LDI Revenue	Sales and services	20	-	-	-	-	19,029	-
Grantor	Interest and similar income	29	-	-	-	-	93,428	-
TRIR/F	Other costs and losses	27	-	-	-	-	-	4,260
RSC collection costs	External supplies and services	23	-	-	-	-	-	13,778
RSC	Services	20	-	-	-	-	688,889	-
Increased RSC income	Other accounts re-ceivable	11.1	74,076	-	-	-	-	-
Increased RSC expenses	Other accounts payable		-	-	-	1,482	-	-
Shareholder loans	Shareholder loans	17.2	-	-	2,354,537	272,528	-	-
Financial expenses	Financial expenses and income		-	-	-	-	-	15,580
			<b>3,852,555</b>	<b>2</b>	<b>2,354,798</b>	<b>274,010</b>	<b>928,245</b>	<b>35,612</b>

31-12-2017		NOTE	ASSETS		LIABILITIES		INCOME	EXPEN-SES
NATURE	ITEM ACCOUNTING		CURRENT	NON CURRENT	CURRENT	NON CURRENT		
Fee - Rail transport opera-tors	Trade receivables (Clients) / Trade paya-bles (Suppliers)						58,781	3,798
Fee - Rail transport opera-tors	Other accounts re-ceiveable/payable		4,758	-	-	-	-	-
Compensatory allowan-ces	Compensatory allow-ances		-	-	-	-	68,416	-
Grantor - Ac-count receivable	Grantor - State - Ac-count receivable	12	5,625,616	-	-	-	-	-
Grantor State - LDI Revenue	Sales and services	20	-	-	-	-	25,137	-
Grantor	Interest and similar income	29	-	-	-	-	94,727	-
TRIR/F	Other costs and loss-es	27	-	-	-	-	-	4,061
RSC collection costs	External supplies and services	23	-	-	-	-	-	13,699
RSC	Services	20	-	-	-	-	684,959	-
Increased RSC income	Other accounts re-ceiveable	11.1	83,555	-	-	-	-	-
Increased RSC expenses	Other accounts paya-ble		-	-	-	1,671	-	-
Shareholder loans	Shareholder loans	17.2	-	-	4,392,482	534,390	-	-
Financial ex-penses	Financial expenses and income		-	-	-	-	-	28,946
			<b>5,719,037</b>	<b>0</b>	<b>4,392,699</b>	<b>536,061</b>	<b>932,020</b>	<b>50,505</b>

## 32.3 BALANCES AND TRANSACTIONS WITH SUBSIDIARIES

The balances with subsidiary companies for the years ended 31 December 2018 and 2017 are as follows:

SUBSIDIARIES (BALANCES)	NOTES	31-12-2018	31-12-2017
<b>BALANCES RECEIVABLE</b>			
GIL		-	24,800
IP Património		10,805	-
<b>Loans granted (Non-current)</b>	<b>8</b>	<b>10,805</b>	<b>24,800</b>
IP Património		2,136	5,372
IP Telecom		1,475	2,154
IP Engenharia		621	671
<b>Trade receivables (Clients)</b>	<b>11.2</b>	<b>4,232</b>	<b>8,198</b>
IP Património		4,936	5,007
IP Telecom		380	758
IP Engenharia		67	57
GIL		-	553
<b>Other accounts receivable</b>	<b>11.1</b>	<b>5,384</b>	<b>6,376</b>
GIL		-	60,522
IP Património		49,717	-
<b>Loans granted (Current)</b>	<b>11.3</b>	<b>49,717</b>	<b>60,522</b>
		<b>70,138</b>	<b>99,896</b>
<b>BALANCES PAYABLE</b>			
IP Telecom		660	666
IP Engenharia		119	105
IP Património		496	106
<b>Trade Payables (Suppliers)</b>	<b>18.1</b>	<b>1,275</b>	<b>877</b>
IP Património		1,890	2,683
IP Telecom		19	85
IP Engenharia		1,402	831
<b>Other accounts payable</b>		<b>3,310</b>	<b>3,599</b>
IP Telecom		532	807
<b>Deferrals</b>		<b>532</b>	<b>807</b>
		<b>5,117</b>	<b>5,283</b>

Below are the transactions carried out with the subsidiaries from 1 January 2018 to 31 December 2018 and from 1 January 2017 to 31 December 2017 with the subsidiaries:

SUBSIDIARIES (TRANSACTIONS)	NOTES	2018	2017
<b>Investments</b>			
IP Engenharia		6,343	7,360
IP Património		-29	193
		<b>6,315</b>	<b>7,552</b>
<b>External supplies and services</b>			
IP Engenharia		304	28
IP Telecom		4,641	4,687
IP Património		766	-681
GIL		-	677
		<b>5,711</b>	<b>4,710</b>
<b>Services rendered</b>			
IP Telecom		81	-
IP Património		69	-11
		<b>149</b>	<b>-11</b>
<b>Other income and gains</b>			
IP Engenharia		500	500
IP Telecom		5,970	6,133
IP Património		6,281	5,239
GIL		-	41
		<b>12,751</b>	<b>11,913</b>
<b>Gains in subsidiaries</b>			
IP Telecom	27	2,500	3,000
		<b>2,500</b>	<b>3,000</b>

## 32.4 BALANCES AND TRANSACTIONS WITH RAILWAY OPERATORS

The details of the balances with railway operators on 31 December 2018 and 31 December 2017 are shown below:

RAIL OPERATORS (BALANCES)	NOTES	31-12-2018	31-12-2017
<b>BALANCES RECEIVABLE</b>			
Trade receivables (Clients)	11.2	10,108	5,109
Other accounts receivable	11.1	1,206	4,758
<b>BALANCES PAYABLE</b>			
Trade payables (Suppliers)	18.1	261	217

The details of the transactions with railway operators for the periods ended 1 January 2018 to 31 December 2018 and 1 January 2017 to 31 December 2017 are as follows:

RAIL OPERATORS (TRANSACTIONS)	2018	2017
Services rendered	64,295	58,748
Other revenue	-300	33
External supplies and services	1,974	1,384
Other expenses	19	524
Personnel expenses	1,437	1,891
Investment	2	-

## 32.5 JOINT VENTURES

The following are the impacts of jointly controlled ventures on the IP Group's financial statements at 31 December 2018 and 31 December 2017:

JOINT VENTURES	31-12-2018	31-12-2017
Assets	376	145
Liabilities	198	19
Revenue	317	318
Profit for the year	75	-94

## 32.6 REMUNERATION OF CORPORATE OFFICERS

### BOARD OF THE GENERAL MEETING

<b>Chairman</b>	PAULO MANUEL MARQUES FERNANDES
<b>Vice-Chairman</b>	PAULO MIGUEL GARCÉS VENTURA
<b>Secretary</b>	MARIA ISABEL LOURO CARLA ALCOBIA

### EXECUTIVE BOARD OF DIRECTORS

<b>Chairman</b>	ANTÓNIO CARLOS LARANJO DA SILVA
<b>Vice-Chairman</b>	JOSÉ SERRANO GORDO CARLOS ALBERTO JOÃO FERNANDES
<b>Members</b>	VANDA CRISTINA LOUREIRO SOARES NOGUEIRA ALBERTO MANUEL DE ALMEIDA DIOGO

The terms of the mandate and the remuneration scheme associated with the exercise of the positions were established at the general meeting of 28 August 2015.

Following the election of the members of the Company's Board of Directors for the three-year term 2018–2020, at a general meeting held on 29 March 2018, the Executive Board of Directors was constituted by:

<b>Chairman</b>	ANTÓNIO CARLOS LARANJO DA SILVA
<b>Vice-Chairman</b>	JOSÉ SERRANO GORDO CARLOS ALBERTO JOÃO FERNANDES
<b>Members</b>	VANDA CRISTINA LOUREIRO SOARES NOGUEIRA ALBERTO MANUEL DE ALMEIDA DIOGO ALEXANDRA SOFIA VIEIRA NOGUEIRA BARBOSA.



The same meeting established the terms of the mandate and the remuneration status associated with the exercise of the positions for the three-year period 2018-2020.

Since the remuneration is defined, the 5% reduction provided for in article 12 of Law 12-A/2010 of 30 June was applied to the calculated gross amounts.

The provisions of article 41 of Law 82-B/2014 of 31 December were also complied with, the effects of which were extended by article 20(1) of Law 114/2017 of 29 December, and no management bonuses were awarded.

EXECUTIVE BOARD OF DIRECTORS	2018	
	REMUNERATION	EMPLOYER'S WELFARE CONTRIBUTIONS
António Carlos Laranjo da Silva	103,722	24,274
Carlos Alberto João Fernandes	93,505	21,847
José Saturnino Sul Serrano Gordo	93,547	21,847
Alberto Manuel de Almeida Diogo	83,388	19,420
Vanda Cristina Loureiro Soares Nogueira	83,312	19,420
Alexandra Sofia Vieira Nogueira Barbosa	59,696	13,898
	<b>517,170</b>	<b>120,706</b>
(amounts in euros)		

EXECUTIVE BOARD OF DIRECTORS	2017	
	REMUNERATION	EMPLOYER'S WELFARE CONTRIBUTIONS
António Carlos Laranjo da Silva	103,849	24,275
Carlos Alberto João Fernandes	93,574	21,848
José Saturnino Sul Serrano Gordo	93,434	21,848
Alberto Manuel de Almeida Diogo	83,345	19,420
Vanda Cristina Loureiro Soares Nogueira	83,333	19,420
	<b>457,534</b>	<b>106,810</b>
(amounts in euros)		

## GENERAL AND SUPERVISORY BOARD

The remuneration of the members of these bodies was defined at the General Meeting of 28 August 2015.

After requesting such, the members of the General and Supervisory Board identified below carried out their roles unpaid:

- José Emílio Coutinho Garrido Castel-Branco, because he was appointed public manager of another entity in the State-owned enterprises sector, since the start of 2017;
- Duarte Manuel Ivens Pita Ferraz, because he retired under Decree-Law 1-A/2011 of 3 January, since July 2017.

The following is the annual remuneration paid to the remunerated members:

GENERAL AND SUPERVISORY BOARD	2018	
	REMUNERATION	EMPLOYER'S WELFARE CONTRIBUTIONS
Issuf Ahmad	21,365	4,337
	<b>21,365</b>	<b>4,337</b>
(amounts in euros)		

GENERAL AND SUPERVISORY BOARD	2017	
	REMUNERATION	EMPLOYER'S WELFARE CONTRIBUTIONS
Issuf Ahmad	21,365	4,337
Duarte Manuel Ivens Pita Ferraz	12,071	2,450
	<b>33,436</b>	<b>6,787</b>
Valores em euros.		

## STATUTORY AUDITOR

ENTITY	2018	2017
Vitor Almeida & Associados, SROC, Lda.	22,997	16,481
(amounts in euros)		

## 33. RECENTLY ISSUED ACCOUNTING STANDARDS AND INTERPRETATIONS

### NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS, WITH DATE OF ENTRY INTO FORCE ON 1 JANUARY 2018:

Improvements to international financial reporting standards (cycle 2014–2016) – These improvements were issued in December 2016 and were adopted by Commission Regulation (EU) 2018/182 of 7 February. They introduce amendments to the following IFRS with application no later than the date of commencement of the first financial year beginning on or after 1 January 2018:

**IFRS 1 – First-time adoption of international financial reporting standards.** Some short-term exemptions are eliminated.

**IAS 28 – Investments in associates and joint ventures.** Clarifications are introduced on the measurement at fair value of results of investments in associates or joint ventures held by venture capital companies or investment funds.

There are no impacts on IP arising from the adoption of these improvements.

**IFRS 15 – Revenue from contracts with customers (new).** This standard was issued in May 2014 and adopted by Commission Regulation (EU) 2016/1905 of 22 September, with application no later than the date of commencement of the first financial year beginning on or after 1 of January 2018. This standard introduces a structure for recognising revenue based on principles founded on a five-step model to be applied to all contracts signed with customers. The steps are as follows:

- i) Identify the contract with the customer
- ii) Identification of the performance obligations
- iii) Determine the price of the transaction
- iv) Allocate the transaction price; and
- v) Recognition of revenue.

IFRS 15 replaces the following standards: IAS 8 – Revenue; IAS 11 – Construction contracts; IFRIC 13 – Loyalty programmes; IFRIC 15 – Agreements for the construction of real estate; IFRIC 18 – Transfers of assets from customers; SIC 31 – Revenue – Transactions of direct exchange involving advertising services.

The adoption of this standard had no significant impact on IP's financial statements.

**IFRS 15 – Revenue from contracts with customers: clarifications.** These amendments were issued in September 2016 and adopted by Commission Regulation (EU) 2017/1987 of 31 October, with application no later than the date of commencement of the first financial year beginning on or after 1 January 2018. Several clarifications are introduced in the standard in order to eliminate possible divergent interpretations.

There were no significant impacts resulting from these clarifications.

**IFRS 9 – Financial Instruments.** This standard was issued in 2009 and amended in 2010, 2013 and 2014, as part of the project to revise and replace IAS 39. It was adopted by Commission Regulation (EU) 2016/2067 of 22 November, with application no later than the date of commencement of the first financial year beginning on or after 1 January 2018.

IFRS 9, issued in 2009, introduced new requirements for the classification and measurement of financial assets. The 2010 amendment introduced additional requirements related to financial liabilities. The 2013 amendment introduced the hedging methodology. In 2014, limited changes to the classification and measurement contained in IFRS 9 and new requirements for impairment of financial assets were considered.

The standard contains three categories of measurement of financial assets: amortised cost; fair value offset in other comprehensive income; and fair value offset against profit and loss. The categories considered in IAS 39 are eliminated.

The impacts arising from the adoption of this standard by IP are very limited, reflecting only reclassifications of balances without any impact on results (note 2.2f).

**IFRS 4 – Insurance Contracts (amendment):** application of IFRS 9 – Financial Instruments in conjunction with IFRS 4 – Insurance Contracts. This amendment was issued in September 2016 and adopted by Commission Regulation (EU)

2017/1988 of 3 November 2017, with application no later than the date of commencement of the first financial year beginning on or after 1 January 2018. It provides guidance on the application of IFRS 4 together with IFRS 9. IFRS 4 will be replaced by IFRS 17, still in the process of adoption by the European Union.

The adoption of this amendment had no impact on IP's financial statements.

**IFRS 2 – Share-based Payment: Classification and measurement of transactions (amendments).** The amendment was issued in June 2016 and adopted by Commission Regulation (EU) 2018/289 of 26 February, with application no later than the date of commencement of the first financial year beginning on or after 1 January 2018. It introduces several clarifications in the standard relating to (i) registering cash-settled share-based payment transactions; and (ii) recording changes in share-based payment transactions (from cash-settled to settled with equity instruments).

This amendment has no impact on IP.

**IAS 40 – Investment Properties: Transfers (amendments).** This amendment was issued in December 2016 and adopted by Commission Regulation (EU) 2018/400 of 14 March for application no later than the date of commencement of its first financial year beginning on or after 1 January 2018. Clarifies that the change in classification of the asset, from or to investment properties, should only be made when there is evidence of change in the use of the asset.

This amendment will have no impact on IP's financial statements.

**IFRIC 22 – Transactions in foreign currency including advances for the purchase of assets.** It was issued in December 2016 and adopted by Commission Regulation (EU) 2018/519 of 28 March for application no later than the date of commencement of its first financial year beginning on or after 1 January 2018. The interpretation has defined, since there were advances in foreign currency for the purpose of acquiring assets, expenses or obtaining income, the transaction date for the purpose of determining the exchange rate to be used in the recognition of the asset, expense or income is the date on which the entity initially recognises the asset or non-monetary liability resulting from the transaction.

There are no impacts arising from the adoption of this interpretation.

#### NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BY THE IASB AND IFRIC BUT NOT YET ADOPTED BY THE EUROPEAN UNION:

**IFRS 16 – Leases (new).** This standard was issued in January 2016 and adopted by Commission Regulation (EU) 2017/1986 of 31 October, with application no later than the date of commencement of the first financial year beginning on or after 1 of January 2019. The standard introduces the principles for recognition and measurement of leases, replacing IAS 17 – Leases. It defines a single model for accounting for lease contracts that results in the lessee's recognition of assets and liabilities for all lease contracts, except if they are valid for less than 12 months or relate to low value assets. Depreciation and interest related to such assets are disclosed in the income statement separately. The lessors will continue to classify leasing as operational or financial.

Existing contracts are being renegotiated with the rental companies, and it is not yet possible to measure the real size of the expected impacts of this standard.

**IFRS 9 – Financial Instruments: Prepayment elements with negative compensation (amendments).** These amendments were issued in October 2017 and adopted by Commission Regulation (EU) 2018/498 of 22 March, with application no later than the date of commencement of the first financial year beginning on or after 1 January 2019. The amendments made allow financial assets with contractual conditions that provide for early amortisation of considerable amounts, to be measured at amortised cost or at fair value through reserves, in accordance with the defined requirements and depending on the business model.

It is not expected that the future adoption of this change will impact IP.

**IAS 28 – Investments in associates and jointly controlled entities: Long-term interests in Investments in associates and jointly controlled entities (amendments).** These amendments were issued in October 2017 and adopted by Commission Regulation (EU) 2019/237 of 8 February, with application no later than the date of commencement of the first financial year beginning on or after 1 January 2019. They clarify that IFRS 9 should be applied to investments in associates or joint ventu-

res when the method of application of equity equivalence is not applied for the measurement of such investments.

This rule has no impact on the IP, because at the moment there are no holdings in associates. As far as jointly controlled entities are concerned, they are immaterial and have no expression in IP's accounts.

**IFRIC 23 - Uncertainties regarding the treatment of income taxes (new).** It was issued in June 2017 and adopted by Commission Regulation (EU) 2018/1595 of 23 October, with application no later than the date of commencement of the first financial year beginning on or after 1 January 2019. The interpretation includes guidelines on the determination of taxable profit, tax bases, tax losses to be reported, tax credits to be used and tax rates in scenarios of uncertainty.

The IP group has some contentious situations with the Tax Authority, namely the litigation on VAT (note 13), which generate relevant temporary differences and that must be re-analysed in relation to this IFRIC.

#### NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BY THE IASB AND IFRIC BUT NOT YET ADOPTED BY THE EUROPEAN UNION

**Improvements to international financial reporting standards (2015-2017 cycle):** These improvements involve the clarification of aspects related to the following IAS/IFRS: IFRS 3 – Business Combinations: requires remeasurement of interests previously held when an entity obtains control over an investee over which there was joint control; IFRS 11 – Joint Arrangements: clarifies that there should be no remeasurement of interests previously held when an entity obtains joint control over a joint venture; IAS 12 – Income Tax: clarifies that all tax consequences of dividends should be recorded in profit or loss; IAS 23 – Borrowing costs: clarifies that the part of the loan directly related to the acquisition or construction of an asset, owed after the corresponding asset has become ready for the intended use, is, for the purpose of determining the capitalisation rate, considered an integral part of the entity's general financing. These amendments were issued in December 2017 with an effective application date for periods beginning on or after 1 January 2019.

No significant impacts from the future adoption of these improvements are envisaged.

**IFRS 17 - Insurance Contracts (new).** This standard was issued in May 2017 with mandatory application for periods beginning on or after 1 January 2021. It establishes, within its scope, the principles for recognition, measurement, presentation and disclosure and it aims to replace IFRS 4 – Insurance contracts.

The future adoption of this standard has no impact on the company.

**IFRS 14 Regulatory Deferral Accounts (Tariff deviations).** The IASB issued in January 2014 a standard laying down provisional measures for first-time adopters of IFRS and who have regulated tariffs. The European Commission decided not to proceed with the approval process, awaiting the definitive standard.

**Amendments to references to the Framework in the IFRS:** Corresponds to amendments in several standards (IFRS 2; IFRS 3; IFRS 6; IFRS 14; IAS 1; IAS 8; IAS 34; IAS 37; IAS 38; IFRIC 12; IFRIC 19; IFRIC 20; IFRIC 22 and SIC 32), with reference to the Framework revised in March 2018. This revision includes the updated definitions of assets and liabilities and new guidelines on measurement, derecognition, presentation and disclosure thereof.

These amendments were issued in March 2018 with effective application for periods beginning on or after 1 January 2020.


The eventual impacts of these changes have yet to be analysed.

**IFRS 3 - Business Combinations (amendment):** This amendment concerns the definition of business, aiming to clarify the identification of business acquisition or acquisition of a group of assets. The revised definition also clarifies the output definition of a business as supply of goods or services to customers.

These amendments were issued in October 2018 with effective application for periods beginning on or after 1 January 2020.

No significant impacts are expected from the future adoption of these changes.

**IAS 1 and IAS 8 (amendment) – Definition of material:** Amendments to IAS 1 – Presentation of financial statements and IAS 8 – Accounting policies, changes in accounting estimates and errors are intended to clarify the definition of material in the context of applying IFRS. The information is material if its omission, distortion or concealment



can be reasonably expected to influence the decisions of the primary users of the financial statements, based on those same financial statements.

These amendments were issued by the IASB in October 2018 with effective application for periods beginning on or after 1 January 2020.

These amendments are not expected to have a significant impact on IP's financial statements.

**IAS 19 (amendment): Amendment, Curtailment or Settlement of plan:** If an amendment, curtailment or settlement of the plan occurs, it becomes mandatory that the current service cost and net interest for the period after the remeasurement are determined based on the assumptions used for remeasurement. Also included are modifications to clarify the effect of an amendment, curtailment or settlement of the plan on the requirements regarding the maximum limit of the asset.

These amendments were issued in February 2018 with effective application for periods beginning on or after 1 January 2019. No significant impacts are expected from the future adoption of these changes.

## 34. GUARANTEES AND SURETIES

The liabilities for bank guarantees contracted on 31 December 2018 totalled EUR 394.663 million (2017: EUR 273.963 million). Of this amount, EUR 392.3359 million relates to guarantees provided in favour of the Tax Authority arising from the VAT procedure (note 13) and EUR 2.327 million are guarantees given to courts as part of litigation proceedings.



## 35. CONTINGENCIES

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities for a period of four years (five years for Social Security) except when there has been tax losses, tax benefits have been granted or inspections, complaints or challenges are in progress, in which case, depending on the circumstances, the time limits are extended or suspended. The Executive Board of Directors, supported by the information from its tax advisers, considers that any tax contingencies should not have a significant effect on the financial statements on 31 December 2018, taking into account the provisions set up and expectations that existed on that date, including the situation of the appeal in the VAT case.

### PENDING LAWSUITS

As at 31 December 2018, the pending lawsuits relating to railway expropriations totalled EUR 3.897 million (2017: EUR 2.833 million). This amount is not reflected in the Statement of Financial Position. In these cases, deposits are made in the name of the court where the proceedings are being heard. The deposits are equivalent to the value of the case and are in the custody of the Caixa Geral de Depósitos bank. Their resolution does not result in an expense for the Company, rather for the Grantor of the railway infrastructures.

There are also other lawsuits related to accidents in the railway infrastructure that the Company is responsible for, and also damage caused to neighbouring property and imputable to the Company. These lawsuits are covered by the business insurance of IP.

The contingencies that may arise from the cases in the Labour Court have been provisioned, as stated in note 16.

### GRANTS

The grants assigned to the concession were granted in accordance with the eligibility conditions applicable to the respective applications. They are, however, subject to audits and possible correction by the competent authorities. In the case of applications for Community grants, these corrections may occur over a period of five years from payment of the balance. In the case of grants assigned to the railway investment business on behalf of the grantor, the refund only has an impact on the State Grantor – Accounts receivable item.



## 36. COMMITMENTS

IP's commitments are primarily the responsibility of its obligation to meet the commitments made in the Road Sub-concession Contracts and the substitution of the State in its payments and receipts of the concessioned road network.

IP's net costs with the State Road Concessions and Sub-concessions including the toll revenues after the end of the State Concession Contracts with its private partners, which are IP's revenues in accordance with the Concession Contract, at constant prices and including VAT (these figures were sent to the Directorate-General for the Treasury and Finance and were used as a basis for the corresponding table in the Report on the State Budget for 2019) are summarised in the table below:

2018									
EXPENSES OF CONCESSIONS AND SUB-CONCESSIONS (EUR MILLION)	2019	2020	2021	2022	2023	2024	2025	2026	2027
Gross Expenses	1,518	1,444	1,435	1,446	1,275	1,223	1,089	963	872
Revenue	-338	-347	-354	-391	-423	-430	-437	-470	-460
<b>Net Expenses</b>	<b>1,180</b>	<b>1,097</b>	<b>1,081</b>	<b>1,055</b>	<b>852</b>	<b>794</b>	<b>653</b>	<b>493</b>	<b>412</b>

EXPENSES OF CONCESSIONS AND SUB-CONCESSIONS (EUR MILLION)	2028	2029	2030	2031	2032	2033	2034	2035	2036
Gross Expenses	804	714	623	537	365	293	281	220	178
Revenue	-468	-475	-341	-221	-156	-132	-136	-140	-88
<b>Net Expenses</b>	<b>336</b>	<b>239</b>	<b>281</b>	<b>316</b>	<b>209</b>	<b>161</b>	<b>145</b>	<b>80</b>	<b>90</b>

EXPENSES OF CONCESSIONS AND SUB-CONCESSIONS (EUR MILLION)	2037	2038	2039	2040	2041	2042
Gross Expenses	162	168	43	10	-	-
Revenue	-74	-75	-29	-6	-	-
<b>Net Expenses</b>	<b>88</b>	<b>93</b>	<b>14</b>	<b>4</b>	<b>0</b>	<b>0</b>

## 37. INFORMATION REQUIRED BY LAW

a) Under article 21(1) of Decree-Law 411/91 of 17 October, the company confirms that it does not have any payments in arrears to the Social Security. It also informs that it does not have any debts with the Tax Administration.

b) Impact of the Activity of IP on National Accounts and Public Accounts (Base 12, paragraph 3 (c) of Decree-Law 110/2009 of 18 May).

i) National Accounts:

After consultation with the National Statistical Institute (INE), all of IP's accounting items are considered to have a direct impact on the national accounts. The flows that IP establishes with units outside the perimeter of general government will have a direct effect on the general government aggregates (deficit and/or debt), and the effect and magnitude of this impact will depend on the operations in question. Thus, when IP receives interest from financial applications outside the general government perimeter, it positively contributes to the balance of general government. When IP pays for services provided by companies outside the general government perimeter it is increasing public spending and, consequently, the deficit. If IP contracts financing from the financial sector or the rest of the world, it is increasing public debt.

Due to the nature of the national accounts system, the estimate of the impact of a single unit should only be taken as indicative. In so far as this is an integrated system, in order to demonstrate the underlying economic relations in a more explicit way, the national accounts methodology establishes that the operations of a unit or set of units are sometimes subject to transformations and the analytical effect of which only makes sense within the broader scope of the accounts.

ii) Public Accounts:

Financial reporting on a public accounts basis uses the so-called cash basis where financial flows - payments and receipts - are registered.

IP is included in the Reclassified public entities and is deemed equivalent to the Autonomous services and funds, therefore it is integrated into the State budget.

c) Forward-looking financial information - commitments assumed and multi-annual forward-looking information for the concession period concerning the concessionaire's activity, namely in terms of results, funding needs, dividends payable to the shareholder and income tax (Base 12, paragraph 4(b) of Decree-Law 110/2009 of 18 May).

### FORWARD-LOOKING INFORMATION

Table I refers to Provisional information derived from the financial flows of IP at 31 December 2018 taking into consideration the commitments already made by the Company. Note that compliance with the PRN 2000 requires making investments during the period of IP's Concession Contract, the financial inflows and outflows of which are not taken into account in the following table. The figures already include the estimate of the impacts of the ongoing renegotiation of the Sub-concession contracts. Annual net income, annual borrowing needs, dividends payable and income tax (IRC) were all forecast.

**VALUES AT CURRENT PRICES** Values at current prices EUR thousand

	2019	2020	2021	...	2025	...	2035	...
Net Profit or Loss	157,181	108,369	17,449	...	102,974	...	816,403	...
Annual Borrowing Needs	1,127,399	1,254,418	1,458,722	...	628,763	...	-	...
Dividends payable <sup>(a)</sup>	-	-	-	...	-	...	-	...
Income tax (IRC) <sup>(b)</sup>	(52,058)	(49,535)	(51,324)	...	(68,398)	...	(317,150)	...
Financial flows with the State <sup>(c)</sup>	646,030	663,212	675,679	...	718,533	...	404,199	...

**VALUES AT CURRENT PRICES** Values at current prices EUR thousand

	2045	...	2055	...	2065	...	2075	...	2082
Net Profit or Loss	2,060,677	...	2,875,855	...	3,848,182	...	5,077,549	...	6,115,916
Annual Borrowing Needs	-	...	-	...	-	...	-	...	-
Dividends payable <sup>(a)</sup>	1,983,798	...	2,790,700	...	3,734,688	...	4,934,529	...	5,964,050
Income tax (IRC) <sup>(b)</sup>	(794,928)	...	(1,107,131)	...	(1,479,597)	...	(1,950,363)	...	(2,347,912)
Financial flows with the State <sup>(c)</sup>	(2,005,736)	...	(3,127,658)	...	(4,510,443)	...	(6,260,966)	...	(7,753,634)

<sup>(a)</sup> For these activities exclusively and with no equity restriction exercise, it is assumed that the cash flow available, from repayment of the debt, can be shared out since the dividend may not exceed the net profit for the year.

<sup>(b)</sup> In a cash flow perspective.

<sup>(c)</sup> From IP's perspective. Includes outflows: Corporate income tax, Revenue from the Road Concession and dividends and inflows: Reduction in ISP fuel tax (by creation of RSC), based on a cash flow perspective.

**VALUES AT CURRENT PRICES** Values at current prices EUR thousand

	2019	2020	2021	...	2025	...	2035	...
Net Profit or Loss	157,181	106,768	16,854	...	91,888	...	597,635	...
Annual Borrowing Needs	1,127,399	1,235,880	1,408,985	...	561,074	...	-	...
Dividends payable <sup>(a)</sup>	-	-	-	...	-	...	-	...
Income tax (IRC) <sup>(b)</sup>	(52,058)	(48,803)	(49,574)	...	(61,034)	...	(232,165)	...
Financial flows with the State <sup>(c)</sup>	646,030	653,411	652,640	...	641,180	...	295,887	...

**VALUES AT CURRENT PRICES** Values at current prices EUR thousand

	2045	...	2055	...	2065	...	2075	...	2082
Net Profit or Loss	1,237,484	...	1,416,756	...	1,555,184	...	1,683,366	...	1,765,163
Annual Borrowing Needs	-	...	-	...	-	...	-	...	-
Dividends payable <sup>(a)</sup>	1,191,316	...	1,374,805	...	1,509,317	...	1,635,951	...	1,721,332
Income tax (IRC) <sup>(b)</sup>	(477,373)	...	(545,415)	...	(597,957)	...	(646,606)	...	(677,649)
Financial flows with the State <sup>(c)</sup>	(1,204,491)	...	(1,540,803)	...	(1,822,827)	...	(2,075,706)	...	(2,237,838)

<sup>(a)</sup> For these activities exclusively and with no equity restriction exercise, it is assumed that the cash flow available, from repayment of the debt, can be shared out since the dividend may not exceed the net profit for the year.

<sup>(b)</sup> In a cash flow perspective.

<sup>(c)</sup> From IP's perspective. Includes outflows: Corporate income tax, Revenue from the Road Concession and dividends and inflows: Reduction in ISP fuel tax (by creation of RSC), based on a cash flow perspective.

## 38. OTHER RELEVANT EVENTS

### COMPENSATION, RIGHTS RESERVES, REQUESTS FOR REINSTATEMENT OF FINANCIAL EQUILIBRIUM (REF) AND APPEALS OF FINES IN SUB-CONCESSIONS AND SERVICE CONTRACTS.

Under the terms of the Sub-concession Contracts still prior to submission of any specific application for the reinstatement of financial equilibrium (REF), IP's counterparty has to formulate that which is

called the "rights reserve", i.e. it has to inform IP that it considers a particular fact to be eligible for the purposes of REF. After this reserve, REF application requests are or can be submitted. It should also be noted that if the rights reserve is not formulated within 30 days of the occurrence of the event, any putative right to REF expires.

The following REF requests were submitted up to 31 December 2018:

SUB-CONCESSIONS	TYPE OF REQUEST MADE	REQUEST GENERATING FACT	STATUS
Transmontana Motorway (AEXXI)	Interest on late payment of remuneration	Interest on arrears due to late payment of remuneration	IP Executive Board of Directors suspended payments, at least until Court of Auditors decision on AL's CSA appeal; payments were resumed but only partially.
Baixo Alentejo	Interest on late payment of remuneration	Interest on arrears due to late payment of remuneration	IP Executive Board of Directors suspended payments, at least until Court of Auditors decision on AL's CSA appeal; payments were resumed but only partially.
Baixo Tejo (AEBT)	Reinstatement of financial equilibrium	Specific legislative amendments: Decree-Law 112/2009 of 18/5; Ordinance 314-B/2010 of 14/6; Decree-Law 111/2009 of 18/05 and Ordinance 1033-C/2010 of 06/10	Arbitration. Suspended by agreement between the Sub-concessionaire and the Renegotiation Commission. The Arbitral Tribunal granted the suspension until 30 September 2018; process resumed.
Baixo Tejo (AEBT)	Reinstatement of financial equilibrium	Impossibility of construction of the ER377, including Avenida do Mar	IP requested that SEI set up a negotiation commission (see article 21 of Decree-Law 111/2012 of May 23)
Litoral Oeste (AELO)	Reinstatement of financial equilibrium	Specific legislative changes: Decree-Law 112/2009 of 18/5; Ordinance 314-B/2010 of 14/6; Decree-Law 111/2009 of 18/5 and Ordinance 1033-C/2010 of 06/10	Arbitration. Suspended by agreement between the Sub-concessionaire and the Renegotiation Commission. The Arbitral Tribunal granted the suspension until 31 December 2018; process resumed
Pinhal Interior (Ascendi PI)	Reinstatement of financial equilibrium	Construction of the Peral, Alvaiázere and Almalaguês junction	Agreement formalised with the conclusion of the Amendment Agreement/Amended Sub-concession Contract, which entered into force on 21 December 2017.
		Archaeological finds - Peral junction	
Pinhal Interior (Ascendi PI)	Interest on late payment of remuneration	Interest on arrears due to late payment of remuneration.	IP Executive Board of Directors suspended payments, at least until Court of Auditors decision on AL's CSA appeal; payments were resumed but only partially.
SERVICE CONTRACT	TYPE OF REQUEST MADE	REQUEST GENERATING FACT	STATUS
ViaLivre - Norte Litoral	Reinstatement of financial equilibrium	Specific legislative amendment - Amendment of Law 25/2006, became materially necessary when Law 64-B/2011 of 30 December was approved.	IP accepted the eligibility of the submitted expenses, which will or will not be approved on a case-by-case basis.

It should be noted that following the Court of Auditors' refusal to approve the renegotiation process for the Algarve Litoral subconcession in accordance with Judgment no. 29/2018, the ongoing negotiations, especially those concerning the Baixo Tejo and Litoral Oeste subconcessions, were suspended, although they were at a stage when agreement had already been reached on the reduction of future payments to be made by IP, and the renegotiated version of the Ascendi Douro Interior, Estradas do Douro Interior, S.A. subconcession contract was not signed.

The reason for the suspension of the negotiation process and the non-signature of the already renegotiated Douro Interior contract are the doubts raised by Judgment no. 29/2018, which was the subject of an appeal, decided by IP's Board of Directors on 28 June 2018 and submitted on 5 July 2018.

Indeed, it may be inferred from this judgment that, according to the Court of Auditors, the renegotiated contract established the inclusion in future payments to be made to sub-concessionaires of the so-called "contingent remuneration", which the Court had previously understood, following an audit in 2011, would not be due to the sub-concessionaires, which is why they were never accepted or paid by the company, even though they were included in the respective base case, which are annexed to the subconcession the contracts already renegotiated, namely the subconcession contracts for the Pinhal Interior, Autoestrada Transmontana, Baixo Alentejo subconcessions, or those in renegotiation.

Thus, as the Court of Auditors' decision on the appeal is not yet known, and if it is unfavourable to IP's claims, doubts remain as to the outcome of this proceeding which will most likely require further negotiation or possibly be submitted to arbitration proceedings that may be triggered by some of the sub-concessionaires.

#### COMPENSATION, RESERVES OF RIGHTS AND REQUESTS FOR REINSTATEMENT OF FINANCIAL EQUILIBRIUM (REF) IN STATE CONCESSIONS

These concessions are State concessions, negotiated by the State with the Concessionaires, and IP, not being a counterparty, is unaware of any reservation of law and/or request for rebalancing. As part of its Concession Contract with the State, the IP Group may possibly be called upon to pay these REF if the Grantor so decides.

In 2018, the IP Group recorded expenses of EUR 73.8 million in co-payments, compensation and rebalancing, the most important of which were:

- i) Payment of compensation to the AEDL – Auto-estradas do Douro Litoral concessionaire, in the amount of EUR 64.8 million, related to the decrease in revenue.
- ii) Payment of compensation to the Brisal – Auto-estradas do Litoral, S.A. concessionaire, amounting to EUR 8.5 million, resulting from the drop in traffic caused by the introduction of tolls on the Costa da Prata motorway.
- iii) Payment of the amount of EUR 1.7 million relative to the reimbursement of the TRIR (Road Infrastructure Regulation Charge) and SIEV, to various concessionaires.
- iv) Implementation of Financial Rebalancing Agreement IX with Lusoponte, resulting in a balance of EUR 0.64 million in favour of the Group.
- v) Receipt of EUR 0.5 million relating to the return of expropriation amounts from the Norte and Grande Porto concessions.

#### APPROVAL OF IP'S ACCOUNTS FOR THE 2017 PERIOD

On 19 March 2019, the separate and consolidated financial statements and the IP Executive Board of Directors' report for 2017 were approved by the shareholder.

## 39. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITY

The reconciliation of liabilities whose flows affect financing activities are indicated below:

	FINANCING	SHAREHOLDER LOANS	TOTAL
<b>Balance at 31 December 2017 (1)</b>	<b>3,362,946</b>	<b>4,926,872</b>	<b>8,289,818</b>
<b>Cash</b>			
Interest	-113,029	-	-113,029
Amortisations (2)	-95,332	-2,199,992	-2,295,323
Other financial expenses	-5,384	-	-5,384
<b>Non Cash</b>			
Effective rate (3)	1,030	-	1,030
Accrued interest (4)	-554	-99,815	-100,369
Other financial expenses (5)	-39	-	-39
Other variations (6)	6,825	-	6,825
<b>Balance at 31 December 2018 (1) + (2) + (3) + (4) + (5) + (6)</b>	<b>3,274,876</b>	<b>2,627,065</b>	<b>5,901,941</b>

	FINANCING	SHAREHOLDER LOANS	TOTAL
<b>Balance on 31 December 2016 (1)</b>	<b>3,477,643</b>	<b>4,866,371</b>	<b>8,344,014</b>
<b>Cash</b>			
Interest	-122,566	-	-122,566
Amortisations (2)	-101,528	-	-101,528
Other financial expenses	-9,556	-	-9,556
<b>Non Cash</b>			
Effective rate (3)	981	-	981
Accrued interest (4)	-13,913	60,500	46,587
Other variations (5)	-192	-	-192
Other financial charges (6)	-45	-	-45
<b>Balance on 31 December 2017 (1) + (2) + (3) + (4) + (5) + (6)</b>	<b>3,362,946</b>	<b>4,926,872</b>	<b>8,289,818</b>

## 40. SUBSEQUENT EVENTS

By Unanimous Corporate Decision in Writing, dated 15 February 2019, the share capital of IP was increased by EUR 945 million through the issue of 189,000 shares with a nominal value of EUR 5,000 each, subscribed and paid up or to be paid up by the shareholder, the Portuguese State.

**Almada, 26 April 2019**

### The Executive Board of Directors

**Chairman**, ANTÓNIO CARLOS LARANJO DA SILVA

**Vice-Chairman**, JOSÉ SATURNINO SUL SERRANO GORDO

**Vice-Chairman**, CARLOS ALBERTO JOÃO FERNANDES

**Member**, ALBERTO MANUEL DE ALMEIDA DIOGO

**Member**, VANDA CRISTINA LOUREIRO SOARES NOGUEIRA

**Member**, ALEXANDRA SOFIA VIEIRA NOGUEIRA BARBOSA

**Finance Director**

MARIA DO CARMO DUARTE FERREIRA

**Certified Accountant**

DIOGO MENDONÇA LOPES MONTEIRO





A high-speed train is shown in motion, with a complex network of overhead power lines and support structures visible above it. The train is white with a dark front section. The name 'Guimarães' is visible on the front of the train. The background is a light blue sky. The entire image has a teal overlay.

# **Part III Consolidated Financial Statements and Notes**

Guimarães

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# CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

(amount in thousand euros - EUR thousand)



# STATEMENT OF COMPLIANCE

Pursuant to and for the purposes of article 245 (1) (c) of the Portuguese Securities Code, each member of the Executive Board of Directors of Infraestruturas de Portugal, S.A., identified below, signed the following statement:

"I hereby declare, pursuant to and for the purposes set forth in article 245 (1)(c) of the Portuguese Securities Code, that, to the best of my knowledge, acting in the capacity and scope of the functions assigned to me and on the basis of the information provided through the Executive Board of Directors, the financial statements have been prepared in ac-

cordance with the applicable accounting standards. I further declare that they provide a true and fair view of the assets and liabilities, the cash flows, the financial situation and the profit/loss of Infraestruturas de Portugal, S.A., and that the management report for 2018 faithfully details the important events that occurred in that period and the impact on the respective financial statements, which also describes the main risks and uncertainties for the forthcoming financial year."

## The Executive Board of Directors

**Chairman**, ANTÓNIO CARLOS LARANJO DA SILVA

**Vice-Chairman**, JOSÉ SATURNINO SUL SERRANO GORDO

**Vice-Chairman**, CARLOS ALBERTO JOÃO FERNANDES

**Member**, ALBERTO MANUEL DE ALMEIDA DIOGO

**Member**, VANDA CRISTINA LOUREIRO SOARES NOGUEIRA

**Member**, ALEXANDRA SOFIA VIEIRA NOGUEIRA BARBOSA



# CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018 AND 31 DECEMBER 2017

	NOTES	31-12-2018	31-12-2017
<b>Assets</b>			
<b>Non-current</b>			
Goodwill	5	21,687	21,687
Tangible fixed assets	7	60,146	124,666
Intangible assets	8	20,329,465	20,071,928
Investment properties	9	3,430	3,843
Deferred tax assets	10	262,887	221,949
Financial investments		32	32
Deferrals	11	173	187
		<b>20,677,820</b>	<b>20,444,292</b>
<b>Current</b>			
Inventories	12	65,855	46,538
Trade receivables (Clients)	13.2	73,015	76,213
Grantor - State - Account receivable	14	3,767,157	5,625,542
Current tax assets	15	0	16
Government and other public bodies	15	1,286,984	1,424,813
Other accounts receivable	13.1	141,424	163,056
Deferrals	11	1,512	715
Non-current assets held for sale	16	40,539	3
Cash and cash equivalents	17	321,923	350,322
		<b>5,698,409</b>	<b>7,687,218</b>
<b>Total Assets</b>		<b>26,376,229</b>	<b>28,131,510</b>
To be read jointly with the notes to the consolidated financial Statements.			

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 AND 31 DECEMBER 2017 (cont.)

	NOTES	31-12-2018	31-12-2017
<b>Equity</b>			
<b>Capital and reserves attributable to equity holders</b>			
Paid-up capital	18	5,811,510	4,925,375
Reserves	18	33,730	1,909
Cumulative results		190,130	116,277
		<b>6,035,369</b>	<b>5,043,561</b>
Net profit or loss for period		85,707	105,993
<b>Total equity</b>		<b>6,121,076</b>	<b>5,149,554</b>
<b>Liabilities</b>			
<b>Non-current</b>			
Provisions	19	890,872	869,437
Borrowings	20.1	2,641,345	3,221,317
Shareholder funding/Shareholder loans	20.2	272,528	534,390
Other accounts payable	21.2	2,083,284	2,370,818
Deferrals	11	10,383,091	10,480,011
Deferred tax liabilities	10	24	25
		<b>16,271,143</b>	<b>17,475,997</b>
<b>Current</b>			
Trade payables (Suppliers)	21.1	15,851	19,249
Cash advances of trade receivables (clients)		8,027	8,049
Government and other public bodies	15	8,723	9,421
Current tax liability	15	19,878	47,797
Borrowings	20.1	633,531	141,629
Shareholder funding / Shareholder loans	20.2	2,354,537	4,392,482
Other accounts payable	21.2	932,835	874,699
Deferrals	11	10,628	12,633
		<b>3,984,010</b>	<b>5,505,959</b>
<b>Total Liabilities</b>		<b>20,255,153</b>	<b>22,981,957</b>
<b>Total Equity and Liabilities</b>		<b>26,376,229</b>	<b>28,131,510</b>
To be read jointly with the notes to the consolidated financial Statements.			



COMPREHENSIVE INCOME STATEMENT FROM 1 JANUARY 2018 TO 31 DECEMBER 2018 AND FROM 1 JANUARY 2017 TO 31 DECEMBER 2017

	NOTES	2018	2017
Sales and services	22	1,184,772	1,195,489
Compensatory Allowances	23	62,904	68,416
Cost of goods sold and materials consumed	24	- 272,533	- 273,704
Variation in production inventories		-117	117
External supplies and services:	25	- 275,399	- 258,777
Maintenance, repair and safety of road network	25	- 97,107	- 97,578
Maintenance, repair and safety of railway network	25	- 67,426	- 54,872
Other ESS	25	- 110,867	- 106,327
Personnel expenses	26	- 136,732	- 134,402
Impairment (losses / reversals)	27	703	1,107
Provisions (increases / reductions)	19	- 16,708	- 8,686
Other income and gains	28	85,180	85,770
Other costs and losses	29	- 12,686	- 11,734
<b>Earnings before depreciation, financing expenses and taxes</b>		<b>619,384</b>	<b>663,598</b>
Depreciation and amortisation expenses / reversals	7.8	- 279,440	- 278,294
<b>Operating profit (before financing and tax expenses)</b>		<b>339,944</b>	<b>385,304</b>
Interest and similar income	30	93,428	94,728
Interest and similar costs	30	- 319,009	- 352,805
<b>Profit before tax</b>		<b>114,364</b>	<b>127,227</b>
Income tax for the period	31	- 28,656	- 21,234
<b>Consolidated net profit or loss of financial year</b>		<b>85,707</b>	<b>105,993</b>
To be read jointly with the notes to the consolidated financial Statements.			

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT FROM 1 JANUARY 2018 TO 31 DECEMBER 2018 AND FROM 1 JANUARY 2017 TO 31 DECEMBER 2017

	2018	2017
<b>Consolidated net profit or loss of financial year</b>	<b>85,707</b>	<b>105,993</b>
<b>Other comprehensive income in financial year</b>		
Items not reclassifiable to profit or loss		
Restated IFRS 9 - Trade receivables (Net of tax impact)	-324	-
<b>Total Consolidated Comprehensive Income for the year</b>	<b>85,383</b>	<b>105,993</b>
To be read jointly with the notes to the Consolidated Financial Statements.		

CONSOLIDATED STATEMENT OF CHANGES TO SHAREHOLDERS EQUITY FROM 1 JANUARY 2018 TO 31 DECEMBER 2018 AND FROM 1 JANUARY 2017 TO 31 DECEMBER 2017

	SHARE CAPITAL	RESERVES	CUMULATIVE RESULTS	PROFIT FOR THE YEAR	TOTAL
<b>Balance at 31-12-2017</b>	<b>4,925,375</b>	<b>1,909</b>	<b>116,277</b>	<b>105,993</b>	<b>5,149,554</b>
<b>Balance on 1-1-2018</b>	<b>4,925,375</b>	<b>1,909</b>	<b>116,277</b>	<b>105,993</b>	<b>5,149,554</b>
Restated IFRS 9			-324		-324
<b>Balance on 1-1-2018 (Revised)</b>	<b>4,925,375</b>	<b>1,909</b>	<b>115,953</b>	<b>105,993</b>	<b>5,149,230</b>
Appropriation of net profit for 2017		31,816	74,177	-105,993	0
Share capital increases	886,135				886,135
Donations		4			4
2018 Comprehensive income				85,707	85,707
<b>Balance at 31-12-2018</b>	<b>5,811,510</b>	<b>33,730</b>	<b>190,130</b>	<b>85,707</b>	<b>6,121,076</b>
To be read jointly with the notes to the consolidated financial Statements.					

	SHARE CAPITAL	RESERVES	CUMULATIVE RESULTS	PROFIT FOR THE YEAR	TOTAL
<b>Balance at 31-12-2016</b>	<b>4,045,375</b>	<b>531</b>	<b>80,010</b>	<b>37,645</b>	<b>4,163,561</b>
Appropriation of net profit for 2016		1,378	36,267	-37,645	0
Share capital increases	880,000				880,000
2017 Comprehensive income				105,993	105,993
<b>Balance at 31-12-2017</b>	<b>4,925,375</b>	<b>1,909</b>	<b>116,277</b>	<b>105,993</b>	<b>5,149,554</b>
To be read jointly with the notes to the consolidated financial Statements.					

CONSOLIDATED CASH FLOW STATEMENT FROM 1 JANUARY TO 31 DECEMBER 2018  
AND FROM 1 JANUARY TO 31 DECEMBER 2017

	NOTES	2018	2017
<b>Operating Activities</b>			
Cash receipts from clients		1,214,226	1,208,658
Cash paid to suppliers		-825,791	-844,634
Cash paid to personnel		-134,046	-128,107
<b>Flow generated by operations</b>		<b>254,389</b>	<b>235,917</b>
Income tax (paid)/received		-96,114	-90,444
Other receipts/(payments) relating to operating activity		49,441	89,276
<b>Net cash from operating activities (1)</b>		<b>207,716</b>	<b>234,749</b>
<b>Investing Activities</b>			
<b>Cash receipts relating to:</b>			
Investment grants		75,990	50,992
Tangible assets		3,197	3,060
		<b>79,187</b>	<b>54,052</b>
<b>Cash payments relating to:</b>			
Investment grants		-82	-460
Tangible assets		-85,036	-55,922
Intangible assets		-897,636	-827,744
		<b>-982,754</b>	<b>-884,126</b>
<b>Net cash from investing activities (2)</b>		<b>-903,567</b>	<b>-830,074</b>
<b>Financing Activities</b>			
<b>Cash receipts relating to:</b>			
Share capital contribution	18	886,135	880,000
Interest		0	1
		<b>886,135</b>	<b>880,001</b>
<b>Cash payments relating to:</b>			
Borrowings		-95,332	-113,027
Interest and similar costs		-130,176	-132,168
		<b>-225,508</b>	<b>-245,195</b>
<b>Net cash from financing activities (3)</b>		<b>660,627</b>	<b>634,806</b>
<b>Change in cash and cash equivalents (4)=(1)-(2)+(3)</b>		<b>-35,223</b>	<b>39,481</b>
Cash and cash equivalents at end of period	17	314,846	350,070
Cash and cash equivalents at start of period	17	350,070	310,588
<b>Change in cash and cash equivalents</b>		<b>-35,223</b>	<b>39,481</b>
To be read jointly with the notes to the consolidated financial Statements.			

Almada, 26 April 2019

## The Executive Board of Directors

**Chairman,** ANTÓNIO CARLOS LARANJO DA SILVA

**Vice-Chairman,** JOSÉ SATURNINO SUL SERRANO GORDO

**Vice-Chairman,** CARLOS ALBERTO JOÃO FERNANDES

**Member,** ALBERTO MANUEL DE ALMEIDA DIOGO

**Member,** VANDA CRISTINA LOUREIRO SOARES NOGUEIRA

**Member,** ALEXANDRA SOFIA VIEIRA NOGUEIRA BARBOSA

**Finance Director**

MARIA DO CARMO DUARTE FERREIRA

**Certified Accountant**

DIOGO MENDONÇA LOPES MONTEIRO

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR 2018



# 1. INTRODUCTORY NOTE

Infraestruturas de Portugal, S.A. is the state-owned company resulting from the merger of Rede Ferroviária Nacional – REFER, E.P.E. (REFER) and EP – Estradas de Portugal, S.A. (EP) through which REFER merged into EP and is transformed into a public limited company, being renamed Infraestruturas de Portugal, S.A. (hereinafter IP). The merger entered into force on 1 June 2015, as provided for in Decree-Law 91/2015 of 29 May.

The immediate consequence of the merger determines that the road and rail infrastructure are to be managed by a single company, in accordance with a joint, integrated and complementary strategy.

The Infraestruturas de Portugal Group, hereinafter referred to as IP or the Group, includes the following subsidiaries: IP Telecom – Serviços de Telecomunicações, S.A. (IP Telecom), which is a telecommunications operator and provider of specialised information technology systems and services; IP Património – Administração e Gestão Imobiliária, S.A. (IP Património), which manages and improves the real property and public road and rail property of the Group; IP Engenharia, S.A. (IP Engenharia), whose activity is the provision of engineering and transportation services.

Additionally, the IP Group holds stakes in two joint undertakings, AVEP – Alta Velocidade de Espanha e Portugal A.E.I.E., in partnership with ADIF – Administrador de Infraestruturas Ferroviárias (Spanish company), to study the Madrid-Lisbon-Porto and Porto-Vigo railway links and CORREDOR FERROVIÁRIO DE MERCADORIAS N.º4 (A.E.I.E, CFM4), in partnership with ADIF – Administrador de Infraestruturas Ferroviárias and RFF – Réseau Ferré de France (French entity) and DB Netz AG (German entity); the object of this joint venture is to promote measures, among its members, to improve freight transport competitiveness in the railway corridor. The corridor consists of existing and planned sections of railway infrastructure including: Sines-Setúbal-Lisbon-Aveiro-Leixões / Algeciras – Madrid – Bilbao – Zaragoza / Bordeaux-La Rochelle-Nantes-Paris – Le Havre – Metz-Strasbourg and Mannheim, crossing the borders at Vilar Formoso/Fuentes de Oñoro, Elvas/Badajoz, Irun/Hendaye and Forbach/Saarbrücken.

## 1.1 Company Activity

According to Decree-Law 91/2015, the main business activity is “the design, construction, financing, maintenance, operation, restoration, widening and modernisation of national road and rail networks, including the command and control of traffic movements.”

In order to carry out its activity, IP takes the position of infrastructure manager under the terms of the overall concession contract for the national road network and the national rail network programme, both concluded with the Portuguese State.

In the development of its business and in order to ensure a high level of efficiency and effectiveness, IP employs additional services in business areas that are not included in its core business but are carried out by its subsidiaries.

## 1.2 Activities Of The Ip Group Companies

The activities of the IP Group companies are detailed below.

### 1.2.1 Telecommunication operations activity

IP Telecom, with registered office in Lisbon, was set up on 9 November 2000. Its business activity is the establishment, management and operation of telecommunications infrastructures and systems, as well as the performance of any complementary, alternative or ancillary activities, directly or by establishing or taking on shareholdings in other companies.

The operation of the telecommunications infrastructure, pursuant to the “Contract for the Operation of the Telecommunications Infrastructure”, entered into on 28 February 2001, and subject to subsequent addenda and amendments was revised on 29 February 2016.

The current “Sub-concession Contract for the Operation and Management of the Telecommunica-

tions Infrastructure and Information Technology of Infraestruturas de Portugal, S.A.” maintains, reviewing its terms, the current sub-concession for the operation of the telecommunications infrastructure, and it sub-concessions the operation of Roads’ technical channel already built or to be built, under the administration and management of IP.

The activity of IP Telecom is to ensure the supply and provision of information and communications systems and technology, based on innovative solutions with a focus on cloud and security technology and the main national telecommunications infrastructure, based on optical fibre and the road technical channel, for the business market and public entities.

### 1.2.2 Integrated management and improvement of the Group's and public railway property (commercial spaces)

The mission of IP Património encompasses the acquisition, expropriation, register updating and disposal of real estate assets or creation of liens thereon, the profitable use of the assets allocated to the concession or the autonomous estate of the IP Group, and also the management and exploration of stations and associated assets, including their operational management.

On 27 June 2018, IP Património began to integrate the management, maintenance, upkeep and cleaning of the Intermodal Transport Complex, designated Oriente Station, providing maintenance, cleaning and surveillance services to IP and Metroropolitano de Lisboa, in the respective components, leasing commercial units, operation of the car park, supply of goods and services to the tenants of the commercial units and leasing of spaces and provision of services for the organisation of events.

### 1.2.3 Provision of engineering and transport services

A IP Engenharia presta serviços de engenharia de IP Engenharia provides transport engineering services to support the activity of IP and in road and/

or rail multidisciplinary projects, providing mobility solutions with a high level of integration at both national and international levels. It carries out mapping and topography activities, and provides integrated management services of undertakings and supervision, as well as in the quality, environment and safety management field.

## 1.3 Other Equity Holdings

### 1.3.1 Improvement of the Atlantic Corridor – CFM 4

In November 2013, the infrastructure managers of Portugal (REFER), Spain (Administrador de Infraestructuras Ferroviárias - ADIF) and France (Réseau Ferré de France – RFF, currently SNCF Réseau) set up CFM4, with the goal of developing an internal rail market, in particular with regard to the transport of goods, through the creation of dedicated corridors.

The CFM4 then covered the existing and planned railway lines on the routes of Sines/Setúbal/Lisbon/Aveiro/Leixões – Algeciras/Madrid/Bilbao – Bordeaux/Paris/Le Havre/Metz/Strasbourg – Mannheim, crossing the borders at Vilar Formoso/Fuentes de Oñoro, Elvas/Badajoz and Irún/Hendaya and Forbach/Saarbrücken.

On 1 January 2016, with the extension of the rail freight corridor to Mannheim, crossing the France/Germany border at Forbach/Saarbrücken, Germany joined Portugal, Spain and France as a partner of AEIE – the Atlantic Corridor. The new Atlantic-corridor configuration also encompasses another link to the river port of Strasbourg.

The role of CFM4 is, firstly, the management and revenue generation from existing infrastructure, without additional investments, through the centralised management of capacity allocation and customer relations.

Subsequently, through CFM4, these neighbouring countries will be able to articulate investment in railway infrastructures, overcoming operational, technical and interoperability barriers to improve the competitiveness of rail freight transport.

### 1.3.2 High-Speed Spain – Portugal Link - AVEP

In January 2001, a partnership was set up by Portugal and Spain to carry out preliminary studies of the Porto-Vigo and Madrid-Lisbon-Porto corridors in the form of an Economic Grouping of Economic Interests (AEIE).

The mission of the referred AEIE is to:

- Executar um conjunto de estudos técnicos eco• Conduct a number of economic and financial technical studies, undertake surveys and other work needed to define and implement the Porto-Vigo and Madrid – Lisbon – Porto.
- Ensure coherence and coordination of the technical studies carried out for each of the corridors.
- On the basis of these technical studies, to carry out the economic, financial and legal studies required by government bodies, which are necessary to define the appropriate financing, cons-

truction and operating structures of both the corridors.

- Study the safety specifications and materials capable for use in the corridors.
- Proceed with the construction and operation of the corridors, if this mission is entrusted to it by the infrastructure managers of both members of the Grouping.
- Carry out any other mission entrusted to it by the actors of the Grouping or by the respective governments.



## 2. BASES OF PRESENTATION AND ACCOUNTING POLICIES

### 2.1 Bases of Presentation

The financial statements presented herein reflect the financial position, the results of the operations and the cash flows of the IP Group for the periods ending on 31 December 2018 and 2017, forming the separate financial statements of the Company.

Decree-Law 158/2009, in paragraph 1 of article 4, introduced in 2010 the requirement to present consolidated accounts in accordance with international accounting standards for companies with securities admitted to trading on a regulated market. Paragraph 1 of article 6 extends the consolidation obligation to any parent company subject to Portuguese law. In this way, IP has been obliged to submit consolidated accounts since the 2010 financial year.

These consolidated financial statements were approved by the Executive Board of Directors at a meeting held on 26 April 2019, which resolved to submit them for shareholder approval. It is the opinion of the Executive Board of Directors that these provide a true and appropriate reflection of the IP Group operations as well as its consolidated financial position, performance and cash flows.

All figures are expressed in thousands of euros (EUR thousand) unless otherwise stated. EUR million is also used to signify millions of euros, when necessary.

The IP Group's financial Statements were prepared on the basis of ongoing operations in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), issued and in force on 31 December 2018.

IFRS includes the accounting policies issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), and the respective bodies that preceded them.

In the financial statements presented, we preferred to measure by historical cost.

The preparation of financial Statements in accordance with IFRS requires the Group to exercise

judgments, estimates and assumptions that affect the application of accounting policies and the amounts of income, expenses, assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors considered applicable and they form the basis for judgements about the values of assets and liabilities that could not possibly be valued from other sources. Issues requiring a higher degree of judgment or complexity, or for which the assumptions and estimates are considered significant, are presented in note 2.4. (Main estimates used in the financial statements).

### 2.2 Consolidation Basis and Accounting Policies

The consolidated financial Statements include, with reference to 31 December 2018 and 31 December 2017, the assets, liabilities, results and cash flows of the Group companies, which are presented in note 4.

The main accounting policies used in preparing these financial Statements are described in the following paragraphs. These policies have been consistently applied by all IP Group companies in relation to 2017, except for standards and interpretations which came into force in the years beginning on or after 1 January 2018. The application of the IFRS 15 had no impact on these financial statements.

With respect to IFRS 9, the Group adopted it as approved by the IASB in July 2014, with the date of mandatory adoption of 1 January 2018.

The accounting standards and interpretations recently issued but which have not yet entered into force and that the Group has not yet applied in preparing its consolidated financial Statements can be analysed in note 34.

#### **a) Consolidation methods adopted by the Group**

The consolidation methods adopted by the Group are presented below.

## EQUITY INTERESTS IN SUBSIDIARIES

As participações financeiras em empresas nas Equity holdings in companies in which the Group directly or indirectly holds more than 50% of the voting rights at the General Meeting and/or has the power to control its financial and operational policies (definition of control adopted by the Group), were included in these consolidated financial Statements by the full consolidation method. The companies consolidated by the full consolidation method are detailed in note 4.

Equity and net profit corresponding to the participation of third parties in subsidiaries are disclosed separately in the consolidated financial position and in the consolidated income Statement, in the respective non-controlling interests' item. Gains and losses attributable to non-controlling interests, if any, are charged to such interests accordingly. The assets and liabilities of each Group company are measured at fair value at the acquisition date as set out in IFRS 3 and may be reviewed for a period of 12 months after that date. Any excess of the acquisition cost over the fair value of the net assets and liabilities acquired is recognised as goodwill (note 5). If the difference between the acquisition cost and the fair value of the net assets and liabilities is negative, the difference is recognised as a gain for the period.

When the Group already has a shareholding on the date it acquires control, the fair value of that shareholding contributes to ascertaining the goodwill or negative goodwill.

Transaction costs directly attributable to business combinations are recognised in the income Statement.

Non-controlling interests include the proportion of third parties in the fair value of the assets and liabilities identifiable at the date of acquisition of the subsidiaries.

The profit or loss of subsidiaries acquired or sold during the financial year are included in the consolidated income Statement from the date of their acquisition or date of exercising control until the date of disposal.

Subsequent transactions of sale or purchase of the holdings of non-controlling interests, which do not imply a change in control, do not result in the recognition of gains, losses or goodwill. Any difference between the transaction value and the book value of the traded shareholding is recognised in Equity.

Adjustments to the financial Statements of subsidiaries shall be made whenever necessary to adjust their accounting policies to those adopted by the Group.

Transactions (including possible gains and losses deriving from disposals between Group companies), the balances and dividends distributed between Group companies are eliminated in the consolidation process.

## EQUITY INTERESTS IN JOINT ARRANGEMENTS

A joint arrangement is, according to IFRS 11 – Joint Arrangements, an arrangement whereby two or more parties have joint control.

The joint arrangements have the following characteristics:

- The parties are bound by a contractual agreement; and
- The contractual agreement confers on two or more parties joint control of the arrangement.

According to that standard, a joint arrangement is a joint operation or joint venture.

A joint operation is a joint arrangement whereby the parties holding joint control of the arrangement have rights to the assets and obligations on the liabilities related to that arrangement. These parties are designated as joint operators.

A joint operator recognises, in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its income from the sale of its share of the output of the joint operation;

- its share of the income from the sale of the output of the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

A joint venture is a joint arrangement whereby the parties holding joint control of the arrangement have rights over the net assets of the arrangement. These parties are designated as joint venturers.

### GOODWILL

Differences between the cost of acquisition of financial holdings in subsidiaries, jointly controlled companies and associated companies, and the fair value of the identifiable assets and liabilities of those companies at the date of their acquisition (or for a period of 12 months thereafter), if positive, are recorded under Goodwill (if applicable to subsidiary companies).

Except in the case of an increase in shareholdings, where control already existed, in that case, said difference will be reflected directly in shareholders' equity, in the reserves item against the adjustment of uncontrolled interests, when applicable.

When recognised separately as an asset, any impairment loss on goodwill is recorded immediately in the Statement of financial position as a deduction to the asset's value and in the Statement of comprehensive income under other gains and losses, and is not subsequently reversed.

If the initial accounting of a business combination can be determined only provisionally at the end of the period in which the combination is carried out because the fair values to be attributed to the identifiable assets, liabilities and contingent liabilities of the acquired company or the cost of the combination can only be determined provisionally, the Group accounts for the combination using the available information.

The values determined provisionally will be adjusted when the fair values of assets, liabilities and contingent liabilities are determined, over a maximum period of twelve months after the acquisition date. Goodwill or any other recognised gain shall be adjusted from the date of acquisition by an amount equal to the adjustment at fair value on the date of acquisition of the identifiable assets,

liabilities and contingent liabilities to be recognised or adjusted and the comparative information presented for periods prior to completion of the initial accounting for the combination. This includes any depreciation, amortisation or other effect of profit or loss recognised as a result of completing the initial accounting.

When a controlled company, a joint venture or associated company is sold, the corresponding goodwill is included in the calculation of the capital gain or loss.

### **b) State grantor – account receivable – service concession arrangements – IFRIC 12.**

Following the spin-off of the railway activity in Portugal in 1997, IP (formerly REFER) was assigned the responsibility of building and renovating long-duration railway infrastructures. This activity is carried out according to the Government directives; its financing is guaranteed through the share capital, by State and European grants and loans. The majority of the loans are secured by the State, and IP plays the role of "agent".

Applying this understanding, the effects of this activity are recognised and measured in accordance with IFRIC 12 – Concession Arrangements.

Therefore, for the purposes of IFRIC 12, the Investment Activity in Long-Duration Infrastructure (LDI) is considered to constitute the existence of a concession between the State (Public Entity) and IP (equivalent to Private Entity despite the only shareholder being the State), with IP taking the role of "concessionaire" in this activity.

IFRIC 12 applies to public service concession contracts in which the grantor (State) controls (regulates):

- The services to be provided by the concession holder (through the use of infrastructure), to whom and at what price; and
- Any residual interests over the infrastructure at the end of the contract.

IFRIC 12 applies to infrastructure:

- Built or acquired by the operator from third parties; and
- Which already exist and to which the operator is given access.

In this way, and given the above described, it is IP's understanding that the existing railway concession is included within the scope of this IFRIC for the following reasons:

- IP is a profit-making entity and subject to the application of the Companies Code, despite its shareholder being the State, it is set up according to the regime established in the legislation applicable to the corporate public sector (Decree Law 133/2013 of 3 October) having equity and financial independence vis-à-vis its shareholder, thereby excluding the exclusion of application of IFRIC 12 in accordance with its §4;
- The decree-law that establishes that IP in substance can be considered a concession agreement, since the State in the capacity of grantor, controls and regulates the public services provided by IP, in the capacity of concessionaire, with the infrastructure forming part of or that may form part of the public national rail domain, also defining to whom the services are provided and at what price; and
- The State, through ownership, controls the infrastructure, as this belongs to the public domain of the State, leasing to IP the right to access the same in order to provide the public service by charging a tariff to passenger and freight transport operators.

This interpretation establishes the generic principles for the recognition and measurement of rights and obligations under the concession contracts with the above-mentioned characteristics and sets out the following models:

- Intangible asset model – When the operator receives from the grantor the right to charge a tariff based on the use of the Infrastructure;
- Financial asset model – When the operator has an unconditional contractual right to receive cash or another financial asset from the grantor, corresponding to specific or determinable amounts, the operator must recognise a financial asset (receivable). In this model, the grantor has few or no discretionary powers to avoid payment, due to the agreement being generally legally binding; and

- "Mixed" model – This model, provided for in §18 of IFRIC 12, applies when the concession includes commitments of guaranteed remuneration by the grantor and remuneration commitments dependent on the level of use of the concession infrastructures.

Face à tipologia dos modelos, foi considerado que Taking into accounting the types of existing models, the model which best translates IP's railway activity is the Financial Asset model, since according to the law in force, the State (public entity) will fully bear the costs of the investments in national railway infrastructures, whereas IP has an unconditional right to receive cash from the State for its investments in LDIs. This right is granted either by article 11 of the General Land Transportation Law for rail transport (IARC), by Decree-Law 141/2008 of 22 July, or by the 2011–2015 Strategic Transport Plan (PET) and finally, in 2014, by the Strategic Plan for Transport and Infrastructures (2014–2020 horizon) (PETI3+).

As regards the Financial Asset, resulting from the application of this standard, it is framed in accordance with the provisions of IAS 32, IFRS 7 and IFRS 9.

As there is no formal concession agreement for the Investment Activity in Long-Duration Infrastructures, IP makes the following assumptions to determine the value of the concession, based on the principle of substance over form and the existing legislation, namely:

- **The General Land Transportation Law Infrastructure Maintenance and Supervision** Law 10/90 – which establishes in number 3 of article 11 the compensation payable by the State for shouldering in full the infrastructure construction, maintenance and supervision costs, in accordance with rules to be approved by the Government.
- **In the Strategic Transport Plan (RCM 45/2011):**  
The investment necessary for the construction of transport infrastructure, as goods and assets in the public domain, is the responsibility of the State as set out in the General Land Transportation Law. Nevertheless, over the past decades, state-

-owned enterprises operating in the land transport and railway sectors have carried the burden of having to register in their financial statements - via the issuing of debt - the costs of this investment made on behalf of the State," and

"The historic debt of state-owned enterprises operating in the public railway transport and infrastructures sector, results in part from the development of investment projects which are the State's responsibility, (...)"

- **PETI3+** Strategic Plan for Transport and Infrastructure (2014-2020 horizon).

PETI3+ "...is a revision of PET 2011-2015, including a second phase of structural reforms to be made in this sector, as well as a set of investments in transport to be carried out until the end of this decade. It is estimated that 61% of priority railway projects can be financed through community funds and 39% through public funds. Where any assets are withdrawn from the public railway domain, the profit or loss will be allocated to this activity, as established in each withdrawal order."

Therefore, the costs borne with LDIs assume the form of "accounts receivable" (financial assets) charged to the "State grantor", being initially recognised at fair value.

Financial assets correspond to the investment in the assets under concession, which include public railway domain property, to which IP only has access to provide "Infrastructure Management" services, less the return on assets and any grants received plus the interest of loans contracted, debited to the concession and not settled by the Grantor. As there is no defined maturity, as a result of the absence of a formalised concession contract, the amounts receivable are assumed to become due on the debit date. Consequently, from that date, the interest on the outstanding amount is deemed to be payable to the concessionaire (IP). The form of calculating that interest is based on the same terms of financing obtained to directly fund this activity. Interest and other financial expenses incurred with borrowings for financing the concession are therefore debited.

## LONG-DURATION INFRASTRUCTURE (LDI)

Tangible fixed assets classified as long-duration infrastructures belong to the public railway domain, and IP only has access to them so as to provide the services associated with the Railway Infrastructure Management. Accordingly, they are recorded under the "Statement of Financial Position - Grantor - State - Account receivable" item, as they constitute an unconditional right to receive money from the State for the investments made. These assets, in addition to acquisitions and buildings after the spin-off of the CP assets, include the assets of the former divisions, freight terminals and property transferred from that company, which have the nature of "public domain goods".

### c) Tangible Fixed Assets

Tangible fixed assets are valued at cost less accumulated depreciation and any impairment losses. The acquisition cost includes the asset's purchase price, expenses directly chargeable to its acquisition and costs incurred with preparing the asset to start operations. Costs incurred with loans for the construction of tangible assets are recognised as part of the asset's construction cost.

Subsequent costs incurred with renovation and major repairs that increase the useful life or productive capacity of the assets are recognised at the cost of the asset or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated to it will flow to the entity and when the cost can be reliably measured. Consequently, the carrying amount of the replaced part is derecognised on the Consolidated Statement of Financial Position.

Costs of current repairs and maintenance are recognised as an expense in the period in which they are incurred.

The expenses to be incurred with the disassembling, dismantling or removal of assets, when such are significant, are considered part of the initial cost of their assets.

Land is not depreciated. Depreciation of the other assets is calculated using the straight-line method. The annual depreciation rates for the most significant tangible fixed assets are as follows:

	% AVERAGE
Buildings and Other Constructions	2
Basic Equipment	3.3
Transport Equipment	25
Tools	12.5
Administrative Equipment	12.5
Other Fixed Assets	12.5

The useful lives of assets are reviewed at the end of each financial year so that depreciation is in line with the assets' consumption patterns.

Gains or losses on the sale of assets are determined by the difference between the realisation value and the net book value of depreciation of the asset and they are recognised in profit or loss for the period.

### LEASING

The classification of leasing operations as financial or operational leasing depends on their substance, not their legal form. Operations in which the risks and benefits of ownership of the leased asset are substantially transferred to the lessee are classified as financial leasing.

Assets for which the use arises from lease contracts for which the risks and benefits inherent to ownership of the leased asset are not incurred, are classified as operating leases in accordance with IAS 17 - Leases and therefore not recorded under tangible fixed assets.

Rents are recorded as expenses in the respective periods during the lease term (note 25).

### d) Intangible Assets

Intangible assets are recognised and measured according to the transactions that gave rise to them, as described in the following paragraphs:

## INITIAL RECOGNITION

Intangible assets are recorded at acquisition cost, minus any accumulated depreciation and any impairment losses.

Through the application of IFRIC 12, the asset resulting from the Road Concession Right which has been assigned by the Road Concession Contract with the State is considered to be an intangible asset.

The Road Concession Right was recognised by virtue of a business combination at the time the merging company's corporate object was changed (EP).

The remaining intangible assets result from separate acquisition transactions and their cost reflects:

- The purchase price, including costs of intellectual rights and taxes on non-refundable purchases, after deduction of trade discounts and write-offs;
- Any cost directly attributable to the preparation of the asset for its intended use.

## SUBSEQUENT RECOGNITION

The company values its intangible assets, after initial recognition, by the Cost Model, as defined in IAS 38 - Intangible Assets.

The Road Concession Right is increased by the development of the management activity of the national road infrastructure network which includes, in particular, the construction, financing and operation of the National Road Network (which includes the concession network) and the Future National Road Network, which may happen by:

### (i) Provision of construction services

It is increased on completion of each significant component of the Future National Road Network, by its execution value. Construction can occur through direct construction of the company or by sub-concession.

Until the completion of each component, the proportion of the amount of the expected execution of the works is recognised as an intangible asset in progress, using the completed percentage method calculated based on the actual physical evolution of each works.

Expenditure incurred by the company for the launch of sub-concession calls for tenders is recognised as intangible assets until the nature of the expenditure made is billed to the sub-concessionaire.

### (ii) Acquisition of future rights on the concessioned network

It is increased by payments relative to the Concessions, accumulated up to the initial term of each concession, after which the company is entitled to the underlying economic benefits of the corresponding section.

Until the initial term, they are recorded in intangible assets in progress when spending occurs.

The Concession Contract presents the following definitions for the 3 key components of the Concession Undertaking:

“**Concessioned Network** — designates the routes that integrate the National Road Network and which are, on the date of signing the concession contract, subject to a state concession contract or those that the State included in a public call for tenders still pending on the same date, with a view to the respective concessioning;”

“**National Road Network** — designates the "Itinerários Principais" (trunk roads), "Itinerários Complementares" (secondary roads), National Roads and Regional Roads included in the PRN 2000 (National Road Plan) in operation or with construction started on the date of signing the Concession Contract. The construction of the Trunk Roads, Secondary Roads, National Roads and Regional Roads as set out in the PRN 2000, is deemed to have started upon award by the State, or by EP — Estradas de Portugal, S. A., of the contract for their construction;”

“**Future National Road Network** — designates the Trunk Roads, Secondary Roads, National Roads and Regional Roads foreseen in the PRN 2000 or any legislation that modifies or replaces it and comes into force up to 5 (five) years prior to the term of the Concession Contract, that are not built on the date of signing the Concession Contract. The Trunk Roads, Secondary Roads, National Roads and Regional Roads envisaged in the PRN 2000 are considered as not having been built if on the date of signing the Concession Contract their

construction has not been awarded by the State or by EP - Estradas de Portugal, S.A.”

## AMORTISATION

The IP Group amortises the Concession Right based on its best estimate of the consumption pattern of the economic benefits associated to the asset, i.e., in accordance with the production unit method as defined by IFRIC 12.

The production unit corresponds to the best estimate of the infrastructure use measured by revenue inherent to credits directly associated with the rights already acquired by the company, which excludes income from the toll collection activity before the initial term of the underlying concessions.

Any changes in estimates are corrected prospectively, impacting on the value of amortisation of future periods.

The amortisable value of the Road Concession Right, revised annually in accordance with the best expectations of the company, corresponds to the overall total amount of costs incurred and responsibilities incurred in the general concession for national road infrastructure.

The remaining intangible assets are amortised on a systematic basis from the date they are available for use, during the estimated useful life.

## CAPITALISATION OF BORROWING COST

The Group capitalises the financial charges associated with the acquisition, construction or production of qualifying assets.

The IP Group considers as qualifying assets all those which take a period of more than 12 months to be completed for their intended use. The most significant qualifying asset in the road infrastructure network is the Concession Right. Any component of the National Road Network or the Future National Road Network is considered a component of that same qualifying asset, provided that the estimated duration of its construction is greater than twelve months.

The components of the Concession Right qualifying for capitalisation of loan expenses are essentially the result of:

### (i) Provision of construction services

The provision of construction services usually lasts more than 1 year, so the costs associated with funding obtained for the implementation are considered eligible, irrespective of whether the services are directly provided by IP or by sub-concession.

### (ii) Acquisition of future rights on the Concessioned Network

Payments made on account of the acquisition of future rights on the Concessioned Network up to the initial end of each section of the current Concessioned Network.

Direct financial charges are considered as a cost of the component specifically financed. Whenever there is no funding directly attributable to each component of the current network, a weighted average rate of funding is used during the period, which is applied to the expenditure incurred in the development of the aforementioned network.

The components that were built using grants or which are in a position to become operational, regardless of the completion of the contract they belong to, are not considered for the purpose of calculating the basis for the capitalisation of funding costs obtained.

## e) Investment properties

Investment properties are made up of land and buildings whose purpose is to rent and not for use in the production or supply of goods, services, or for administrative purposes or for sale in the current activities of the Group's businesses.

Investment properties are recorded at acquisition and production cost less accumulated depreciation and accumulated impairment losses when applicable.

The Group conducts internal assessments in order to: i) meet the disclosure requirements of IAS 40, and ii) verify any impairments arising from the fall in asset recovery value against book values.

Costs incurred with investment properties, such as management and maintenance costs, insurance and property tax (municipal property tax) are recognised in the consolidated comprehensive income statement.



me statement for the financial year to which they relate. Improvements for which future economic benefits are estimated are capitalised under the investment properties item.

Rents and disposals of Investment Properties are included under Other Income.

#### DEPRECIATION

Depreciation is made in accordance with the straight-line method, at rates corresponding to the expected useful life for each type of asset. Land is not depreciated. In the specific case, buildings are being depreciated over 50 years (2% / year).

#### IMPAIRMENT

The impairments are reflected in the consolidated income statement of the period to which they relate and are calculated on the basis of the update of the estimated rents receivable, corrected for any maintenance expenses, adjusted in accordance with the expected risk rate.

### f) Financial Instruments

Financial assets and liabilities are recognised in the consolidated statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

The IP Group adopted IFRS 9 this fiscal year for the first time, as approved by the IASB in July 2014, which has the mandatory adoption date of 1 January 2018.

IFRS 9 replaced the requirements of IAS 39, relative to i) the classification and measurement of financial assets and liabilities; ii) recognition of impairment of receivables (through the expected loss model); and (iii) requirements for the recognition and classification of hedge accounting.

Thus, under IFRS 9, financial assets are initially recognised in one of the following categories:

- i. Amortised cost - If the financial asset is held within the scope of a business model whose purpose is to hold the financial asset in order to collect contractual cash flows that are established in capital repayments and interest on outstanding capital.

- ii. Fair value through other comprehensive income - If the financial asset is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. The financial asset's contractual terms give rise, on defined dates, to cash flows which are appended to principal repayments and payment of interest on the outstanding capital.
- iii. Fair value through profit or loss - Except if measured at amortised cost or at fair value through other comprehensive income. However, there is the irrevocable option of initial recognition of certain investments in equity instruments that are considered at fair value through profit and loss.

As regards impairments, they are considered in accordance with the expected loss model, which implies the projection of future losses for the financial assets held by the Group.

Note 2.3 will present the impacts of the initial adoption of IFRS 9.

In addition to the internal analysis carried out, the financial assets included in the previous categories of IAS39 other accounts receivable, namely: Trade receivables (Clients), Grantor – State - account receivable, other accounts receivable and cash should now be allocated to the "Amortised cost" category, whose business model is to hold to collect.

The following are the Group's financial assets:

**Trade receivables (Clients)** – Includes current accounts with several entities, which are initially recorded at fair value and subsequently measured at amortised cost, less impairment losses. When impairments occur, they have a direct impact on results.

**Grantor – State - Account receivable** – as mentioned in note 2.2.c).

**Available-for-sale financial assets** – this category does not exist in the new standard, with the underlying assets being recorded at fair value and allocated to the fair value category through other comprehensive income.

**Cash and cash equivalents** – For the purposes of the Cash Flow Statement, cash and cash equivalents cover the amounts recorded in the Consolidated Statement of Financial Position, including the cash and cash equivalents in other credit institutions and in the Treasury and Public Debt Management Agency – IGCP, E.P.E. (IGCP).

Cash and cash equivalents include cash, bank deposits and short-term, high liquidity deposits with original maturity of up to 3 months.

Overdrafts are recorded in the Consolidated Statement of Financial Position in current liabilities, under the “Loans obtained” item.

The impact on impairments related to the change in the loss incurred model for the expected loss model was demonstrated in note 2.3.

Regarding financial liabilities, the existing categories are:

- i. Amortised cost;
- ii. Fair value through profit or loss.

In the case of the Group, all its financial liabilities (bank and shareholder financing, suppliers and others) are considered in the "Amortised Cost" category.

**Loans obtained** – The Group recognises non-current loans obtained as a financial liability in accordance with IFRS 9. These financial liabilities are recorded: (i) initially at fair value less transaction costs incurred, and (ii) subsequently at amortised cost, based on the effective interest rate method.

The Group has non-current loans in the form of bilateral loans and bond loans to fund the construction of long-duration railway infrastructure (LDI), the Railway Infrastructure Management Activity and the Management of the Road Network.

**Trade Payables (Suppliers) and other accounts payable** – The balances of suppliers and other accounts payable are recorded at amortised cost.

## g) Impairment of Assets

In accordance with IAS 36 – Impairment of assets whenever the book value of an asset exceeds its

recoverable amount, its value is reduced to the recoverable amount. The impairment loss is recognised in the income statement for the financial year. The recoverable value is the lower of the value of use and the fair value less cost to sell, and is determined whenever there are value loss indicators.

The asset's value is calculated based on the present value of future cash flows estimated by management, arising from the continued use and sale of the asset at the end of its useful life. For the determination of future cash flows, the assets are allocated to the lowest level for which there are separate identifiable cash flows (cash-generating units).

Non-financial assets for which impairment losses have been recognised are assessed on each reporting date for the possible reversal of impairment losses.

The amortisation and depreciation of assets are recalculated prospectively in accordance with the recoverable value when the impairment is carried in the accounts or reversed.

## h) Inventories

Inventories are measured at cost of acquisition/production or net realisable value, whichever is lower. Inventories are initially recognised at cost of acquisition/production to put them up for sale.

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

The outflows from warehouses (consumption) are measured at the weighted average cost.

The IP Group has materials in its warehouses purchased for the specific and unique purpose of application in the long-duration infrastructures.

The products and works in progress correspond to production costs incurred with the construction and promotion of real estate developments and incorporate the cost of purchasing the land, raw

materials, capitalised financial costs and subcontracting and labour costs.

The products and works in progress also include spending on projects concerning contracts to be entered into in the future. Such expenses are recognised under this item provided their future recovery will be probable, and the same represent the amount owed by clients.

The IP Group's inventories also include units for sale, and their value is adjusted when there are impairments.

The impairment tests carried out are based on the comparison between the book value of the property and:

- Values determined by market analysis, namely the value of m<sup>2</sup> of construction area for the plots located in the locality in question, and;
- Sales values considered equal to the properties sold with the same typology as the properties in inventory.

Impairment exists whenever the recoverable value of the preceding parameters is lower than the book value.

#### **i) Non-Current Assets Held for Sale**

Non-current assets, groups of non-current assets held for sale (groups of assets together with their liabilities, which include at least one non-current asset) and discontinued transactions are classified as held for sale when there is an intention to dispose of such assets and liabilities and the assets or groups of assets are available for immediate sale, subject to the terms of sale usually applicable to these types of assets, and their sale is highly probable, as defined in IFRS 5.

The sale should be expected to qualify for recognition as a sale completed up to one year from the date of classification except as permitted by paragraph 9 of IFRS 5, and the Group remains committed to the asset sales plan and the delay is caused by events or circumstances beyond its control.

After their reclassification, these assets or groups of assets are measured at the lower of their cost and their fair value less costs to sell.

#### **j) Cash and Cash Equivalents**

For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents cover the amounts recorded in the Consolidated Statement of Financial Position, including the cash and cash equivalents in other credit institutions and in the Treasury and Public Debt Management Agency – IGCP, E.P.E. (IGCP).

Cash and cash equivalents include cash, bank deposits and short-term, high liquidity deposits with original maturity of up to 3 months.

Overdrafts are recorded in the Consolidated Statement of Financial Position in current liabilities, under the “Loans obtained” item.

#### **k) Non-Current Borrowings**

The IP Group recognises non-current loans as a financial liability in accordance with IAS 39 – Financial Instruments. These financial liabilities are recorded: (i) initially at fair value less transaction costs incurred, and (ii) subsequently at amortised cost, based on the effective interest rate method.

The IP Group has non-current loans in the form of bilateral loans and bond loans to fund the construction of long-duration railway infrastructure (LDI), the railway infrastructure management activity and the management of the road network.

#### **l) Trade Payables (Suppliers) and other Accounts Payable**

The balances of trade payables (suppliers) and other accounts payable are recorded at amortised cost.

#### **m) Provisions**

Provisions are recognised by the IP Group when there is a current obligation arising from past events and it is probable that an expenditure of future domestic resources will be required to settle that obligation and the amount of that obligation can reasonably be estimated. When any of the foregoing conditions is not met, the Group discloses these contingent liabilities.

Provisions are reviewed at the date of each reporting period and adjusted in accordance with the best estimate on that date.

Provisions are measured at the present value of the estimated expenditures to settle the obligation using a pre-tax rate that reflects the market assessment for the discount period and the risk of the liability in question.

#### **n) Employee Benefits**

The former EP granted temporary early retirement pensions and supplements to retirement pensions and survivors' benefits to a restricted and closed group of employees.

These post-employment supplements are paid by Caixa Geral de Aposentações to employees, which then charges them to the IP Group, until those employees are in a position to retire according to General Law.

The liabilities for the payment of these instalments are reviewed annually. The present value of the obligation is determined using the immediate lifetime rent method, by deducting future payments of the benefits that are perfectly identifiable, using the interest rate of high-rated bonds in the same currency in which the benefits will be paid and with a maturity close to the liability taken on.

Liabilities recognised in the consolidated Statement of financial position correspond to the present value of the benefit obligation determined on the date of the consolidated Statement of financial position.

#### **o) Recognition of Revenue**

In accordance with IFRS 15, revenue was recognised at the date of transfer of control to the customer, the value of the transaction being allocated to the diverse performance obligations assumed to the client, and adjusted in its measurement whenever the consideration is variable or subject to a significant financial effect according to the 5-step model which comprises:

- 1) Identify contract with client;
- 2) Identify separate performance obligations to be fulfilled in the contract;

- 3) Determine transaction price;
- 4) Allocate a price to the transaction; and
- 5) Recognise revenue.

The IP Group's revenue comprises:

- Railway infrastructure management: tariffs for infrastructure use, power supply, manoeuvres, capacity claimed not used, and other services according to the network directory available on the IP Group's site, in compliance with the provisions of Decree-Law 270/2003, as amended by Decree-Law 231/2007, and in particular Section III of Chapter IV and in Regulation 630/2011. The Directors aim to provide railway undertakings with the essential information they need to access and use the national railway infrastructure managed by the Group;
- Road revenue is derived from the road concession contract (hereinafter "Contract") which the State entered into with the former EP on 23 November 2007. The bases were approved in an annex to Decree-Law 380/2007 of 13 November, amended by Law 13/2008 of 29 February, Decree-Law 110/2009 of 18 May, and Decree-Law 44-A/2010 of 5 May.  
Telecommunications: telecommunication services, rental of optical fibre and data networks;
- Provision of transport engineering services;
- Property area: sub-concession revenue for the use of commercial and services spaces, sales of flats and commercial spaces and the provision of asset valuation services, technical assistance and other related services;

In service contracts in the areas of telecommunications and engineering services, revenue is recognised with reference to the finishing phase.

In the sale of apartments and commercial spaces, revenue is recognised on the date of the deed or when the risks and benefits have been transferred to the buyer (taking "possession" of the asset).

Regarding the Road Concession Contract, which ends at midnight on 31 December 2082, the purpose of the Concession by the Portuguese State to the extinguished EP is the following:

- Design, construction, financing, maintenance, operation, regeneration and widening of the

routes that integrate the National Road Network;

- Design, construction, financing, maintenance, operation, regeneration and widening of the routes that integrate the Future National Road Network;
- Financing, operation, maintenance, regeneration and widening of the roads of the national road network or future national Road Network, but also integrating the concessioned network, though these liabilities are subject to the initial term of the concession agreements currently in force between the State and third parties. The initial term also marks the end of the assumption by the Group of all payments to be made by the State and the receipts to be collected by it, under the aforementioned contracts.

The IP Group's own revenues, among others, resulting from the 75-year concession agreement, which has been in force since 2008, are:

#### **i. Road Service Contribution (RSC)**

The RSC created by Law 55/2007 of 31 August, represents the consideration paid by users for the use of the national road network. It is levied on petrol and road vehicle diesel subject to tax on petroleum and energy products (ISP) and not exempt from such. In 2014, the RSC was extended to LPG for vehicles, which had been exempted before then.

The cash inflow is made with a mismatch relative to the collection date, through which the revenue is recognised on an accrual basis.

#### **ii. Other Revenue from the Concession Contract**

The company has to provide construction services for the development of the national road infrastructure network, in pursuit of its business purpose.

The result of the construction of each new component of the national road infrastructure network is registered in accordance with the completion percentage method.

The amount of revenue to be recognised results from the product between the percentage of completion and total value of the works. The total value of the work is the amount agreed with

the grantor (State) or, if not agreed, it is the result of the sum of the specific expenses components of the works, both internal and external.

The amount receivable from the provision of construction services under the concession is swapped for the Concession Right.

In the case where the total value of the work is agreed with the grantor, whenever the sum of the specific costs incurred and to be incurred exceeds the agreed revenue, the estimated loss is immediately recognised in profit or loss.

#### **iii. The value of toll fees – Roads under IP management or sub-concessioned**

Toll collection on roads included in the network managed by the company or the sub-concessioned network is recognised in the year's profit or loss according to the real tolls in the period, in so far as these tolls are charged in roads over which the Group already has full rights to operate the Concession.

#### **iv. The value of toll fees – Roads under concessioned management**

**Toll collection on roads included in the Concession Network is recognised according to the real tolls in the period, with the resulting amount being deducted from the Group's investment in the acquisition of rights over said Concession Network, as stipulated in the Concession Contract signed with the Portuguese State.**

#### **p) Income Tax**

Income tax for the period includes current and deferred taxes. Income tax is recorded in the consolidated income statement, unless these are related to items that are recognised directly in equity. The amount of current tax payable is determined based on pre-tax profit, adjusted in accordance with tax rules.

Deferred taxes are recognised when there are differences between the book value of assets and liabilities at a certain time and their value for tax purposes using the expected tax rates in effect on the date of reversal of temporary differences.

Deferred tax liabilities are recognised for all temporary tax differences, while deferred tax assets are only recognised in relation to:

- i. the deductible temporary differences which are expected to be reversible in the future; or
- ii. when deferred tax liabilities exist, the reversal of which is estimated to occur at the same time as deferred tax assets.

The temporary differences underlying the assets and liabilities are reviewed periodically in order to recognise or adjust them according to their expectation of future recovery.

#### TAX GROUP

In March 2014, the IP Group adopted the special tax system for groups of companies (RETGS).

This tax group includes all companies resident in Portugal that are 75% or more owned by IP (parent company of the IP Group), and which meet the conditions of article 69 and subsequent of the Corporate Income Tax Code. These are presented below:

**Infraestruturas de Portugal, SA**

**IP Engenharia, SA**

**IP Património – Administração e Gestão Imobiliária, SA**

**IP Telecom – Serviços de Telecomunicações, SA**

#### q) Grants

Grants received from the Portuguese State and the European Union are recognised at fair value when there is reasonable certainty that the conditions for receiving the grant will be met, except those relating to the LDI that are recognised only in the event of actual receipt.

Non-refundable grants obtained to fund investment in tangible and intangible fixed assets are recognised as deferred income.

Grants are subsequently attributed to profits on a pro-rata basis of depreciation/amortisation of the assets to which they are associated, and are recorded under "Other income and gains".

Grants obtained for financing assets acquired/built into long-duration infrastructure are recognised in the consolidated statement of financial position under the "Grantor-State-Account receivable" item since, as they are allocated within the scope of the concessioned railway activity, they represent a repayment of part of the expenses incurred and are deducted from the amount receivable from the Grantor.

Non-refundable operating grants are recognised in the consolidated income statement in the same period in which the associated expenses are incurred.

#### r) Segment Reporting

##### BUSINESS SEGMENTS

A business segment is a component of an entity that conducts a business activity: i) from which it can obtain revenue and incur expenses; ii) the operating results of which are regularly reviewed by the chief operational decision-maker of the entity; and iii) for which financial information is available.

The IP Group identified the Executive Board of Directors as the body responsible for operational decision-making, as it is the body revising the internal information prepared in order to assess the Group's performance and resource allocation. The determination of the business segments was based on information that is analysed by the Executive Board of Directors.

An entity must separately report the information on each identified segment, resulting from the aggregation of two or more segments with similar economic characteristics, or exceeding the quantitative levels set out in IFRS 8 – Business Segments.

#### s) Related Parties

The revision of IAS 24 – Disclosures of related parties, established the obligation to disclose existing transactions with the State and with entities that are considered to be related, because they are also owned by the State.

After internal review the Executive Board of Directors did not deem relevant, considering its activity as a whole, the disclosure of balances and transactions with other entities, except those indicated below.

Related parties are those which have control over (Portuguese State) or are controlled by the IP Group (subsidiaries), or which are under common control (joint ventures) and other entities (Railway Operators through the State's domain).

The IP Group announces the balances and transactions with related entities in note 33.

#### t) Subsequent Events

Events after the date of the financial statements, which provide additional information on conditions that existed at the date of the financial statements, are reflected in the Group's consolidated financial statements.

Events occurring between the date of the Consolidated Statement of Financial Position and the date of authorisation to publish the same, which are indicative of conditions that arose after the date of the Consolidated Statement of Financial Position, if material, are disclosed in note 41.

## 2.3 Comparability

The IP Group adopted IFRS 9 for the first time on 1 January 2018, as indicated in section 2.2 f). This situation led to reclassifications and changes in the value of assets, liabilities and equity in the balances referring to 31 December 2017, which we now report:

IFRS9 replaced the requirements of IAS 39, relative to i) the classification and measurement of financial assets and liabilities; ii) recognition of impairment of receivables (through the expected loss model); and (iii) requirements for the recognition and classification of hedge accounting.

It should be noted that the Group opted not to restate the comparative statements of the Consolidated Financial Statements, in accordance with the simplified option provided for in IFRS 9, and the adjustments in the opening balances of assets were made by offsetting in the retained earnings item.

We present below the impact of the first application of the standard with respect to assets, liabilities and equity:

#### a) Assets

On 1 January 2018, the IP Group reclassified its

	31-12-2017 CF. IAS 39	RECLASSIFI- CATION	CHANGE OF VALUE	01-01-2018 CF. IFRS 9
<b>Assets</b>				
Goodwill, Tangible and Intangible Assets, and Investment Properties	20,222,124	-	-	20,222,124
Financial investments	-	32	-	32
Available-for-sale financial assets	32	-32	-	-
Deferred tax assets	221,949	-	94	222,043
Deferrals	902	-	-	902
Inventories	46,538	-	-	46,538
Trade receivables (Clients)	76,213	-	-418	75,794
Grantor - State - Account receivable	5,625,542	-	-	5,625,542
Current tax assets	16	-	-	16
Government and other public bodies	1,424,813	-	-	1,424,813
Other accounts receivable	163,056	-	-	163,056
Non-current assets held for sale	3	-	-	3
Cash and cash equivalents	350,322	-	-	350,322
<b>Total assets</b>	<b>28,131,510</b>	<b>0</b>	<b>-324</b>	<b>28,131,186</b>

financial assets based on the Group's business model as well as the characteristics of its cash flows, as recommended in IFRS9.

IAS 39 CATEGORIES (NOTE 31 R&D OF 31-12-2017)	AMOUNT 31-12-2017	AMOUNT 01-01-2018	IFRS9 CATEGORY
Loans and accounts receivable	6,175,795	6,175,377	Amortised cost
Available-for-sale financial assets	32	32	Fair value through profit or loss

#### b) Liabilities

There was no change from what previously existed in IAS 39, as regards financial liabilities.

#### c) Equity

	31-12-2017 CF. IAS 39	CHANGE OF VALUE	01-01-2018 CF. IFRS 9
<b>Equity</b>			
Paid-up capital	4,925,375	-	4,925,375
Reserves	1,909	-	1,909
Cumulative results	116,277	-324	115,953
Net profit or loss for period	105,993	-	105,993
<b>Total Equity</b>	<b>5,149,554</b>	<b>-324</b>	<b>5,149,230</b>

The total equity impact of the first application of IFRS on 1 January 2018 was derived exclusively from the change in methodology for determining impairment losses on financial instruments based on the expected loss concept defined in IFRS 9, which resulted in a decrease of EUR 324,000 in equity (impact net of tax).

## 2.4 Main estimates used in the financial statements

In preparing the consolidated financial statements in accordance with IFRS, the IP Executive Board of Directors uses estimates and assumptions that impact on the application of accounting policies and the amounts reported. Estimates and judgments are assessed continuously and are based on past events and other factors, including expectations for future events likely to be probable given the circumstances on which the estimates are based or as a result of information or experience acquired.



The estimates were determined based on the best information available at the date of preparation of the separate financial statements. However situations may occur in subsequent periods that are not foreseeable at the time and were not considered in these estimates. In accordance with IAS 8, changes to these estimates, which occur after the financial statements' date, are corrected prospectively in profit or loss.

The Executive Board of Directors considers that the estimates made are appropriate and that the consolidated financial statements adequately present the financial position of the IP Group, the result of its operations and its cash flows in all materially relevant aspects.

The most significant accounting estimates reflected in the consolidated financial Statements are:

#### INTANGIBLE ASSETS

The IP Group amortises its Road Concession Right by the equivalent units of production method, as described in note 2.2. This amortisation is based on the estimate of total income generated by the concession until its end and on the recovery of total investments to be made by the IP Group.

These two parameters are defined in accordance with the best judgement of the Executive Board of Directors for the assets and businesses in question, also considering practices adopted by companies of the sector at international level.

#### ESTIMATED REVENUE PATTERN

The amount and timing of future earnings are essential to determine the equivalent units method

on which the calculation of the amortisation of the Road Concession Right is based.

This pattern is estimated based on performance in the recent past and on the IP Executive Board of Directors' best outlook for the future, having the same calculation base of the revenues introduced in the multi-annual financial model, with the changes considered in the following paragraphs.

A sensitivity analysis was also carried out on the development of the IP Group's revenues throughout the life of the contract and its impact on amortisation for the year. The analyses were based on the following scenarios:

- Real growth in toll revenues after the initial end of the concession contracts would be 0% and the real growth of RSC would be in accordance with the plan of activities and budget for 2018 and 2019 and after 2020 it would be 0%, with growth remaining in line with the CPI.
- Real growth in toll revenues after the initial end of the concession agreements would be 1% up to 2039 and 0% after 2040 and the real growth of RSC would be in accordance with the plan of activities and budget for 2018 and 2019, and after 2020 it would be 0.5%, with growth remaining in line with the CPI.
- Real growth in toll revenues after the initial end of the concession contracts would be 1% and the real growth of RSC would be in accordance with the plan of activities and budget for 2018 and 2019 and after 2020 it would be 1%, with growth remaining in line with the CPI.

The result of the different scenarios for 2018 is shown in the following table:

SENSITIVITY ANALYSIS OF GROWTH OF RSC AND TOLL REVENUE	SCENARIO A)	SCENARIO B)	SCENARIO C)
Amortisation of the Year	274	248	199
Amortisation of Grants	-64	-59	-49
	<b>210</b>	<b>189</b>	<b>150</b>
<b>Difference</b>		<b>-21</b>	<b>-61</b>
(EUR million)			

### AMORTISABLE VALUE OF CONCESSION RIGHT

The value taken as the amortisable value of the Concession Right must take into account the value of works and maintenance scheduled up to the term of the concession.

Changes in planned, contracted and executed amounts may vary due to factors outside the Group's control with an impact on the amortisable value recorded in the future.

### REGULAR MAINTENANCE OF ROADS AND ROAD ENGINEERING STRUCTURES

The annualised cost of the programmed maintenance works required to maintain the network's average quality index at the same level as when the network was received (a stipulation of the IP Group's Concession Contract) is calculated based on technical assessments of repair needs and an index of the average quality of road and engineering structures.

### PROVISIONS

The IP Group regularly analyses any obligations arising from past events and which must be recognised or disclosed.

The subjectivity inherent in determining the likelihood and amount of future internal resources required for the payment of the obligations may lead to significant adjustments, either due to changes in

the assumptions used or the future recognition of provisions previously disclosed as contingent liabilities.

Provisions resulting from ongoing legal proceedings are periodically assessed by the internal and external lawyers of the IP Group responsible for the cases in question.

With regard to the provision for disqualified roads, the IP Group makes a comprehensive survey of the disqualified roads still under its responsibility and checks, on the basis of technical analyses of the cost of preparing them for hand over to the municipalities, if the recorded value of this provision is appropriate.

As a result of the evolution of the VAT proceeding described in note 15, a provision was set up for the VAT proceeding, which is estimated to be the impact of a potential negative decision against the former EP, which corresponds to the total VAT deducted by the IP Group in activities financed by the RSC.

### CONSTRUCTION BY MEANS OF SUB-CONCESSIONS

Construction through Sub-Concessions is recognised to reflect the effective evolution of the works, based on the percentage of completion data obtained from the sub-concessionaires and validated by the IP Group.

#### LOSSES DUE TO IMPAIRMENT OF DEBTORS

Impairment losses relating to debtors are based on the assessment made by the Executive Board of Directors of the probability of recovering the balances of receivables, the age in years, cancellation of debts and other factors. Other circumstances and events that may change the estimate of impairment losses on the balances receivable against the assumptions considered, including changes in the economic climate, sector trends, the determination of the credit situation of major clients and significant defaults, are also considered.

This entire valuation process is subject to various estimates and judgments. Changes in these estimates can involve the determination of different impairment levels and consequently different impacts on profit or loss.

#### RECOGNITION OF INCOME/EXPENSES

Expenses and income are recorded in the financial year to which they relate, regardless of whether they are paid or received, in accordance with the accounting principle of accruals.

#### INCOME TAX

Deferred tax assets are recognised only when there is strong certainty that there will be profit and future taxable income available for the use of temporary differences, or when there are deferred tax liabilities, the reversal of which is expected in the same period in which deferred tax assets are reversed. The assessment of deferred tax assets is assessed by the Executive Board of Directors at the end of each reporting period, taking into account the expected future performance of the IP Group. Deferred taxes are determined based on current tax legislation or legislation published for future application. Changes in tax legislation can influence the value of deferred taxes and these are analysed carefully by management.

#### TANGIBLE AND INTANGIBLE ASSETS, AND INVESTMENT PROPERTIES

The determination of useful lives of the assets as well as the depreciation/amortisation method to be applied is essential to determine the amount of depreciation/amortisation to be recognised in the Income Statement for each year.

These two parameters are defined in accordance with the best estimate of the Executive Board of Directors for the assets and businesses in question, while also considering the practices adopted by the companies of the sector.

#### IMPAIRMENT OF INVESTMENT PROPERTIES AND INVENTORIES

Impairment analyses relating to investment properties and inventories of the commercial real estate management activity are periodically carried out and whenever there are signs of any loss of value. The fair value measurement of these assets is carried out through assessments referring to the reporting date by independent specialised entities.

#### GOODWILL

Goodwill is subject to impairment tests annually or whenever there is evidence of a loss in value. The recoverable amounts from the cash-generating units to which goodwill is allocated are determined based on the calculation of values in use. These calculations require the use of estimates by management, both in terms of future flows and expected rates of return.



## 3. FINANCIAL RISK MANAGEMENT POLICIES

### FINANCIAL RISKS

The activity of the IP Group is exposed to financial risk factors, such as credit risk, liquidity risk, interest rate risk associated with cash flows arising from financing obtained and capital risk.

Decree-Law 133/2013 of 3 October changed the autonomy of reclassified public entities (EPR) with regard to access to finance from the financial system and risk management through derivative financial instruments.

In article 29 therein, the access of the EPR to financing from the credit institutions is established as not possible, except for those of a multilateral nature (e.g. the European Investment Bank), while article 72 established the transfer of these companies' derivatives portfolios to the Public Debt and Treasury Management Agency (Agência de Gestão da Tesouraria e da Dívida Pública – IGCP, EPE) (IGCP).

These risks are managed by the Finance and Markets Division according to the risk mitigation policies defined by the Executive Board of Directors.

### EXCHANGE RATE RISK MANAGEMENT

The IP Group has no currency risk that is significant arising from its business activity.

### CREDIT RISK MANAGEMENT

The IP Group is subject to credit risk.

Credit risk is associated with the risk of another party failing to comply with its contractual obligations resulting in a financial loss for Group companies.

The revenue from the road activity is mainly the result of the Road Service Contribution (RSC) which is collected and handed over to the Group by the Tax Authority (TA) and the toll revenues which have a diversified customer base and comprises low-value transactions so that they do not have significant associated credit risk.

The credit risk arising from the railway activity is essentially related to the non-compliance by railway operators with their responsibilities. CP – Comboios de Portugal, EPE is the main counterparty as the exclusive passenger operator across

the entire network, with the exception of the crossing of the 25 de Abril bridge, which is operated by Fertagus. Thus, despite the credit risk being heavily concentrated on CP, it is mitigated by the legal nature of that entity, since it is 100% owned by the Portuguese State and, as of 2015, by the fact it is an EPR.

Impairment adjustments of other accounts receivable are calculated considering the counterparty credit risk profile and their financial condition.

Regarding credit risk associated with the financial activity, the IP Group is exposed to the national banking sector through the balances in current account deposits. This exposure is reduced due to the application of the legal scheme of the Treasury Unit of the State Principle to public companies, which provides for the concentration of cash assets and investments with IGCP. The IP Group currently has 99% of its cash assets deposited with IGCP.

To date, the IP Group has not incurred any impairment resulting from non-compliance with contractual obligations entered into with financial entities.

The following table summarises the credit quality of the IP Group's deposits at 31 December 2018:

RATING	31-12-2018	31-12-2017
>= A-	111	172
< = BBB+	321,402	349,494
No rating	292	529
<b>Total</b>	<b>321,805</b>	<b>350,195</b>
The ratings used are those awarded by Standard and Poor's.		

## LIQUIDITY RISK MANAGEMENT

The IP Group is subject to liquidity risk.

This type of risk is measured by the ability to raise financial resources to meet the liabilities with the diverse economic agents that interact with the companies, such as suppliers, banks, the capital market, etc. This risk is measured by the liquidity available to the companies to meet their assumed liabilities as well as the capacity to generate cash flow in the course of their business.

The IP Group seeks to minimise the probability of default of its commitments through meticulous and planned management of its business activity. Prudent management of liquidity risk requires the maintenance of an appropriate level of cash and cash equivalents to meet the liabilities assumed. With the inclusion of REFER and EP in the budget consolidation perimeter of the State, these companies became directly funded by the Portuguese State from 2011, so the liquidity risk has fallen considerably.

The table below shows the IP Group's liabilities by intervals of contracted maturity. The amounts presented represent undiscounted future cash flows at 31 December 2018.

	LESS THAN 1 YEAR	1 TO 5 YEARS	+ 5 YEARS
<b>Borrowings</b>			
• Amortizações de financiamentos obtidos	581,065	1,580,194	1,068,102
• Juros de financiamentos obtidos	119,790	379,107	119,577
• Amortizações financiamento acionista/ Suprimentos	2,243,230	272,528	-
• Juros de financiamento acionista/ Suprimentos	120,621	4,755	-
• Aval	5,194	17,705	4,407
<b>Fornecedores e contas a pagar</b>	<b>948,142</b>	<b>2 038,719</b>	<b>-</b>
<b>Total</b>	<b>4,018,042</b>	<b>4 293,008</b>	<b>1,192,087</b>

## INTEREST RATE RISK MANAGEMENT

The IP Group is exposed to interest rate risk while it maintains in portfolio loans from the financial system (domestic and international) and from the State and which aim to finance its activity.

The primary objective of interest rate risk management is to protect from interest rate rises insofar as the revenues are immune to that variable and, thereby, make a natural hedge infeasible.

No interest rate risk hedging instruments are currently used.

At present, the objective of the policy for managing interest rate risk is essentially the monitoring of interest rates that influence financial liabilities contracted on the basis of Euribor.

### Sensitivity test to change in interest rates

The IP Group uses periodic sensitivity analyses to measure the impact on profit or loss of changes in interest rates on the fair value of loans. These analyses have been one of the auxiliary means to manage interest rate risk decisions. Sensitivity analysis is based on the following assumptions:

- i. As at 31 December 2018, the IP Group had not recognised any loan obtained at fair value;
- ii. Changes in the fair value of financial loans and liabilities are estimated discounting future cash flows using market rates at the time of reporting;
- iii. On the basis of these assumptions, at 31 December 2018, a 0.5% increase or decrease in the euro interest rate curves would result in the following changes in the fair value of loans with a consequent direct impact on profits:

CHANGE IN FAIR VALUE OF LOANS		
Change in the interest rate curve		
	-0.50%	0.50%
EUR	82,360	-24,128
Net effect on results		
	-0.50%	0.50%
EUR	-82,360	24,128

#### CAPITAL RISK MANAGEMENT

The objective of the IP Group in relation to capital risk management, which is a broader concept than the capital disclosed relating to the Consolidated Statement of Financial Position, is to safeguard the continuity of the Group's operations.

The key instrument to manage this risk is the IP Group's funding plan (or financial plan) whereby funding sources are identified and monitored. Of note since 2014 is the policy of strengthening the capital structure by the shareholder, achieved by capital increases in cash or by the conversion into capital of the funding/loans granted by the shareholder.

IP was set up with a share capital of EUR 2,555,835,000 represented by 511,167 shares, with a nominal value of EUR 5,000 each. At 31 December 2018, the share capital of IP amounted to

EUR 5,811,510,000 represented by 1,162,302 shares, each with a nominal value of EUR 5,000.

In 2018, capital increases were made in cash amounting to EUR 886.135 million (note 18), as shown in the table below:

	2018	2017
Share capital increases	886,135	880,000
Investment	660,257	646,351
Debt service	225,878	233,649

On 26 December 2018, by means of notice no. 1091, the Directorate General of the Treasury and Finance (DGTF) granted a new moratorium on the payment of debt service for State loans with effect from 31 May 2018. With regard to loans associated with the road component, the moratorium extends until 31 May 2019 for loans which matured on 31 May and 30 November 2018. For rail component loans, the moratorium was granted until 30 November 2018. Deferrals granted in this context are not subject to the payment of interest.

Following the provisions of article 129 of the State Budget 2018 Law, the DGTF and IP defined the terms of the offsetting operation between the amount recorded in the Grantor – State – Account receivable Statement (assets) and the value of the debt servicing of the State loans granted to finance the railway activity. This transaction was formalised on 27 December through a written agreement for the amount of EUR 2,315 million (EUR 2,200 million corresponding to capital and EUR 115 million to interest). This Agreement took effect on 30 November 2018. (note 14).

## 4. COMPANIES INCLUDED IN THE CONSOLIDATION

The companies included in the consolidation, their registered offices, shareholdings in the same and core activities as at 31 December 2018 and 31 December 2017 are as follows:

COMPANY	REGISTE-RED OFFICE	PERCENTAGE OF CAPITAL HELD		MAIN ACTIVITY
		31-12-2018	31-12-2017	
<b>PARENT COMPANY</b>				
IP Infraestruturas de Portugal, SA	Almada	-	-	Design, construction, financing, maintenance and operation, renovation, widening and modernisation of the national road and rail networks, including in the latter the command and control of traffic.
<b>SUBSIDIARIES</b>				
IP Telecom, Serviços de Telecomunicações, SA	Lisboa	100.00%	100.00%	Ensure the supply and provision of information and communications systems and technology, based on innovative solutions with a focus on cloud and security technology and the main national telecommunications infrastructure, based on optical fibre and the road technical channel, for the business market and public entities.
IP Património - Administração e Gestão imobiliária, SA	Lisboa	100.00%	100.00%	Carry out the acquisition, expropriation, registration update and sale of real estate or the constitution of rights over the same, as well as the profitability of the assets assigned to the concession or the autonomous assets of the IP Group and the management and operation of stations and associated facilities, including their operational management.
IP Engenharia, SA	Lisboa	100.00%	100.00%	Provide transport engineering services for the activity of the IP and in road and/or rail multidisciplinary projects, providing mobility solutions with a high level of integration at both national and international levels.
GIL - Gare Intermodal de Lisboa, SA <sup>(a)</sup>	Lisboa	-	100.00%	Construction and operation of a multi-mode transport platform, serving rail, road and underground transports and other transport services, the lease or disposal of property held by the company and associated activities.
<b>JOINT VENTURES</b>				
AVEP - Alta Velocidade de Espanha e Portugal, A.E.I.E. <sup>(b)</sup>	Madrid	50.00%	50.00%	Conducting studies required for the Madrid-Lisbon-Porto and Porto-Vigo connections.
AEIE - CMF4 <sup>(c)</sup>	Paris	25.00%	25.00%	Promotion of measures aimed at improving the competitiveness of the rail transport of freight in the rail corridor Sines - Lisbon/Leixões   Sines - Elvas/Algeciras - Madrid - Medina del Campo - Bilbao - Irun/Bordeaux - Paris-Le Havre - Metz   Vilar Formoso/Fuentes Onôro, Elvas/Badajoz, Irun/Hendaye and Fornack/Saarbrücken.
<p><sup>(a)</sup> GIL - Gare Intermodal de Lisboa, S.A., was merged and incorporated into IP Património - Administração e Gestão Imobiliária, SA on 27 June 2018, taking effect retroactively from 1 January 2018.</p> <p><sup>(b)</sup> Entity jointly controlled by IP with ADIF in the form of a European Economic Interest Grouping (EEIG).</p> <p><sup>(c)</sup> Entity jointly controlled by IP, ADIF and SNCF - Réseau, and DB NETZ (since 1 January 2016) in the form of a European Economic Interest Grouping (EEIG) incorporated in 2013 without share capital.</p>				



## 5. GOODWILL

The goodwill is the result of the acquisition of the remaining capital of GIL in 2014. The evolution was as follows:

	GOODWILL
<b>31 December 2017</b>	
Book value	21,687
Impairment	
<b>31 December 2018</b>	<b>21,687</b>

	GOODWILL
<b>31 December 2016</b>	
Book value	21,687
Impairment	
<b>31 December 2017</b>	<b>21,687</b>

### ESTIMATES USED TO MEASURE RECOVERABLE AMOUNTS OF CASH-GENERATING UNITS CONTAINING GOODWILL

#### CASH GENERATING UNIT

It is the business of operating the commercial spaces of Gare Intermodal de Lisboa which is integrated into the reportable segment "Real Estate and Commercial Real Estate Management". It does not include the net railway assets directly financed (subsidiaries) that are allocated to the railway infrastructure investment activity, which are paid under the provisions of both article 11 of the General Land Transportation Law for rail transport, and Decree-Law 141/2008 of 22 July, and also by PET (note 2.2.b). Following the concentration in the IP Group of the entire share capital of GIL in 2014, the commercial real estate management business of is expected to be integrated into IP Património, a situation which occurred this year, and the railway infrastructure investment assets and liabilities at IP, at the book value not involving significant asset alterations, as set out in the Business and Budget Plans of the respective companies. This situation led to, in this year, the transfer of this asset to the Non-Current Assets Held for Sale item (note 16). This separation of activities allows it to generate

an isolated cash-generating unit, thus keeping the necessary conditions for future assessments of impairment to goodwill. The recoverable amount for this cash-generating unit was calculated based on its value-in-use, taking into account the provisions of IAS 36.

The following are the main assumptions considered relevant by the Executive Board of Directors to determine the value-in-use:

	31-12-2018	31-12-2017
Discount rate (WACC)	6.11%	5.17%
Perpetuity discount rate	6.11%	5.17%
EBIT growth rate	1.20%	2.00%
Shareholders' return rate	9.02%	7.96%
No. of periods with projected cash flow	5 years	5 years

The discount rate presented is net of the tax effect, considering a return on equity of 9.02% (2017: 7.96%), and a level of indebtedness of 50% (2017: 50%). The projected level of indebtedness corresponds to the Group's objective relating to its future capital structure.

In 2018, in relation to the projection of cash flows an average EBIT increase of 1.2% was estimated over 5 years.

In the estimation of the cash flows for the period [2019-2022], the forecast data in the budget was used in relation to expenses and income related to the business unit.

On the basis of previous assumptions, no impairment on goodwill was deemed to exist.

With regard to the model's sensitivity analysis, it is also verified that with the data contained in the model, goodwill would be impaired if the model's WACC rate was more than 2.22% or alternatively, the projected cash flows had a decrease of around 28% compared to the currently projected cash flows.

## 6. SEGMENT REPORTING

The Group has the following business segments:

- **High Performance;**
- **Road Infrastructure Management Activity;**
- **Railway Infrastructure Investment Activity;**
- **Railway Infrastructure Management Activity;**
- **Telecommunications**
- **Commercial Real Estate Management, and**
- **Engineering and Transport Services.**

The 'High Performance' segment corresponds to the entire activity related to Road High Performance and includes all currently managed Public-Private Partnerships (PPP), including concessions of the State and sub-concessions, and the other high-performance routes currently directly managed by the Group.

The 'Road Infrastructure Management Activity' segment includes management of the whole National Road Network not included in the previous segment. It comprises both the activities of building and upgrading the routes and engineering structures and the activities of management, maintenance and improvement of network safety.

The 'Railway Infrastructure Investment Activity' segment includes the set of investments associated with new infrastructure and/or expansion of the network; modernisation and rehabilitation, with the introduction of new technologies in the mode of operation; and infrastructure replacement, which comprises interventions that introduce improvements of a lasting nature or which can increase the value and/or useful life of the asset without changing operating conditions;

The contracting of the funding needed for the investments described above is made by the Group and is in the form of credit from financial and capital market institutions, shareholder loans and obtaining grants.

The 'Railway Infrastructure Management Activity' segment corresponds to the provision of a public service, including functions such as maintenance

and repair of infrastructures, capacity management, management of regulatory and safety control, command and control of traffic, and including other activities supplementary to the infrastructure management.

The 'Telecommunications' segment refers to the provision of Information Systems and Technologies and Communications services.

The 'Commercial Real Estate Management' segment covers the management and operation of its own and others' property and real estate developments, acquisition, expropriation, registry office updating and sale of real estate or the establishment of rights on these assets.

The 'Engineering and Transport Services' segment includes the provision of transport engineering services in road and/or rail multidisciplinary projects and the respective mobility solutions both nationally and internationally.

The revenues and expenses of the Telecommunications, Real estate management, and Engineering and transport services segments were calculated from the perspective of generating revenue from the Group's excess capacity, arising from the mandatory public service of management of the integrated infrastructure of the national rail network (provided for in the Programme Contract signed with the Portuguese State) and the national road network that promotes efficiency in the Group.

The information relating to the results from 1 January 2018 to 31 December 2018 and from 1 January 2017 to 31 December 2017, assets and liabilities for the periods ended 31 December 2018 and 2017 of the identified segments is as follows:

2018	TELECOM- MUNICA- TIONS	COMMER- CIAL REAL ESTATE MA- NAGEMENT	ENGINEE- RING AND TRANSPORT SERVICES	RAILWAY INFRASTRU. INVESTMENT ACTIVITY	RAILWAY INFRASTRU. MANAGEMENT ACTIVITY	HIGH PER- FORMANCE	ROAD INFRA- STRUCTURE MANAGEMENT ACTIVITY	TOTAL
Revenue from sales and services rendered	12,029	15,919	82	19,029	91,128	337,857	708,730	1,184,772
Impairment	-6	-13	-397	-	316	-	803	703
Provisions	-27	-	-230	-	212	-	-16,663	-16,708
Other revenue	-	1,707	-	-	64,794	8,924	72,659	148,084
Other expenses	-6,306	-6,186	-112	-17,961	-196,356	-302,576	-167,971	-697,467
<b>EBITDA</b>	<b>5,690</b>	<b>11,427</b>	<b>-656</b>	<b>1,067</b>	<b>-39,906</b>	<b>44,205</b>	<b>597,558</b>	<b>619,384</b>
Amortisation and depreciation	-993	-98	-	-1,067	-2,685	-274,597	-	-279,440
<b>EBIT</b>	<b>4,697</b>	<b>11,329</b>	<b>-656</b>	<b>0</b>	<b>-42,591</b>	<b>367,166</b>	-	<b>339,944</b>
Financial expenses	-	-	-	-93,428	-30,380	-195,201	-	-319,009
Financial income	-	-	-	93,428	-	-	-	93,428
<b>EBT</b>	<b>4,697</b>	<b>11,329</b>	<b>-656</b>	<b>0</b>	<b>-72,971</b>	<b>171,965</b>	-	<b>114,364</b>
Income tax	-	-	-	-28,656	-	-	-	-28,656
<b>Net Profit or Loss</b>	-	-	-	<b>85,707</b>	-	-	-	<b>85,707</b>

2018	TELECOM- MUNICA- TIONS	COMMER- CIAL REAL ESTATE MA- NAGEMENT	ENGINEE- RING AND TRANSPORT SERVICES	RAILWAY INFRASTRU. INVESTMENT ACTIVITY	RAILWAY INFRASTRU. MANAGEMENT ACTIVITY	HIGH PER- FORMANCE	ROAD INFRA- STRUCTURE MANAGEMENT ACTIVITY	TOTAL
Revenue from sales and services rendered	12,080	15,400	144	25,137	87,948	357,466	697,315	1,195,489
Impairment	16	1,225	-	-	-475	-	341	1,107
Provisions	-	-	-	-	4,251	-	-12,937	-8,686
Other revenue	185	408	-	-	73,133	8,987	71,591	154,304
Other expenses	-4,053	-5,940	-237	-23,918	-180,314	-305,043	-159,113	-678,617
<b>EBITDA</b>	<b>8,228</b>	<b>11,093</b>	<b>-93</b>	<b>1,219</b>	<b>-15,457</b>	<b>61,410</b>	<b>597,197</b>	<b>663,598</b>
Amortisation and depreciation	-	-79	-	-1,219	-4,545	-272,451	-	-278,294
<b>EBIT</b>	<b>8,228</b>	<b>11,014</b>	<b>-93</b>	<b>0</b>	<b>-20,002</b>	<b>386,156</b>	-	<b>385,304</b>
Financial expenses	-	-2	-	-94,727	-36,631	-221,446	-	-352,805
Financial income	-	-	-	94,727	1	-	-	94,728
<b>EBT</b>	<b>8,228</b>	<b>11,013</b>	<b>-93</b>	<b>0</b>	<b>-56,631</b>	<b>164,711</b>	-	<b>127,227</b>
Income tax	-	-	-	-21,234	-	-	-	-21,234
<b>Net Profit or Loss</b>	-	-	-	<b>105,993</b>	-	-	-	<b>105,993</b>

OTHER INFORMATION 31-12-2018	TELECOM- MUNICA- TIONS	COMMER- CIAL REAL ESTATE MA- NAGEMENT	ENGINEE- RING AND TRANSPORT SERVICES	RAILWAY INFRASTRU. INVESTMENT ACTIVITY	RAILWAY INFRASTRU. MANAGEMENT ACTIVITY	HIGH PER- FORMANCE	ROAD INFRA- STRUCTURE MANAGEMENT ACTIVITY	TOTAL
<b>Assets</b>								
Concession Right	-	-	-	-	-	20,326,040	-	20,326,040
Grantor	-	-	-	3,767,157	-	-	-	3,767,157
Other assets	16,166	27,238	11,826	65,188	160,322	49,332	1,952,961	2,283,032
<b>Total Assets</b>	<b>16,166</b>	<b>27,238</b>	<b>11,826</b>	<b>3,832,345</b>	<b>160,322</b>	<b>22,328,333</b>	-	<b>26,376,229</b>
<b>Liabilities</b>								
Borrowings	-	-	-	2,462,077	841,078	2,598,786	-	5,901,941
Grants	-	-	-	-	-	10,094,906	-	10,094,906
Other liabilities	4,130	3,979	1,643	1,583	85,543	2,938,061	1,223,367	4,258,305
<b>Total Liabilities</b>	<b>4,130</b>	<b>3,979</b>	<b>1,643</b>	<b>2,463,660</b>	<b>926,621</b>	<b>16,855,120</b>	-	<b>20,255,153</b>

OTHER INFORMATION 31-12-2017	TELECOM- MUNICA- TIONS	COMMER- CIAL REAL ESTATE MA- NAGEMENT	ENGINE- RING AND TRANSPORT SERVICES	RAILWAY INFRASTRU. INVESTMENT ACTIVITY	RAILWAY INFRASTRU. MANA- GEMENT ACTIVITY	HIGH PER- FORMANCE	ROAD IN- FRASTRUC- TURE MANA- GEMENT ACTIVITY	TOTAL
<b>Assets</b>								
Concession Right	-	-	-	-	-	20,068,339		20,068,339
Grantor	-	-	-	5,625,542	-	-	-	5,625,542
Other assets	20,481	29,673	8,334	17,674	191,833	44,129	2,125,505	2,437,629
<b>Total Assets</b>	<b>20,481</b>	<b>29,673</b>	<b>8,334</b>	<b>5,643,216</b>	<b>191,833</b>	<b>22,237,973</b>		<b>28,131,510</b>
<b>Liabilities</b>								
Borrowings	-	-	-	2,874,493	2,817,414	2,597,911	-	8,289,818
Grants	-	-	-	24,594	-	10,158,468		10,183,062
Other liabilities	6,100	4,105	1,312	2,222	82,959	3,192,666	1,219,712	4,509,077
<b>Total Liabilities</b>	<b>6,100</b>	<b>4,105</b>	<b>1,312</b>	<b>2,901,309</b>	<b>2,900,373</b>	<b>17,168,757</b>		<b>22,981,957</b>

SEGMENT OPERATIONS (RECONCILIATIONS)	31-12-2018	31-12-2017
Reportable segments' revenue	1,190,151	1,201,041
Internal revenue	-5,300	-5,631
Other adjustments	-79	79
<b>Consolidated revenue</b>	<b>1,184,772</b>	<b>1,195,489</b>
Aggregate profit	113,363	128,272
Internal Expenses / Income	-2,500	-3,000
Other adjustments	-25,156	-19,279
<b>Consolidated profit or loss</b>	<b>85,707</b>	<b>105,993</b>
Segment assets	26,432,153	28,166,409
Internal balances	-75,518	-104,290
Other adjustments	19,594	69,391
<b>Consolidated assets</b>	<b>26,376,229</b>	<b>28,131,510</b>
Segment liabilities	20,319,815	23,061,556
Internal balances	-64,713	-79,490
Other adjustments	51	-109
<b>Consolidated liabilities</b>	<b>20,255,153</b>	<b>22,981,957</b>

## 7. TANGIBLE FIXED ASSETS

In the years ended 31 December 2018 and 31 December 2017, the movement in tangible fixed assets as well as in accumulated depreciation was as follows:

	LAND AND NATURAL RESOURCES	BUILDINGS AND OTHER CONSTRUCTIONS	BASIC EQUIPMENT	TRANSPORT EQUIPMENT	ADMINISTRATIVE EQUIPMENT	OTHER TANGIBLE FIXED ASSETS	WORK IN PROGRESS	TOTAL
<b>31 December 2017</b>								
Acquisition cost	7,042	165,964	58,368	11,687	23,007	7,637	1,888	275,594
Accumulated depreciation	-	-61,683	-48,204	-11,381	-22,563	-7,097	-	-150,928
<b>Net value</b>	<b>7,042</b>	<b>104,282</b>	<b>10,164</b>	<b>306</b>	<b>445</b>	<b>540</b>	<b>1,888</b>	<b>124,666</b>
Increases	-	-	2,310	23	1,228	42	2,613	6,216
Transfers	-	-83,528	1,332	-	-	-	-1,580	83,776
Write-offs/Corrections	-	-	-530	-188	-2,122	-9	-	-2,849
Depreciation – Financial year	-	-1,756	-2,924	-89	-458	-132	-	-5,359
Depreciation – Transfers	-	18,399	-	-	-	-	-	18,399
Depreciation - Write-offs/ Corrections	-	-	530	188	2,122	9	-	2,849
<b>Net value</b>	<b>7,042</b>	<b>37,397</b>	<b>10,882</b>	<b>239</b>	<b>1,214</b>	<b>450</b>	<b>2,920</b>	<b>60,146</b>
<b>31 December 2018</b>								
Acquisition cost	7,042	82,437	61,481	11,522	22,113	7,671	2,920	195,185
Accumulated depreciation	-	-45,040	-50,599	-11,282	-20,899	-7,220	-	-135,040
<b>Net value</b>	<b>7,042</b>	<b>37,397</b>	<b>10,882</b>	<b>239</b>	<b>1,214</b>	<b>450</b>	<b>2,920</b>	<b>60,146</b>

	LAND AND NATURAL RESOURCES	BUILDINGS AND OTHER CONSTRUCTIONS	BASIC EQUIPMENT	TRANSPORT EQUIPMENT	ADMINISTRATIVE EQUIPMENT	OTHER TANGIBLE FIXED ASSETS	WORK IN PROGRESS	TOTAL
<b>31 December 2016</b>								
Acquisition cost	7,042	165,598	55,641	11,531	23,428	7,455	2,712	273,407
Accumulated depreciation	-	-58,842	-45,452	-11,318	-22,597	-6,958	-	-145,167
<b>Net value</b>	<b>7,042</b>	<b>106,756</b>	<b>10,190</b>	<b>213</b>	<b>831</b>	<b>497</b>	<b>2,712</b>	<b>128,241</b>
Increases	-	66	2,113	188	123	154	464	3,108
Transfers	-	301	616	-	-	28	-1,348	-403
Write-offs/Corrections	-	-	-3	-32	-543	-	60	-518
Depreciation - Financial year	-	-2,841	-2,772	-96	-509	-139	-	-6,355
Depreciation - Transfers	-	-	-	-	29	-	-	29
Depreciation - Write-offs/Corrections	-	-	19	32	514	-	-	565
<b>Net value</b>	<b>7,042</b>	<b>104,282</b>	<b>10,164</b>	<b>306</b>	<b>445</b>	<b>540</b>	<b>1,888</b>	<b>124,666</b>
<b>31 December 2017</b>								
Acquisition cost	7,042	165,964	58,368	11,687	23,007	7,637	1,888	275,594
Accumulated depreciation	-	-61,683	-48,204	-11,381	-22,563	-7,097	-	-150,928
<b>Net value</b>	<b>7,042</b>	<b>104,282</b>	<b>10,164</b>	<b>306</b>	<b>445</b>	<b>540</b>	<b>1,888</b>	<b>124,666</b>

The IP Group holds a number of surplus plots of land resulting from its expropriation processes due to the construction of the National Road Network. Since the possibility of using or selling them depends on several legal and/or commercial contingencies, the Group considers these surplus assets to represent contingent assets and they are not recorded or disclosed until they are likely to generate an inflow of economic benefits to the company, at

which time they are recorded as Assets Held for Sale or Investment Properties, depending on their assigned intended use.

The transfer verified in the Buildings and Other Constructions item refers to the investment in construction of Gare Intermodal de Lisboa (note 16).

## 8. INTANGIBLE ASSETS

In the years ended 31 December 2018 and 31 December 2017, the movement in the value of intangible assets, as well as in accumulated amortisation, was as follows:

	CONCESSION RIGHT	SOFTWARE	OTHERS	TOTAL
<b>31 December 2017</b>				
Acquisition cost	22,381,852	30,240	2,170	22,414,263
Accumulated amortisation	-2,313,514	-27,489	-1,333	-2,342,335
<b>Net value</b>	<b>20,068,339</b>	<b>2,751</b>	<b>838</b>	<b>20,071,928</b>
Increases	530,727	506	27	531,260
Transfers	-	293	-	293
Amortisation - Financial year	-273,692	-324	-	-274,016
<b>Net value</b>	<b>20,325,374</b>	<b>3,226</b>	<b>865</b>	<b>20,329,465</b>
<b>31 December 2018</b>				
Acquisition cost	22,912,580	31,039	2,197	22,945,816
Accumulated amortisation	-2,587,206	-27,813	-1,333	-2,616,351
<b>Net value</b>	<b>20,325,374</b>	<b>3,226</b>	<b>865</b>	<b>20,329,465</b>

	CONCESSION RIGHT	SOFTWARE	OTHERS	TOTAL
<b>31 December 2016</b>				
Acquisition cost	21,866,422	28,687	2,156	21,897,265
Accumulated amortisation	-2,042,217	-26,839	-1,333	-2,070,389
<b>Net value</b>	<b>19,824,205</b>	<b>1,847</b>	<b>823</b>	<b>19,826,876</b>
Increases	515,430	1,150	15	516,595
Transfers	-	403	-	403
Amortisation - Financial year	-271,296	-649	-	-271,946
<b>Net value</b>	<b>20,068,338</b>	<b>2,751</b>	<b>838</b>	<b>20,071,928</b>
<b>31 December 2017</b>				
Acquisition cost	22,381,852	30,240	2,170	22,414,263
Accumulated amortisation	-2,313,514	-27,489	-1,333	-2,342,335
<b>Net value</b>	<b>20,068,338</b>	<b>2,751</b>	<b>838</b>	<b>20,071,928</b>

The value of the intangible assets refers essentially to the right resulting from the Road Concession Contract. The value of this right is increased through investments made under the contract.

Assets are calculated according to the percentage of completion of each works, regardless of whether this construction is directly carried out by the IP Group or under Public-Private Partnerships (PPP).

Of the EUR 531 million of investments in 2018, about EUR 512 million correspond to net payments of receipts from State concessions, EUR 17.4 million to IP Group's own work and EUR 1.5 million to sub-concessions.

These included capitalised financial charges amounting to EUR 20 million in 2018.

Amortisation for the year is calculated under IFRIC 12 by the equivalent unit method and refers to the value of the total investment that has already been made or will be made in the future, in the context of the concession between IP and the State, based on the economic and financial flows for the concession period. These figures have the same basis as the multi-annual financial model of IP with the changes mentioned in note 2.3.

The estimated total investment of the concession was based on the following main assumptions:

- The annual costs with the formerly toll-free motorways (former SCUT) are effective until 2032 and represent the best estimate based on the renegotiated contracts between the Negotiation Committee and the Concessionaires;
- The costs of construction under the Sub-Concession Contracts, valued at the cost of each baseline case, including the changes resulting from the Memoranda of Understanding;
- The costs of modernising and maintaining IP's own network;
- The remaining investments consist of installation and improvement of assets and studies, projects, supervision and assistance;
- The regular maintenance costs reflect the guidelines defined in 2014 by the former EP, resulting from the implementation of the strategic plan;
- The National Road Plan 2000 is implemented until 2040.

The total investment is amortised in accordance with the best estimate of the revenue to be generated during the concession period.

The estimated annual revenue was based on the following main assumptions:

- Road Service Contribution (RSC), until 2019, takes the best management estimate for these years. From 2020, the RSC evolves on the basis of an assumption of annual growth in petrol and diesel consumption of 0% and the evolution of unit values per litre consumed, according to the CPI (2%/year);
- Receipts from the tolls of sub-concessions are based on the baseline cases or on more recent traffic studies conducted by specialised consultants, available on the date of the review and approval of the economic and financial flows for the concession period. Following the reverting of the sub-concessions to IP, growth is considered according to the CPI, based on the latest year of these studies and baseline cases;
- After the formerly toll-free motorways revert to IP, growth is considered according to the CPI, based on traffic studies carried out by specialised technicians of the IP Group;
- In the State Concessions under the actual toll scheme, after the concessions revert to IP, growth is considered according to the CPI, based on the latest year of the respective base cases or traffic studies by specialised technicians of the IP Group;
- Overall, the remaining operating income (revenue from service areas, telematics and others) was estimated in 2018, as part of the revision of the economic and financial model for the concession period.

On the basis of these assumptions, the amortisation recorded in 2018 amounted to EUR 273.7 million.



## 9. INVESTMENT PROPERTIES

The movements in investment properties are as follows for the periods ending on 31 December 2018 and 31 December 2017.

INVESTMENT PROPERTIES	31-12-2018	31-12-2017
<b>Gross Assets</b>		
Opening balance	6,127	6,824
Disposals	-357	-696
Transfers	-45	-
Closing balance	5,726	6,127
<b>Accumulated depreciation</b>		
Opening balance	711	668
Increases	64	70
Disposals	-20	-27
Closing balance	755	711
Accumulated impairment	1,540	1,573
Net value	3,430	3,843

Investment properties consist of:

- 23 units held for lease in Sines, of which 13 have effective lease agreements (2017: 26 units/15 with effective lease);
- 3 units in Viana do Castelo (2017: 3 property units).
- 18 units located in Alfragide

In 2018, three units located in Sines were sold and generated capital gains of EUR 15,000 included respectively in the other income and other expenses items.

Also with regard to Sines, at 31 December 2018, Management assessed the possible existence of evidence that would trigger/reverse the existing impairments, as set out in the IAS 36, as well as available internal information, which is relevant to the following:

- Sales earnings of the year and respective margins;
- Relationship between the type of units sold, compared to those in portfolio;

- Firm purchase and sale contracts in 2018;
- Rents existing in the market in the lease zones;
- Purchase and sale contracts undergoing negotiation.

According to the previous analysis, no evidence was found to justify the preparation of new valuations, due to:

- Existing lease agreements remained stable.
- The properties in the portfolio, besides being located in the same area (Sines), are of similar types to those sold in the same period and in previous years; and
- The result of the sales of the three units in the period originated very similar results to the book value of real estate (net capital gains of EUR 15,000).

As a result, the fair value of investment properties in Sines amounts to EUR 3.706 million, which results from the study carried out by external evaluators, and supported internally by Management for the year ended on 31 December 2015.

In relation to the 3 properties located in Viana do Castelo, the potential existence of signs of a change in value was also verified, and it was concluded that there was no significant change in the value of the properties in question compared to the valuation carried out in 2017. The following specific aspects and characteristics relating to these properties were taken into account:

- i) The 3 properties and their garages are not being leased with any entity at present;
- ii) There were no transactions relating to these properties;
- iii) Management believes that the commercial units of these properties have specific characteristics that influence their market performance, such as their size (clearly larger than the majority of the stores in the market and on which the majority of the demand is focused), the layout and architecture of the units (polygonal areas with many pillars in their interiors), which influence the occupation of the areas and the possible separation thereof, as well as the legal composition of the units, making it unfeasible that in the event of purchase/lease a buyer/leaser will only acquire the commercial space, as they are "obliged" to buy/rent at least 4 parking spaces;
- iv) Although there were changes in the land management instruments for legal reasons, namely changes to the Viana do Castelo PDM (Municipal Development Plan), for legal reasons, it was confirmed that they had no impact on the properties in question;

v) Viana do Castelo is a city of little weight in the national commercial property market, which makes it extremely difficult to obtain reliable data or studies about the reality of this market segment in this city, although we analysed the evolution of sale prices for family houses per m<sup>2</sup>, and it was concluded that the price increases recorded were negligible (+ 0.7% compared to the final figures for 2017).

Considering the aforementioned aspects, the Management takes the view that any variation in the value of the properties that may have occurred was not significant and does not justify the updating of the valuations considered in 2017 for these properties, which amounted to approximately EUR 1.210 million.

The value of the investment properties located in Alfragide amounts to about EUR 98,000.

The following table presents the summary of the valuation techniques used as well as the identification of non-observable variables for assets, as well as the inter-relationships between these variables and the changes in fair value:

	VALUATION TECHNIQUES	NON-OBSERVABLE DATA	INTER-RELATIONSHIP BETWEEN NON-OBSERVABLE DATA
<b>Sines</b>	These investment properties were assessed according to the income method where, the potential unit rent is estimated on the basis of the local market rent. The rents are considered perpetual. The determination of the yield is essentially based on the characteristics (qualitative and quantitative) of the property and on the level of risk of real estate investment in the relevant market, which is reflected in the risk/yield ratio associated with the assets in question.	Rent/m <sup>2</sup> [€3 - €47.50] Yield [4.71% - 8.00%]	<ul style="list-style-type: none"> <li>• occupancy rate of spaces, the greater these are the higher fair value is, and vice versa</li> <li>• Changes in the price of the rental market, increases in value imply increases in fair value and vice versa;</li> <li>• The risk premium associated with the Yield, the higher it is, lower is fair value, and vice-versa</li> </ul>
<b>Viana do Castelo</b>		Rent - [€40]/car parking Rent/m <sup>2</sup> - Storage [€ 1.20] Yield [8.00%]	

## 10. DEFERRED TAX ASSETS AND LIABILITIES

The balances recognised on deferred taxes are presented in the Consolidated Statement of Financial Position at their gross value, at 31 December 2018 and 31 December 2017.

The Executive Board of Directors is convinced that the tax results generated in the future will enable the reversal of all deferred tax assets recorded.

The impact on the profit/loss of movements in deferred tax items in the financial years was as follows:

	31-12-2018	31-12-2017
<b>Impact on income statement</b>		
Deferred tax assets	40,844	89,924
Deferred tax liabilities	1	9
	<b>40,845</b>	<b>89,932</b>
<b>Impact on other comprehensive income</b>		
Deferred tax assets	94	-
Deferred tax liabilities	-	-
	<b>94</b>	<b>0</b>
	<b>40,939</b>	<b>89,932</b>

The movements in the deferred tax assets and liabilities for the financial years are as follows:

#### DEFERRED TAX ASSETS

	CLIENT ADJUSTMENTS	FINANCING EXPENSES	EMPLOYMENT BENEFITS	PROVISION FOR DISQUALIFIED ROADS	TAX LOSSES	VAT PROVISION	REGULAR MAINTENANCE	PENSIONS	INVENTORIES	INVESTMENT PROPERTIES	AMORTISATION OF CONCESSION RIGHT	OTHER ADJUSTMENTS	TOTAL
Balance at 31 December 2017	9	4,572	90	1,951	89	65,116	86,714	293	713	246	61,366	790	221,949
Balance on 1 January 2018	9	4,572	90	1,951	89	65,116	86,714	293	713	246	61,366	790	221,949
Restated IFRS 9	94	-	-	-	-	-	-	-	-	-	-	-	94
Balance on 1 January 2018 (Restated)	103	4,572	90	1,951	89	65,116	86,714	293	713	246	61,366	790	222,043
Set up / (reversals)	-13	13,184	18	-	-89	5,327	7,372	39	15	-10	15,140	-	40,981
Review of estimate	-	-137	-	-	-	-	-	-	-	-	-	-	-137
Balance at 31 December 2018	90	17,618	108	1,951	0	70,442	94,086	331	728	236	76,507	790	262,887

	CLIENT ADJUSTMENTS	FINANCING EXPENSES	EMPLOYMENT BENEFITS	PROVISION FOR DISQUALIFIED ROADS	TAX LOSSES	VAT PROVISION	REGULAR MAINTENANCE	PENSIONS	INVENTORIES	INVESTMENT PROPERTIES	AMORTISATION OF CONCESSION RIGHT	OTHER ADJUSTMENTS	TOTAL
Balance at 31 December 2016	18	0	76	1839	806	57,486	69,550	339	868	278	0	766	132,026
Set up / (reversals)	-9	4,572	13	-	-473	4,116	13,123	-63	-154	-32	61,366	-22	82,438
Change in tax rate	-	-	1	112	-	3,514	4,041	17	-	-	-	45	7,730
Review of estimate	-	-	-	-	-244	-	-	-	-	-	-	-	-244
Balance at 31 December 2017	9	4,572	90	1,951	89	65,116	86,714	293	713	246	61,366	790	221,949

## DEFERRED TAX LIABILITIES

	OUTROS
Balance at 31 December 2017	25
Set up / (reversals)	-1
Balance at 31 December 2018	24

	OUTROS
Balance at 31 December 2016	33
Set up / (reversals)	-9
Balance at 31 December 2017	25

## OTHER DIFFERENCES THAT DID NOT GENERATE DEFERRED TAX

At 31 December 2018 there are other temporary differences for which reversals are not expected in future years and which therefore do not result in deferred tax assets. We highlight existing impairments in other accounts receivable and inventories.



## 11. DEFERRALS

At 31 December 2018 and 2017 the Group has registered the following balances under deferrals:

DEFERRALS	NOTES	31-12-2018	31-12-2017
<b>Non-current expenses to be recognised</b>			
Other services		173	187
		<b>173</b>	<b>187</b>
<b>Current expenses to be recognised</b>			
Other services		1,512	715
		<b>1,512</b>	<b>715</b>
<b>Non-current income to be recognised</b>			
Investment grants - Road Concession Right	11.1	10,094,906	10,158,468
Long-term Concession Brisa		152,300	152,300
<i>Douro Litoral Concession Signature Fee</i>		115,312	122,999
<i>Greater Lisbon Concession Signature Fee</i>		19,833	21,000
Optical fibre contracts		740	1,021
Investment Grants – Gare Intermodal de Lisboa		-	24,223
		<b>10,383,091</b>	<b>10,480,011</b>
<b>Current income to be recognised</b>			
<i>Douro Litoral Concession Signature Fee</i>		7,687	7,687
<i>Greater Lisbon Concession Signature Fee</i>		1,167	1,167
Optical fibre contracts		803	858
Technical road channel		259	1,716
Investment Grants – Gare Intermodal de Lisboa		-	371
Other revenue		712	833
		<b>10,628</b>	<b>12,633</b>

The expenses to be recognised relate to payments of services contracted and not yet provided.

Concerning the increase in the item of expenditure to be recognised, this is justified by the increase in software licences (EUR 346,000) and by the deferral of civil liability insurance (EUR 431,000).

The income to be recognised essentially resulted from investment grants of EUR 10,095 million (see note 11.1) and prepayments from concessions amounting to EUR 296 million to be recognised in profit or loss over the period of the respective concession.

The amount related to the Road Technical Channel is significantly reduced in 2018 compared to 2017 due to the reduction in deferrals of this nature.

This change is justified by the change introduced in 2018, with the entry into force of a new tariff, in relation to the frequency with which invoices are issued. Until 2017, billing for the Technical Highway Channel was issued in the month in which the

operator was granted access to conduits for the reference period of one year, while in 2018 billing is issued to operators only until the end of the calendar year in question, irrespective of the month in which it is issued.

The decrease in the Gare Intermodal de Lisboa Investment Grants item results from the reclassification of works from Gare Intermodal de Lisboa's assets to Non-current Assets Held for Sale (note 16) by their value net of the grants that financed them.

## 11.1 Investment Grants - Road Concession Right

This item incorporates the investment grants received by the IP Group to finance the intangible assets relative to the Concession Right and not yet recognised through profit or loss. The movements occurred during the period ending on 31 December 2018 and 31 December 2017 are as follows:

	INVESTMENT GRANTS
<b>31 December 2017</b>	<b>10,158,468</b>
Increases	-
Write-offs	-
Allocation to income (note 2.2)	-63,562
<b>31 December 2018</b>	<b>10,094,906</b>

	INVESTMENT GRANTS
<b>31 December 2016</b>	<b>10,221,365</b>
Increases	-
Write-offs	-78
Allocation to income (note 2.2)	-62,819
<b>31 December 2017</b>	<b>10,158,468</b>

## 12. INVENTORIES

At 31 December 2018 and 31 December 2017 this item is detailed as follows:

DESCRIPTION	NOTAS	31-12-2018	31-12-2017
Raw materials and consumables	12.1	62,187	43,644
Finished products (properties)	12.2	7,282	7,282
Freight		220	260
Impairments accumulated in inventories		-3,833	-4,765
Construction Contracts		-	117
<b>Inventories</b>		<b>65,855</b>	<b>46,538</b>

### 12.1 Raw Materials and Consumables

The raw materials and consumables item refers to the various types of materials that are incorporated into the maintenance and construction of railway infrastructure.

On the date of reporting of accounts, a physical inventory was taken with the aim of quantifying the adjustment of inventory losses. Thus, impairment refers to:

- i. materials that are obsolete or technically depreciated and which cannot be used for the activity of the IP Group and may be sold if an interested buyer is found; and
- ii. the comparison between the market price of materials and the value at which they are registered.

Consumption costs of rail materials amounted to EUR 10.302 million (EUR 15.840 million in 2017).

The analysis carried out at the end of 2018 resulted in the increase of the impairment adjustment of inventories by EUR 997,000 (note 27).

### 12.2 Finished Products

The finished product item refers to land and the units for housing and trade in Sines.

The inventories were the subject of impairment tests carried out according to the income method, which is to plan the future cash flows associated with the various projects and update them at a rate that reflects their risk.

In the future cash flow projection, future returns are estimated using the market-based comparative method, which consists of determining the current value of the properties compared with similar ones, of which their price on the real estate market and their relevant characteristics are known.

With regard to the cost projection, these are designed in accordance with the constructive reality of the real estate properties and the area in question.

With regard to the discounted cash flow update rate, it is the result of the use of a risk-free return rate, based on government bonds with a maturity similar to the time horizon of projects, associated with a risk premium.

The summary of the variables considered previously is shown below:

	31-12-2018	31-12-2017
Discount rate (annual)	8%	11%
Cash flow margin - [Cash Flow/ (Future income)]	17%	19%

There was an increase in impairments of EUR 66,000 from the previous figures (note 27).

The impact on impairment is mainly due to the fact that a 15% increase in income associated with the projects was estimated in relation to the same period last year, while the estimated expenses show an increase of 18% over the same period last year, which was not sufficient given the favourable evolution of the update rate used.

If the discount rate were to change 1% in this context, there was a variation in the value of the properties of around EUR 311,000 contrary to the change in the rate.



## 13. TRADE RECEIVABLES (CLIENTS) AND OTHER ACCOUNTS RECEIVABLE

At 31 December 2018 and 31 December 2017 this item is broken down as follows:

	NOTES	31-12-2018	31-12-2017
<b>Current</b>			
Other accounts receivable	13.1	141,424	163,056
Trade receivables (Clients)	13.2	73,015	76,213
		<b>214,439</b>	<b>239,268</b>

Trade receivables (Clients) and other accounts receivable are current balances and are therefore close to their fair value.

### 13.1 Other Accounts Receivable

The balance of other accounts receivable at 31 December 2018 and 31 December 2017 is broken down as follows:

	NOTES	31-12-2018	31-12-2017
Accrued Income - Road Service Contribution		74,076	83,555
Railway Operators	32.4	1,206	4,758
Sundry		72,764	80,704
Accumulated impairment		-6,623	-5,961
		<b>141,424</b>	<b>163,056</b>

The Accrued Income - Contribution Road Service item corresponds to the recognition of the revenue charged by the TA and not yet delivered to the Group.

The Other Accounts Receivable - Miscellaneous item relates to, among others:

- Provision of guarantee (cash collateral) in the amount of EUR 28,126,000 relating to proceedings brought by the Tax Authority concerning 2012 VAT.
- Protocols with several municipalities regarding the construction and redevelopment of various infrastructure, of which we highlight, Viana do Castelo, Cascais, Fundão, Lisbon and Coimbra in the amount of EUR 12.107 million (EUR 19.326 million in 2017). It should be noted that the value for the Municipality of Aveiro referring to the Protocol for the Construction of the New Aveiro Railway Station – Road/Rail interchange, Urban Renewal of the Surrounding Area, which dates back to 2011, was fully settled during the 2018 financial year.

## 13.2 Trade Receivables (Clients)

At 31 December 2018 and 31 December 2017 this item is broken down as follows:

	NOTES	31-12-2018	31-12-2017
<b>Current</b>			
Other related parties	32.4	10,242	5,344
Sundry		45,263	47,047
Tolls		21,272	28,095
		<b>76,776</b>	<b>80,485</b>
Accumulated impairment		<b>-3,761</b>	<b>-4,273</b>
<b>TOTAL</b>		<b>73,015</b>	<b>76,213</b>

The debits charged to other related parties (CP) and Sundry – (the railway operators Fertagus, Targago and Medway), essentially include the tariff for the use of the infrastructure charged to operators and also the debits paid to operators for other services rendered related to the rail operations: manoeuvres, capacity demanded and not used, parking of rolling stock and other services.

The age of trade receivable (client) balances at 31 December 2018 and 31 December 2017 were as follows:

AGE OF BALANCES AT 31-12-2018	TOTAL DEBT	UP TO 30 DAYS	30 TO 180 DAYS	181 TO 360 DAYS	OVER 361 DAYS
Trade receivables (Clients)	<b>76,776</b>	31,237	8,164	2,433	34,942
Impairment	<b>-3,761</b>	-	-	-	-3,761
<b>Total</b>	<b>73,015</b>	<b>31,237</b>	<b>8,164</b>	<b>2,433</b>	<b>31,181</b>

AGE OF BALANCES AT 31-12-2017	TOTAL DEBT	UP TO 30 DAYS	30 TO 180 DAYS	181 TO 360 DAYS	OVER 361 DAYS
Trade receivables (Clients)	<b>80,485</b>	31,890	7,900	3,720	36,977
Impairment	<b>-4,273</b>	-	-	-	-4,273
<b>Total</b>	<b>76,213</b>	<b>31,890</b>	<b>7,900</b>	<b>3,720</b>	<b>32,704</b>

In relation to the probability of collection, we consider that the amounts due from municipalities, local authorities and other public entities or in which the State has a direct or indirect stake are likely to be recovered in full despite their arrears, since they are debts duly recognised by those entities.

## 14. GRANTOR - STATE - ACCOUNT RECEIVABLE

The breakdown of the Financial Asset underlying the rail concession at 31 December 2018 and 31 December 2017 is as follows:

	31-12-2018	31-12-2017
Concessed assets (LDI)	9,291,768	8,852,883
Interest charged	1,636,433	1,543,005
Grants	-4,533,476	-4,458,553
Impairment	-305,200	-305,200
Return on assets	-6,981	-6,593
Receipts	-2,315,387	-
	<b>3,767,157</b>	<b>5,625,542</b>

Assets under concession, known as Long-Duration Infrastructure (LDI) form part of the Public Railway Domain, with the IP Group having access to them to provide the public service of Infrastructure Management. As such, they are recorded in the Consolidated Statement of Financial Position item as "Concession - State - Account Receivable", as they constitute an unconditional right to receive money from the State for the investments made.

In addition to the acquisitions and construction made subsequent to the merger of CP – Comboios de Portugal, E.P.E., as provided for in Decree-Law 104/97, of 29 April, these assets include the property belonging to extinct entities (Gabinete do Nó Ferroviário de Lisboa, Gabinete do Nó Ferroviário do Porto and Gabinete de Gestão das Obras de Instalação do Caminho-de-Ferro na Ponte sobre o Tejo) and property transferred from the said company, deemed as assets of the public railway domain.

The increase resulting from grants directly allocated to the Group for the development of the railway infrastructure is included in the net increase of EUR 74.923 million from European Structural and Investment Funds (EUR 398,000 from ERDF and EUR 59.974 million from the Cohesion Fund, EUR 1.425 million from CEF-GERAL and EUR 13.126 million from CEF-Coessão), which corresponds to advances and repayments of applications appro-


ved in the 2014-2020 planning period (COMPETE 2020 and CEF programmes).

The Return on assets item is the result of the obligation, expressed in the joint orders from the Ministries of Finance, Infrastructure and Housing, to authorise the public railway domain separation and that the results of the sales are deducted from the amounts receivable from the Grantor.

In the current year, interest was charged to the Grantor amounting to EUR 93.428 million (2017: EUR 94.727 million) and the respective financial consideration is offset under the Financial Gains – interest earned – Grantor – State item (note 30).

When REFER was set up, the paid-in capital was carried out in kind with the delivery of the railway infrastructure then valued at EUR 62.350 million. From 1998 to 2001, the Portuguese State increased the statutory capital of REFER in the total of EUR 242.850 million. These increases were intended, as set out in each joint approval package, to finance investments in long-duration infrastructure forming the public railway domain.

On the date of incorporation, the public domain assets were registered as fixed assets (tangible fixed assets in the then accounting standards – POC) of REFER, and so the consideration for the capital injection was the recognition of those same assets.



With the adoption of IFRIC 12, these figures take the form of repayment in due time for investments in the long-duration infrastructure by the concessionaire, totalling EUR 305.200 million (initial contribution in kind, plus the capital increases that occurred between 1998 and 2001).

Consequently, this value will no longer be reimbursed by the State/Grantor, and the amount of EUR 305.200 million is impaired.

The decrease recorded in relation to the same period of the previous year is mainly due to the receipt from DGTF of EUR 2,315 million.

This offsetting transaction between the DGTF and the Group was made following the provisions of article 129 of the State Budget 2018 Law, and consisted of offsetting the amount receivable by the Group recorded under the Grantor - State - Account Receivable item and the value of the debt servicing for State loans granted by the DGTF to finance the railway activity, as described in note 3.

## 15. GOVERNMENT AND OTHER PUBLIC BODIES

At 31 December 2018 and 31 December 2017 this item is detailed as follows:

	31-12-2018		31-12-2017	
	PAYABLE	RECEIVABLE	PAYABLE	RECEIVABLE
CORPORATE INCOME TAX	-	19,878	16	47,797
<b>Total current tax assets and liabilities</b>	<b>0</b>	<b>19,878</b>	<b>16</b>	<b>47,797</b>
Personal income tax - Withholding tax	-	1,744	-	1,694
VAT	1,286,907	235	1,424,709	669
Contributions to Social Security, CGA pension and ADSE health systems	-	6,732	-	7,044
Other taxes and charges	77	12	104	14
<b>Total Government and other public bodies</b>	<b>1,286,984</b>	<b>8723</b>	<b>1,424,813</b>	<b>9,421</b>

The corporate income tax payable/receivable balance for the indicated periods is as follows:

	31-12-2018		31-12-2017	
	PAYABLE	RECEIVABLE	PAYABLE	RECEIVABLE
Withholding tax	-	-35	-	-30
Special payment on account	-	-	16	-
Payments on account and additional payments on account	-	-48,329	-	-28,391
Tax estimate	-	68,485	-	76,316
RETGS benefit	-	-243	-	-98
<b>Total current tax assets and liabilities</b>	<b>0</b>	<b>19,878</b>	<b>16</b>	<b>47,797</b>

The IRS - Withholdings and Contributions for SS, CGA and ADSE balances correspond to the processing of the maturities of December 2018, already settled in January 2019.

In the Government and other public bodies item, the VAT receivable corresponds to the amount of EUR 1,258.775 million, of which repayment requests of EUR 227.562 million have already been made in 2009 and for the period from January 2008 to October 2009. This balance is essentially the result of the VAT deducted by former EP and IP in its road activity. The company considers it is entitled to this deduction since the State collected VAT on a revenue of IP - the Road Service Contribution -, which in accordance with the legally established mechanisms for its settlement and collection, was paid to the company by the fuel distributors.

IP has two ongoing legal proceedings. The first is relative to the application for repayment of VAT up to June 2009 and the second relative to the request for the refund of VAT from July to September and deduction of October 2009.

The first case, concerning the request for reimbursement of VAT up to June 2009, was refused by the Tax and Customs Authority which issued notifications of additional VAT payments and interest in the amount of EUR 277.124 million and EUR 11.697 million, respectively.

Not agreeing with these demands for payment due to the fact that it considered them unfounded, on 30 November 2010 the former EP filed a challenge in Almada Administrative and Tax Court to the rejection of the hierarchical appeal. The challenge by the former EP was considered inadmissible by the

court of first instance, in January 2013. The former EP did not agree with the decision, and filed its appeal on 6 March 2013.

The second case, with respect to the request for the refund of VAT for July to September and deduction of October 2009, which was also rejected by the Tax Authority, also resulted in the issue of additional demands for VAT and interest payments of EUR 64.506 million and EUR 763,000 respectively. On 29 July 2011, the former EP filed a challenge in Almada Administrative and Tax Court to the ruling out of a hierarchical appeal. The challenge by the former EP was considered inadmissible in the court of first instance, in January 2013. The former EP did not agree with the decision, and filed its appeal on 11 March 2013.

In this second case, the appeal was filed and IP was notified on 17 October 2017 of the Ruling repealing the appealed decision and considered the legal challenge of EP to be wholly valid, and it annuls in full all the additional demands for VAT issued by the Tax Authority. The Treasury appealed, claiming various errors in that ruling. These were considered wholly inadmissible on 26 January 2018.

An appeal was filed by the Tax Authority on 1 March 2018, to the Supreme Administrative Court, and the appeal was accepted for consideration. This is a review appeal of an exceptional nature, which envisages that the decision taken by the court may be reviewed whenever the analysis of an issue which, due to its legal or social importance, is of fundamental importance or when the review is necessary for better application of the law. This appeal was rejected by the TCAS on 18 October 2018.

An appeal filed by the Treasury was also admitted by the Supreme Administrative Court. We are currently waiting for the decision.

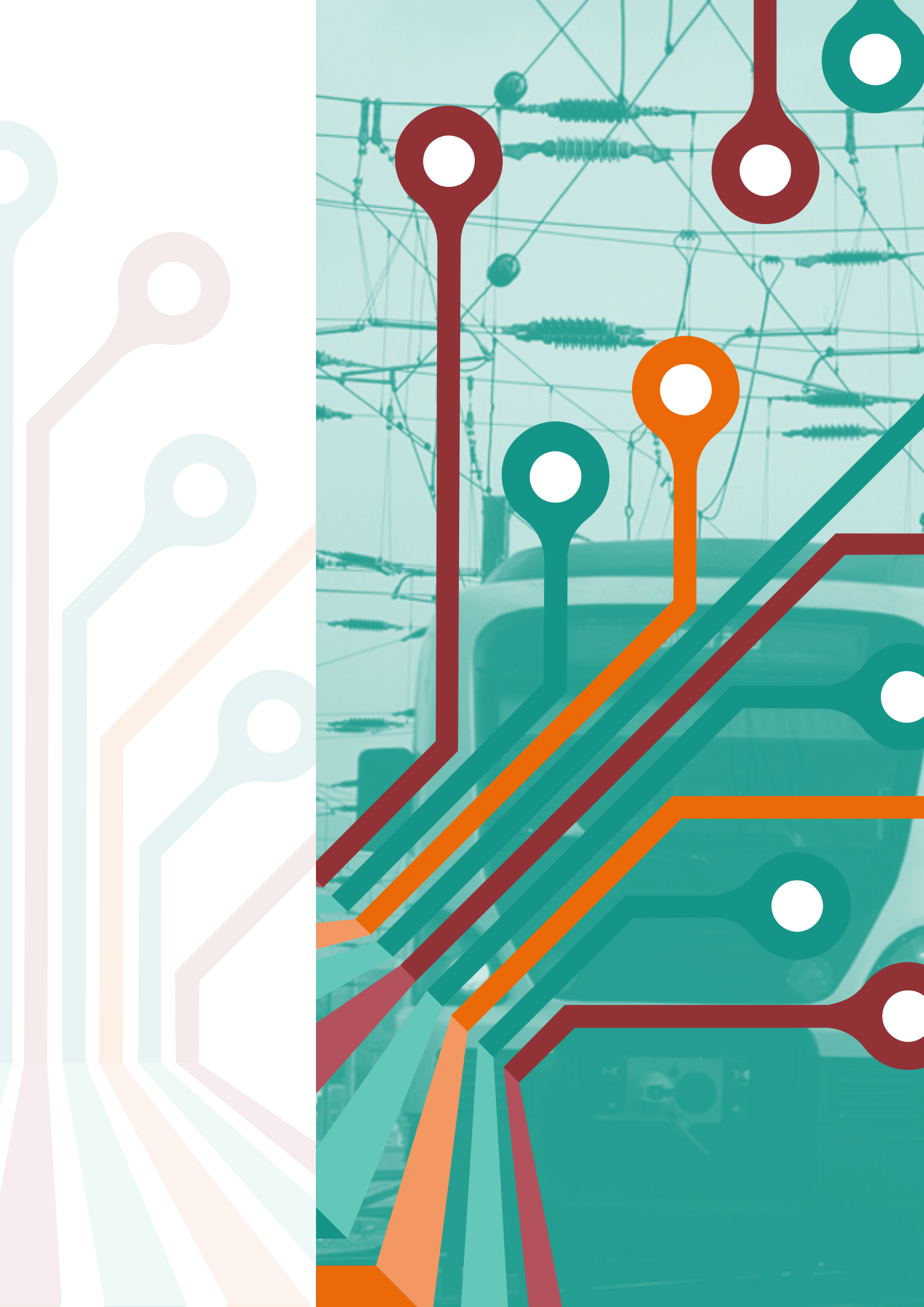
In the course of the usual annual tax inspection process, the Tax and Customs Authority has been making corrections on the same basis as those described for the above proceedings. IP has followed the complaints process, maintaining its position also in the terms described above. The situation of the proceedings for each year inspected are as follows:

YEAR	PROCEEDINGS PHASE	PHASE DATE	ADDITIONAL TAX SETTLEMENTS	INTEREST
2011	Judicial challenge of the rejection of the hierarchical appeal	22-05-2018	195,514	29,412
2012	Judicial challenge of the rejection of the hierarchical appeal	22-05-2018	188,756	2,867
2013	Hierarchical Appeal	19-09-2018	171,213	13,300
2014	Notification of Final Decision Refusal of Administrative Appeal	29-03-2019	248,308	12,475
2015 (January to May) <sup>a)</sup>	Tax Inspection Report	14-02-2019	121,043	4,164

<sup>a)</sup> Regarding the period prior to the merger (NIF, formerly EP)

As a result of the described evolution of the VAT case, the IP Group increased the provision in the first half of 2018 by EUR 17.712 million, taking its cumulative value at 31 December 2018 to EUR 366.479 million, which corresponds to the VAT which the IP Group estimates it will cease to receive from the Tax Authority if it is considered that the RSC is not income liable for VAT (note 19).

In addition, it should be noted that the corrected values of the Tax Authority and not provisioned for by the Group mainly result from the value of VAT deducted from the State concession network, so that, if the Tax Authority's interpretation is backed by the Court, the consideration of the additional expense for the Group will always be an increase of its intangible assets, without a direct impact on the profit or loss of the year, only impacting on future years by an increase in the amortisation of that asset.



## 16. NON-CURRENT ASSETS HELD FOR SALE

The non-current assets held for sale essentially correspond to the construction investment by Gare Intermodal de Lisboa, deducted from the directly attributed grants, which, following the recent reorganisation of the Group, are expected to be included in the Grantor, since it is Public Railway Domain.

## 17. CASH AND CASH EQUIVALENTS

The cash and cash equivalents shown in the cash flow statement for the financial years ending on 31 December 2018 and 31 December 2017 are reconciled with the amounts shown in the consolidated statement of financial position, as follows:

	31-12-2018	31-12-2017
Bank deposits	121,805	350,195
Other investments	200,000	0
Cash	118	127
<b>Cash and Cash Equivalents in the Consolidated Statement of Financial Position</b>	<b>321,923</b>	<b>350,322</b>
Accounting Overdrafts	-7,077	-252
<b>Cash and Cash equivalents in the Consolidated Cash Flow Statement</b>	<b>314,846</b>	<b>350,070</b>

Accounting overdrafts in the Consolidated Statement of Financial Position are shown in liabilities under the borrowings item.

At 31 December 2018, there was no restriction on the movement of these amounts.



## 18. SHARE CAPITAL AND RESERVES

### i) SHARE CAPITAL

The share capital is represented by nominative shares in book-entered form, owned by the Portuguese State and held by the Directorate-General for Treasury and Finance.

At 31 December 2017, the share capital was EUR 4,925,375,000 fully subscribed and paid up by its shareholder, corresponding to 985,075 shares with a nominal value of EUR 5,000 each.

During the 2018 financial year, the share capital was increased in February, April, June and December in the amount of EUR 450 million, EUR 145 million, EUR 145 million and EUR 146.135 million, by issuing 90,000, 29,000, 29,000 and 29,227 new shares respectively, to make up the amount of EUR 5,811,510,000 corresponding to 1,162,302 fully subscribed and paid-up shares.

The basic/diluted earnings per share is as follows:

	31-12-2018	31-12-2017
Profits allocated to shareholders (in euros)	109,287,315	122,919,182
Average number of shares during the period	1,125,689	936,742
Average number of diluted shares during the period	1,125,689	936,742
Basic earnings per share (in euros)	97.08	131.22
Diluted earnings per share (in euros)	97.08	131.22

The basic and diluted earnings per share is EUR 97.08 as there are no dilution factors.

The IP Group calculates its basic and diluted earnings per share by using the weighted average of the shares in circulation during the reporting period, as follows:

	(NO. OF SHARES)
January 2018	985,075
February 2018	1,075,075
April 2018	1,104,075
June 2018	1,133,075
December 2018	1,162,302
<b>Weighted average of shares in circulation</b>	<b>1,125,689</b>

### ii) RESERVES

Reserves can be broken down as follows:

	31-12-2018	31-12-2017
Legal reserve	33,821	2,005
Other variations	-95	-95
Donations	4	-
	<b>33,730</b>	<b>1,909</b>

With regard to legal reserves, commercial legislation establishes that at least 5% of the annual net profit is allocated to increase the legal reserve until it represents at least 20% of the share capital. This reserve is not distributed unless the Group is liquidated, but it can be used to absorb losses after the other reserves are exhausted, or incorporated into capital.

# 19. PROVISIONS

The evolution of provisions for other risks and charges for the years ended 31 December 2018 and 2017 was as follows:

	GENERAL RISKS	EXPROPRIATIONS	CONTRACTS	EMPLOYEE BENEFITS	DISQUALIFIED ROADS	WORKS AT NEGOTIATION PHASE	VAT PROCEEDING	TOTAL
At 31 December 2017	39,766	25,088	45,438	936	408,882	561	348,766	869,437
Increase/Reinforcement	9,397	1,014	12,438	159	-	-	17,712	40,720
Reduction/Use	-9,332	-4,157	-5,071	-35	-130	-561	-	-19,286
At 31 December 2018	39,830	21,945	52,805	1,061	408,752	0	366,479	890,872
Non-current balance	39,830	21,945	52,805	1,061	408,752	-	366,479	890,872

	GENERAL RISKS	EXPROPRIATIONS	CONTRACTS	EMPLOYEE BENEFITS	DISQUALIFIED ROADS	WORKS AT NEGOTIATION PHASE	VAT PROCEEDING	TOTAL
At 31 December 2016	44,250	36,301	33,216	1,151	409,280	561	333,968	858,728
Increase/Reinforcement	4,354	3,022	17,017	-	185	-	14,798	39,376
Reduction/Use	-8,839	-14,236	-4,794	-215	-584	-	-	-28,667
At 31 December 2017	39,766	25,088	45,438	936	408,882	561	348,766	869,437
Non-current balance	39,766	25,088	45,438	936	408,882	561	348,766	869,437

## PROVISIONS FOR ONGOING LEGAL PROCEEDINGS

### GENERAL RISKS:

A risk of EUR 39.830 million was accepted by the Legal Affairs Department at 31 December 2018 inherent to the potential liabilities of general litigation proceedings unconnected to works.

### EXPROPRIATIONS:

This provision was set up to deal with the risk of the IP Group having to make additional payments relating to the road expropriation processes that are under litigation. This is the result of the consultations conducted by the Legal Department of the external and internal lawyers of the cases.

It should be noted that, by its nature, the total increases and reductions in this provision are offset by intangible assets in progress.

### CONTRACTS:

In the case of general disputes connected with road contract works, the analysis by external and internal lawyers of the cases produced an estimate of EUR 52.805 million. This is influenced by the strengthening of the provision in 2018 by around EUR 12.438 million corresponding to the risk associated with new cases opened and not closed during the year. It should be noted that, by its nature, the total increases and reductions of this provision are offset by intangible assets.

### VAT PROCEEDING:

It was decided in 2010 for prudence and as a result of the evolution of the VAT proceeding described in note 15 to set up a provision for the VAT proceeding for the estimated impact of a decision unfavourable to the Group.

Since the issue giving rise to the dispute between the former EP and the Tax Authority was the acceptance or not of the RSC as income liable for VAT, a provision was set up which is equivalent to the amount of VAT deducted by the former EP and by IP in activities financed by the RSC. It should also be noted that the consideration of this provision was based on the accounting classification of the expenditure that resulted in the deductible VAT, i.e. VAT deducted from the financial year's expenses was provisioned against costs (EUR 17.045 million) and VAT deducted from the acquisition or construction of assets was provisioned by being offset against intangible assets (EUR 667,000).

#### **PROVISIONS FOR OTHER NON-LITIGATION SITUATIONS**

##### **PROVISION FOR DISQUALIFIED ROADS:**

The IP Group is required to transfer disqualified roads within the National Road Plan to the responsibility of municipalities, having set up a provision which reflects the best estimate to fulfil the obligations of renovating disqualified roads still under the company's responsibility. The entering of the transfer protocols with the Municipalities led to the utilisation of this provision in the amount of EUR 130,000 in 2018.

##### **PROVISION FOR CONTRACTS AT NEGOTIATION PHASE:**

This provision corresponds to payments foreseen to settle claims relating to road contracts, which are still being negotiated in the pre-litigation phase.

#### **EMPLOYEE BENEFITS:**

The IP Group grants temporary early retirement benefits and retirement and survival pension benefits to its employees, which at 31 December 2018 totalled EUR 1.061 million.

The complementary retirement and survival pension benefits attributed to the employees constitute a defined benefit plan under which the Group pays early retirement pensions to a closed group of employees covered by the plan until such time as they retire under the Caixa Geral de Aposentações system.

This provision refers to liabilities for benefits attributed to a small group of beneficiaries, about 33, for a limited period of time. It was therefore the Executive Board of Directors' opinion that it was not necessary to have the annual liabilities assessed by a specialised firm, as this could be done internally.

## 20. BORROWINGS

### 20.1 Borrowings

The following breakdown of current and non-current loans at 31 December 2018 and 31 December 2017 is presented below:

	31-12-2018	31-12-2017
<b>Non-current loans</b>		
Borrowings	2,641,345	3,221,317
<b>Current loans</b>		
Borrowings	633,531	141,629
	<b>3,274,876</b>	<b>3,362,946</b>

The terms and timing of repayment are as follows:

ACTIVITY	NAME	DATE OF SIGNATURE	AMOUNT CONTRACTED	OUTSTANDING CAPITAL	AMORTISATION			INTEREST RATE SCHEME	INTEREST RATE	FREQUENCY
					START DATE	END DATE	FREQUENCY			
Railway	CP III North Line-B	14-07-1997	49,880	13,301	15-06-2008	15-06-2022	Annual	EIB variable, may not exceed 3M Euribor+0.15%	0.00%	15/Mar 15/Jun 15/Sept 15/Dec
Railway	Rail Crossing of the River Tagus-B	14-11-1997	99,760	0	15-09-2003	15-09-2017	Annual	EIB variable, may not exceed 3M Euribor+0.15%	0.00%	15/Mar 15/Jun 15/Sept 15/Dec
Railway	CP III North Line-D	10-11-2000	25,937	12,104	15-09-2011	15-09-2020	Annual	EIB variable, may not exceed 3M Euribor+0.15%	0.00%	15/Mar 15/Jun 15/Sept 15/Dec
Railway	Connection to Algarve-A	08-10-2001	90,000	48,000	15-09-2012	15-09-2021	Annual	EIB variable, may not exceed 3M Euribor+0.12%	0.00%	15/Mar 15/Jun 15/Sept 15/Dec
Railway	Minho Line-B	08-10-2001	59,856	31,923	15-09-2012	15-09-2021	Annual	EIB variable, may not exceed 3M Euribor+0.12%	0.00%	15/Mar 15/Jun 15/Sept 15/Dec
Railway	CP III/2 North Line-A	02-10-2002	100,000	70,000	15-03-2013	15-03-2022	Annual	EIB variable, may not exceed 3M Euribor+0.12%	0.00%	15/Mar 15/Jun 15/Sept 15/Dec
Railway	CP III/2 North Line-B	02-06-2004	200,000	150,000	15-12-2014	15-12-2023	Annual	EIB variable, may not exceed 3M Euribor+0.15%	0.00%	15/Mar 15/Jun 15/Sept 15/Dec
Railway	Suburban	28-10-2004	100,000	52,381	15-06-2009	15-06-2024	Annual	EIB variable, may not exceed 3M Euribor+0.15%	0.00%	15/Mar 15/Jun 15/Sept 15/Dec
Railway	Suburban B	14-12-2005	100,000	57,143	15-09-2010	15-09-2025	Annual	Fixed adjustable	3.615%	15/Sept
	<b>to carry forward</b>		<b>825,433</b>	<b>434,852</b>						

ACTIVITY	NAME	DATE OF SIGNATURE	AMOUNT CONTRACTED	OUTSTANDING CAPITAL	AMORTISATION			INTEREST RATE SCHEME	INTEREST RATE	FREQUENCY
					START DATE	END DATE	FREQUENCY			
	<b>carried forward</b>		<b>825,433</b>	<b>434,852</b>						
Railway	Suburban C	12-10-2006	55,000	34,048	15-03-2011	15-03-2026	Annual	Fixed adjustable	4.247%	15/Mar
Railway	Connection to Algarve-B	02-10-2002	30,000	18,000	15-03-2013	15-03-2022	Annual	EIB variable, may not exceed 3M Euribor+0.12%	0.00%	15/Mar 15/Jun 15/Sept 15/Dec
Railway	CP III 2 North Line-C	11-12-2009	100,000	90,000	15-06-2017	15-06-2026	Annual	Fixed adjustable	1.887%	15/Jun
Railway	CP III 2 North Line-D	12-07-2007	100,000	90,000	15-12-2017	15-12-2026	Annual	3M Euribor+0.435%	0.172%	15/Mar 15/Jun 15/Sept 15/Dec
Road	EIB- Roads 2009-2019	17-12-2009	200,659	140,461	15-06-2014	15-06-2029	Half-yearly	Fixed	2.189%	15/Jun 15/Dec
Railway	Refer V	04-08-2008	160,000	120,000	15-03-2014	15-03-2033	Annual	Fixed adjustable	2.653%	15/Mar
Railway	Refer VI	10-09-2009	110,000	77,000	15-09-2013	15-09-2032	Annual	Fixed adjustable	2.271%	15/Sept
Railway	Eurobonds 06/26	10-11-2006	600,000	599,364	16-11-2026		Bullet	Fixed	4.047%	16/Nov
Railway	Eurobonds 09/19	13-02-2009	500,000	499,937	18-02-2019		Bullet	Fixed	5.875%	18/Feb
Railway	Eurobonds 09/24	16-10-2009	500,000	498,877	16-10-2024		Bullet	Fixed	4.675%	18/Oct
Railway	Eurobonds 06/21	11-12-2006	500,000	498,787	13-12-2021		Bullet	Fixed	4.25%	13/Dec
Road	Eurobonds 10/30	09-07-2010	125,000	121,022	13-07-2030		Bullet	Fixa Fixed	6.45%	13/Jul
	<b>External Financing</b>	<b>TOTAL</b>	<b>3,806,092</b>	<b>3,222,347</b>						
	<b>Accrued interest</b>			<b>45,453</b>						
	<b>Accounting overdrafts</b>			<b>7,077</b>						
	<b>TOTAL</b>			<b>3,274,876</b>						

Interest on these loans is quarterly, half-yearly or annually and paid in arrears.

In EIB loans, the principal amount of capital is reimbursed periodically after the grace period. The remaining Eurobonds will be fully amortised at maturity (bullet).

At 31 December 2018, loans that benefitted from the State's guarantee totalled a nominal value of EUR 2,604 million (2017: EUR 2,700 million).

## 20.2 Shareholder Funding/ Shareholder Loans

At 31 December 2018 and 31 December 2017, the shareholder funding/shareholder loans item is broken down as follows:

	31-12-2018	31-12-2017
<b>Non-current loans</b>		
State Loan	272,528	534,390
<b>Empréstimos correntes</b>		
State Loan	2,354,537	4,392,482
	<b>2,627,065</b>	<b>4,926,872</b>

No new bank loans/shareholder loans were raised during 2018, as the shareholder assured the financing needs through capital increases (note 18).

The reduction in the value of State loans/Shareholder loans was due to the amortisation of State loans allocated to the railway activity in the amount of EUR 2,200 million. For this amortisation,

the offsetting transaction concluded with the Portuguese State (note 14) and regulated by the State Budget Law 2018 (Law 71/208 of 31 December) was decisive.

These loans bear interest at different flat rates, agreed with the DGTF, in accordance with the respective deadlines and amounts. Details are given below:

ACTIVITY	NAME	DATE OF SIGNATURE	AMOUNT CONTRACTED	OUTSTANDING CAPITAL	AMORTISATION			INTEREST RATE SCHEME	INTEREST RATE	FREQUENCY
					START DATE	END DATE	FREQUENCY			
Railway	Portuguese State Loan	24-05-2013	282,937	94,312	31-05-2015	30-11-2020	Half-yearly	Fixed	2.10%	31/May 30/Nov
Railway	Portuguese State Loan	24-05-2013	21,723	7,241	31-05-2015	30-11-2020	Half-yearly	Fixed	2.27%	31/May 30/Nov
Railway	Portuguese State Loan	24-05-2013	23,394	7,798	31-05-2015	30-11-2020	Half-yearly	Fixed	2.35%	31/May 30/Nov
Railway	Portuguese State Loan	24-05-2013	102,488	34,163	31-05-2015	30-11-2020	Half-yearly	Fixed	2.44%	31/May 30/Nov
Railway	Portuguese State Loan	24-05-2013	20,000	6,667	31-05-2015	30-11-2020	Half-yearly	Fixed	2.15%	31/May 30/Nov
Railway	Portuguese State Loan	13-11-2013	37,000	12,333	31-05-2015	30-11-2020	Half-yearly	Fixed	1.86%	31/May 30/Nov
Railway	Portuguese State Loan	13-11-2013	293,000	97,667	31-05-2015	30-11-2020	Half-yearly	Fixed	1.88%	31/May 30/Nov
Railway	Portuguese State Loan	13-11-2013	24,000	8,000	31-05-2015	30-11-2020	Half-yearly	Fixed	1.96%	31/May 30/Nov
Railway	Portuguese State Loan	27-05-2014	15,000	7,500	31-05-2016	30-11-2021	Half-yearly	Fixed	2.43%	31/May 30/Nov
	<b>to carry forward</b>		<b>819,542</b>	<b>275,681</b>						

ACTIVITY	NAME	DATE OF SIGNATURE	AMOUNT CONTRACTED	OUTSTANDING CAPITAL	AMORTISATION			INTEREST RATE SCHEME	INTEREST RATE	FREQUENCY
					START DATE	END DATE	FREQUENCY			
	<b>carried forward</b>		<b>819,542</b>	<b>275,681</b>						
Railway	Portuguese State Loan	27-05-2014	15,000	7,500	31-05-2016	30-11-2021	Half-yearly	Fixed	2.33%	31/May 30/nov
Railway	Portuguese State Loan	27-05-2014	20,000	10,000	31-05-2016	30-11-2021	Half-yearly	Fixed	2.22%	31/May 30/Nov
Railway	Portuguese State Loan	27-05-2014	14,000	7,000	31-05-2016	30-11-2021	Half-yearly	Fixed	2.01%	31/May 30/Nov
Road	Portuguese State Loan	30-12-2011	1,705,000	852,500	31-05-2013	30-11-2016	Half-yearly	Fixed	2.77%	31/May 30/Nov
Road	Portuguese State Loan	27-01-2012	204,000	153,000	31-05-2014	30-11-2017	Half-yearly	Fixed	3.69%	31/May 30/Nov
Road	Portuguese State Loan	27-01-2012	230,000	172,500	31-05-2014	30-11-2017	Half-yearly	Fixed	3.44%	31/May 30/Nov
Road	Portuguese State Loan	27-01-2012	75,000	56,250	31-05-2014	30-11-2017	Half-yearly	Fixed	2.93%	31/May 30/Nov
Road	Portuguese State Loan	27-01-2012	28,000	21,000	31-05-2014	30-11-2017	Half-yearly	Fixed	2.69%	31/May 30/Nov
Road	Portuguese State Loan	30-05-2012	44,000	33,000	31-05-2014	30-11-2017	Half-yearly	Fixed	2.69%	31/May 30/Nov
Road	Portuguese State Loan	30-05-2012	80,000	60,000	31-05-2014	30-11-2017	Half-yearly	Fixed	2.70%	31/May 30/Nov
Road	Portuguese State Loan	30-05-2012	33,500	25,125	31-05-2014	30-11-2017	Half-yearly	Fixed	1.98%	31/May 30/Nov
Road	Portuguese State Loan	26-09-2012	156,800	117,600	31-05-2014	30-11-2017	Half-yearly	Fixed	1.81%	31/May 30/Nov
Road	Portuguese State Loan	29-10-2012	16,000	12,000	31-05-2014	30-11-2017	Half-yearly	Fixed	1.71%	31/May 30/Nov
Road	Portuguese State Loan	29-10-2012	13,300	9,975	31-05-2014	30-11-2017	Half-yearly	Fixed	1.59%	31/May 30/Nov
Road	Portuguese State Loan	29-01-2013	85,000	85,000	31-05-2015	30-11-2020	Half-yearly	Fixed	2.75%	31/May 30/Nov
Road	Portuguese State Loan	29-01-2013	135,600	135,600	31-05-2015	30-11-2020	Half-yearly	Fixed	2.42%	31/May 30/Nov
	<b>to carry forward</b>		<b>3,674,742</b>	<b>2,033,731</b>						

ACTIVITY	NAME	DATE OF SIGNATURE	AMOUNT CONTRACTED	OUTSTANDING CAPITAL	AMORTISATION			INTEREST RATE SCHEME	INTEREST RATE	FREQUENCY
					START DATE	END DATE	FREQUENCY			
	<b>carried forward</b>		<b>3,674,742</b>	<b>2,033,731</b>						
Road	Portuguese State Loan	29-01-2013	17,400	17,400	31-05-2015	30-11-2020	Half-yearly	Fixed	2.15%	31/May 30/Nov
Road	Portuguese State Loan	08-03-2013	25,654	25,654	31-05-2015	30-11-2020	Half-yearly	Fixed	2.15%	31/May 30/Nov
Road	Portuguese State Loan	08-03-2013	266,405	266,405	31-05-2015	30-11-2020	Half-yearly	Fixed	2.18%	31/May 30/Nov
Road	Portuguese State Loan	08-03-2013	28,042	28,042	31-05-2015	30-11-2020	Half-yearly	Fixed	2.61%	31/May 30/Nov
Road	Portuguese State Loan	04-09-2013	26,202	26,202	31-05-2015	30-11-2020	Half-yearly	Fixed	2.19%	31/May 30/Nov
Road	Portuguese State Loan	04-09-2013	25,000	25,000	31-05-2015	30-11-2020	Half-yearly	Fixed	2.18%	31/May 30/Nov
Road	Portuguese State Loan	04-09-2013	17,943	17,943	31-05-2015	30-11-2020	Half-yearly	Fixed	2.07%	31/May 30/Nov
Road	Portuguese State Loan	09-10-2013	3,688	3,688	31-05-2015	30-11-2020	Half-yearly	Fixed	2.10%	31/May 30/Nov
Road	Portuguese State Loan	09-10-2013	21,805	21,805	31-05-2015	30-11-2020	Half-yearly	Fixed	1.87%	31/May 30/Nov
Road	Portuguese State Loan	09-10-2013	49,891	49,891	31-05-2015	30-11-2020	Half-yearly	Fixed	1.97%	31/May 30/Nov
	<b>Total shareholder funding</b>		<b>4,156,770</b>	<b>2,515,759</b>						
	<b>Accrued interest</b>			<b>111,306</b>						
		<b>TOTAL</b>		<b>2,627,065</b>						

## FLAT-RATE FINANCING

The fair value of the flat-rate financing at 31 December 2018 is presented below:

NAME	NOMINAL VALUE	OUTSTANDING CAPITAL	FAIR VALUE	INTEREST RATE
EIB - Suburban B	100,000	57,143	60,165	3.615%
EIB - suburban C	55,000	34,048	40,345	4.247%
EIB - REFER V	160,000	120,000	136,388	2.653%
EIB - REFER VI	110,000	77,000	85,623	2.271%
EIB - CPIII2 North Line C	100,000	90,000	91,884	1.887%
EIB- Roads 2009-2019	200,659	140,461	153,458	2.189%
Eurobonds 06/26	600,000	600,000	700,512	4.047%
Eurobonds 09/19	500,000	500,000	529,516	5.875%
Eurobonds 09/24	500,000	500,000	604,187	4.675%
Eurobonds 06/21	500,000	500,000	552,765	4.250%
<b>To carry forward:</b>	<b>2,825,659</b>	<b>2,618,652</b>	<b>2,954,843</b>	



NAME	NOMINAL VALUE	OUTSTANDING CAPITAL	FAIR VALUE	INTEREST RATE
<b>Carried forward:</b>	<b>2,825,659</b>	<b>2,618,652</b>	<b>2,954,843</b>	
Eurobonds 10/30	125,000	125,000	147,118	6.750%
Portuguese State Loan	282,937	94,312	97,034	2.100%
Portuguese State Loan	21,723	7,241	7,464	2.270%
Portuguese State Loan	23,394	7,798	8,046	2.350%
Portuguese State Loan	102,488	34,163	35,286	2.440%
Portuguese State Loan	20,000	6,667	6,863	2.150%
Portuguese State Loan	37,000	12,333	12,654	1.860%
Portuguese State Loan	293,000	97,667	100,230	1.880%
Portuguese State Loan	24,000	8,000	8,218	1.960%
Portuguese State Loan	15,000	7,500	7,834	2.430%
Portuguese State Loan	15,000	7,500	7,821	2.330%
Portuguese State Loan	20,000	10,000	10,409	2.220%
Portuguese State Loan	14,000	7,000	8,212	2.010%
Portuguese State Loan	1,705,000	852,500	883,259	2.770%
Portuguese State Loan	204,000	153,000	163,174	3.690%
Portuguese State Loan	230,000	172,500	183,205	3.440%
Portuguese State Loan	75,000	56,250	59,231	2.930%
Portuguese State Loan	28,000	21,000	21,880	2.690%
Portuguese State Loan	44,000	33,000	34,608	2.690%
Portuguese State Loan	80,000	60,000	62,934	2.700%
Portuguese State Loan	33,500	25,125	26,032	1.980%
Portuguese State Loan	156,800	117,600	121,491	1.810%
Portuguese State Loan	16,000	12,000	12,376	1.710%
Portuguese State Loan	13,300	9,975	10,266	1.590%
Portuguese State Loan	85,000	85,000	93,120	2.750%
Portuguese State Loan	135,600	135,600	147,038	2.420%
Portuguese State Loan	17,400	17,400	18,709	2.150%
Portuguese State Loan	25,654	25,654	27,583	2.150%
Portuguese State Loan	266,405	266,405	286,711	2.180%
Portuguese State Loan	28,042	28,042	30,588	2.610%
Portuguese State Loan	26,202	26,202	28,208	2.190%
Portuguese State Loan	25,000	25,000	26,906	2.180%
Portuguese State Loan	17,943	17,943	19,243	2.070%
Portuguese State Loan	3,688	3,688	3,959	2.100%
Portuguese State Loan	21,805	21,805	23,238	1.870%
Portuguese State Loan	49,891	49,891	53,339	1.970%
<b>TOTAL</b>	<b>7,107,429</b>	<b>5,259,410</b>	<b>5,749,130</b>	

## 21. TRADE PAYABLES (SUPPLIERS) AND OTHER ACCOUNTS PAYABLE

### 21.1 Trade Payables (Suppliers)

This item is broken down as follows at 31 December 2018 and 2017:

	NOTES	31-12-2018	31-12-2017
General trade payables (suppliers)		15,556	18,998
Trade payables (Suppliers) - other related parties	33	295	251
<b>Total Trade payables (Suppliers) - current</b>		<b>15,851</b>	<b>19,249</b>

### 21.2 Other Accounts Payable

At 31 December 2018 and 2017, the details of this item are as follows:

	31-12-2018	31-12-2017
<b>Non-current</b>		
Sub-concessions	2,083,284	2,370,818
	<b>2,083,284</b>	<b>2,370,818</b>
<b>Current</b>		
Sub-concessions	515,840	496,086
Regular Road Maintenance	301,074	277,484
Increased Expenses	39,554	38,957
Investment Suppliers	28,614	13,265
Advances on Sales Account	20,378	17,615
Remuneration to be paid	17,347	18,672
Sundry Creditors	10,027	12,620
	<b>932,835</b>	<b>874,699</b>
	<b>3,016,118</b>	<b>3,245,517</b>

This item includes the liability of the IP Group to sub-concessionaires for construction, operation and maintenance services carried out by these companies and not yet invoiced, in the amount of EUR 2,599,124,000, bearing interest in accounts at rates between 5% and 9%, of which EUR 515.840 million is payable within twelve months.

The Regular Road Maintenance item includes the IP group's responsibility for maintaining or restoring certain service levels in the infrastructure, and it is set up throughout the period up to the scheduled date for performance of the works.

The Accrued item includes the amounts payable by the IP Group relating to its Concession Contract with the State, in the amount of EUR 24 million, as well as the value of the IMT property sales tax for the years between 2013 and 2018, a total of EUR 9.5 million.

The Investment Suppliers item refers mainly to the amounts billed for the execution of own works and the amount payable for the State Concessions and Sub-concessions.

## 22. SALES AND SERVICES

From 1 January 2018 to 31 December 2018 and from 1 January 2017 to 31 December 2017, sales and services are detailed as follows:

	2018	2017
Road Service Contribution	688,889	684,959
Tolls	316,131	296,493
Use of channels (tariffs)	69,129	69,217
Construction contracts and capitalised financial charges	38,123	70,160
Concession grantor - LDI Revenue	25,335	32,616
Others	47,166	42,043
<b>Total sales and services</b>	<b>1,184,772</b>	<b>1,195,489</b>

The unit values of the Road Service Contribution (fee paid by users for use of the road network) for 2018 remained in line with those established for the 2017 financial year, at EUR 87/1,000 litres for petrol, EUR 111/1,000 litres for road diesel and EUR 63/1,000 litres for LPG vehicles.

The variation recorded in 2018 compared to 2017 reflects the increase in fuel consumption.

In 2018, tolls recorded an increase of EUR 19.6 million resulting from a general increase in traffic volume on the entire network.

With the entry into force, on 1 August 2016, of the new supplementary regime for reducing toll rates applied to motorways located in disadvantaged territories (Ordinance 196/2016, 20 June), the traffic volumes were particularly evident on the A22 (Algarve), and also benefited, in September, from the transfer of revenue due to the greater number of trips taken at the end of August.

The use of channels (Tariffs) item refers mainly to income from the Infrastructure Use Tariffs (IUT). The most important are in terms of volume of Passengers (EUR 57.9 million) and Freight (EUR 8.1 million). The first recorded a decrease of 1.5% and the second an increase of 1.8% over the same period of 2017, which explains the reduced overall variation of the item.

Construction contracts represent the Group's income from its NRN construction activity as defined

in its Concession Contract. This includes all the IP Group's construction activities by direct contracting or sub-concession.

The details of construction contracts for the periods reported are as follows:

DESCRIPTION	2018	2017
Capitalised financial charges	20,088	9,659
Construction of New Infrastructure	16,758	21,549
Sub-concessioned Network Construction	1,278	38,953
<b>Construction contracts</b>	<b>38,123</b>	<b>70,160</b>

The capitalised financial charges correspond to interest and other charges incurred by the IP Group during the road construction phase which are used to finance the acquisition of the State Concession Network.

The values corresponding to the construction of New Infrastructures are the direct management of the Group and are calculated on the basis of the monitoring process for the monthly works and reflecting the physical evolution of the works in progress, plus costs directly attributable to the preparation of the asset for its intended use.

The construction of the Sub-concessioned network is calculated based on the construction values contracted for each sub-concession and the percentage of completion reported to the Group for each sub-concession. It reflects the physical evolution of the works and is therefore independent of the billing flow.

The variation reflects the final phase of construction of the A26 - Baixo Alentejo Motorway and the renovation of the EN 125 - Algarve Litoral.

Others mainly comprises the services rendered with respect to the Road Technical Channel, the space sub-concessions and parking.



## 23. COMPENSATORY ALLOWANCES

In compliance with Decree-Law 217/2015 of 7 October, which transposed into Portuguese law Directive 2012/34/EU of the European Parliament and of the Council of 21 November 2012 and through Council of Ministers Resolution 10-A/2016 of 11 March, on 11 March 2016 (with retroactive effect to 1 January 2016), IP and the Portuguese State entered into a Contracting Framework which establishes the terms and conditions of the fulfilment by IP of its public service obligations concerning the management of the National Railway Network Infrastructure, including the compensatory allowances payable by the State during the 2016-2020 period.

The amount allocated in 2018 under the Programme Contract was EUR 62.904 million.

At 31 December 2018, the payment of the amount of EUR 719,000 for the year 2017 (to which VAT is added) is outstanding.

## 24. COST OF GOODS SOLD AND MATERIALS CONSUMED

From 1 January 2018 to 31 December 2018 and in the same period of 2017, the detail of this item is as follows:

DESCRIPTION	2018	2017
Capitalisation Tolls of Concessions	244,045	226,595
Construction of New Infrastructure	16,758	9,659
Railway Materials	10,454	15,902
Sub-concessioned Network – Construction	1,278	21,549
<b>Cost of goods sold and materials consumed</b>	<b>272,533</b>	<b>273,704</b>

As mentioned in note 2.2 p) (revenue) the amounts received by the IP Group from tolls on government concessions (net of collection costs) are deducted from the IP Group investment in the acquisition of rights over that same concessioned network. The deduction is offset in this item.

The values corresponding to the construction of New road infrastructures are construction activities directly managed by the IP Group and are calculated on the basis of the process of monitoring the monthly works and reflecting the physical evolution of the works in progress.

Charges for railway materials relate essentially to the various types of materials which are incorporated in the maintenance of railway infrastructure.

The construction of the Sub-concessioned network is calculated based on the construction values contracted for each road sub-concession and the percentage of completion reported to the Group for each sub-concession. It reflects the physical evolution of the works and is therefore independent of the billing flow.

## 25. EXTERNAL SUPPLIES AND SERVICES

From 1 January 2018 to 31 December 2018 and from 1 January 2017 to 31 December 2017, supplies and services are broken down as follows:

DESCRIPTION	2018	2017
Railway Maintenance	67,426	54,872
Regular Road Maintenance	53,000	53,000
Current Maintenance and Road Safety	44,107	44,578
Sub-concessions Operation and Maintenance	28,868	27,213
Toll Collection Expenses	21,587	21,575
Electricity	15,893	15,147
RSC Collection Expenses	13,778	13,699
Surveillance and Security	5,335	5,238
Specialised work	3,843	3,034
Maintenance and Repairs	3,755	3,605
Rents and leases	3,339	3,538
Cleaning, Hygiene and Comfort	3,121	2,454
Fuel	2,439	2,258
Software licences	1,986	1,986
Water consumption	953	850
Others less than EUR 1 million	5,970	5,730
<b>External supplies and services</b>	<b>275,399</b>	<b>258,777</b>

The costs of railway maintenance relate essentially to the outsourcing of maintenance services: i) track - the amount of EUR 31.176 million (EUR 21.168 million in 2017), ii) signalling - the sum of EUR 14.738 million (EUR 14.520 million in 2017), iii) telecommunications - totalling EUR 8.011 million (EUR 7.678 million in 2017) and iv) catenary - amounting to EUR 4.948 million (EUR 4.793 million in 2017).

Regular Road Maintenance corresponds to the recognition of the increase in the responsibility of the IP Group with the costs needed to maintain the service level of the routes and road engineering structures which is imposed on it by the Concession Contract. This value does not correspond to a

need for investment in conservation in the period but rather the average annual investment needed to maintain the service level of the network.

The Regular Maintenance and Road Safety item contains the year's expenditure on current maintenance of roads and engineering structures and road safety.

Operating costs and maintenance of sub-concessions result from the accounting recognition of the operation and maintenance carried out by sub-concessionaires under the sub-concession contracts in force.

The expenses for collecting the RSC correspond to 2% of the RSC retained by the Tax Authority for provision of the service of calculation and collection of the RSC.

The rents and leases item include EUR 2.768 million (EUR 2.770 million in 2017) relating to the cost of the operational leasing of vehicles and EUR 151,000 (EUR 256,000 in 2016) with the operational leasing of administrative equipment.

The total future uncancellable minimum leasing payments related to operating lease agreements that the IP Group has concluded, are:

DESCRIPTION	LESS THAN 1 YEAR	2 TO 5 YEARS
<b>According to contracts concluded</b>		
Vehicles	440	526
	<b>440</b>	<b>526</b>

## 26. PERSONNEL EXPENSES

From 1 January 2018 to 31 December 2018 and from 1 January 2017 to 31 December 2017, personnel expenses are broken down as follows:

DESCRIPTION	2018	2017
Wages	105,151	101,117
Wage Expenses	23,934	24,582
Other Personnel Expenses	3,725	4,434
Indemnities	1,294	1,726
Occupational Accident Insurance	1,269	951
Remuneration of members of Governing Bodies	767	807
Social Security Expenses	591	785
	<b>136,732</b>	<b>134,402</b>

In 2018, IP Group staff expenses (EUR 136.7 million) increased by approximately EUR 2.54 million in relation to 2017, mainly due to the EUR 4.1 million increase in Staff Remuneration: EUR 105.1 million in 2018, as opposed to expenses of EUR 101 million in 2017.

In spite of the decrease in the average number of employees, from 3,698 in 2017 to 3,663 in the current year, the replacement of Acquired Rights (automatic career progressions and increase in seniority bonuses) begun in the second half of 2017 and 100% complete from January 2018 led to an increase in expenses of EUR 9.1 million and a fall in the number of staff departures.

## 27. IMPAIRMENT

The evolution of impairment in the financial years ending on 31 December 2018 and 31 December 2017 is as follows:

DESCRIPTION	INVESTMENT PROPERTIES (NOTE 9)	FINANCIAL INVESTMENTS	INVENTÁRIOS (NOTA 12)	TRADE RECEIVABLES (CLIENTS) (NOTE 13.2)	OTHER ACCOUNTS RECEIVABLE (NOTE 13.1)	GRANTOR (NOTE 14)	TOTAL
Balance at 31 December 2017	1,573	1	4,765	4,273	5,961	305,200	321,773
Balance on 1 January 2018	1,573	1	4,765	4,273	5,961	305,200	321,773
restated IFRS 9				418			
balance on 1 January 2018 (restated)	1,573	1	4,765	4,691	5,961	305,200	321,773
Reinforcement / (Reversal)	0	-	-931	-453	681	-	-703
Uses	-33	-	-	-477	-19	-	-529
Balance at 31 December 2018	1,540	1	3,833	3,761	6,623	305,200	320,541

DESCRIPTION	INVESTMENT PROPERTIES (NOTE 9)	FINANCIAL INVESTMENTS	INVENTÁRIOS (NOTA 12)	TRADE RECEIVABLES (CLIENTS) (NOTE 13.2)	OTHER ACCOUNTS RECEIVABLE (NOTE 13.1)	GRANTOR (NOTE 14)	TOTAL
Balance at 31 December 2016	1,780	1	4,985	5,178	5,952	305,200	323,096
Reinforcement / (Reversal)	-45	-	-220	-852	9	-	-1,107
Uses	-162	-	-	-54	-	-	-216
Balance at 31 December 2017	1,573	1	4,765	4,273	5,961	305,200	321,773



## 28. OTHER INCOME AND GAINS

Other income and gains from 1 January 2018 to 31 December 2018 and from 1 January 2017 to 31 December 2017 are broken down as follows:

DESCRIPTION	2018	2017
Allocation of investment grants	63,562	63,190
Income from Concession Signature Fees	8,854	8,854
Concessions for use and licences	2,489	2,052
Accidents	2,166	1,609
Gains from the sale of waste/spent materials	2,021	3,022
Gains from the sale of tangible assets	1,924	1,492
Others	4,164	5,550
<b>Other Income and Gains</b>	<b>85,180</b>	<b>85,770</b>

Income recognised in Allocation of Investment Grants is recognised in Liabilities under Deferrals (note 11.1).

The item Concession Signature Fees refers to the amount recognised in 2018 of the Fee assigned when signing the Grande Lisboa and Douro Litoral Concessions. (note 11).

Included in the Concessions and Licences item is EUR 1.211 million (EUR 985,000 in 2017) relative to the concession of plots of land at the Bobadela terminal, EUR 400,000 (EUR 397,000 in 2017), relative to the transfer of the use of the Colina complex to Fertagus, about EUR 142,000, similar to the preceding year, related to the use of Investment Properties, and EUR 336,000 (EUR 350,000 in 2017) relating to the concession for use of land and buildings.

The Accidents item corresponds to the revenue resulting from the reimbursement of damages caused on the National Road Network.

In the Gains on the sale of waste/used materials item, the most significant amount is from the sale of ferrous waste in the amount EUR 1.377 million.

Gains from the sale of tangible assets are recorded as capital gains resulting from sales of real estate and surplus plots of land.

## 29. OTHER COSTS AND LOSSES

The detail of other expenses and losses from 1 January 2018 to 31 December 2018 and from 1 January 2017 to 31 December 2017 is presented as follows:

DESCRIPTION	2018	2017
Road and Rail Activity Regulatory Rates	4,260	4,061
Indemnities for material damage	4,146	497
Compensatory Interest	993	2,281
Contributions	358	342
Bad debts	27	451
Other indemnities	78	1,724
Others	2,824	2,377
<b>Other costs and losses</b>	<b>12,686</b>	<b>11,734</b>

The value registered in the Regulatory Road and Rail Activity Rates derives from the value due to the AMT – Autoridade da Mobilidade e dos Transportes I.P. (Mobility and Transport Authority) referring to TRIF (Rail Infrastructure Regulatory Rate) and TRIR (Road Infrastructure Regulatory Rate).

The variation in the category of Damages for material damages is explained by the payment of compensation in the amount of EUR 3.6 million to the entities Petróleos de Portugal – Petrolgal SA and Ruivo e Carmona Lda., due to the judgment of the supreme administrative court in case no. 288/02.

The compensatory interest item refers to the recording of EUR 993,000 resulting from the substitution of income statements for 2016, arising from Tax Authority inspections of the taxable amount from previous years.

## 30. FINANCIAL LOSSES AND GAINS

The breakdown of the financial losses and gains item from 1 January 2018 to 31 December 2018 and from 1 January 2017 to 31 December 2017 is as follows:

	NOTE	2018	2017
<b>Financial Losses</b>		<b>319,009</b>	<b>352,805</b>
<b>Interest Incurred:</b>			
Loans		136,118	150,842
Sub-concessions		172,804	191,467
Other interest incurred		46	26
Other financial losses		10,041	10,470
<b>Financial Gains</b>		<b>93,428</b>	<b>94,728</b>
<b>Interest Earned</b>			
Interest earned - State grantor	14	93,428	94,727
Other financial gains		-	1
<b>Financial Results</b>		<b>-225,581</b>	<b>-258,077</b>

Interest paid on loans relates to interest incurred with the debt contracted for the High Performance Road, Railway Infrastructure Investment Activity and Railway Infrastructure Management Activity business segments.

The improvement in relation to 2018 was due to the decrease in the debt stock (loans from the EIB and the Portuguese government allocated to the railways) and the non-payment of interest on the moratoria granted for debt servicing on loans from the Portuguese State, which is in effect a decrease of the average balance of those loans.

The expenses of the financial update of the debt to the sub-concessionaires for the works/services provided are recorded in the Sub-concessions interests paid, which will be billed in the future, in accordance with the terms stipulated in the respective Sub-concession contract. This amount is the result of the Group's liability to the sub-concessionaires for the road construction and operation and maintenance services already carried out by these and not yet paid, in the amount of EUR 2,599 million (indirect management debt), which bears interest in accounts at rates between 5% and 9%.

The decrease in interest in Sub-concessions results from the reduction of the liability corresponding to the sub-concessionaires for the work/services provided, which has been reduced with the availability and service payments.

Other financial losses relate to the charges incurred with the fees for the guarantee stood by the Portuguese government, bank commissions and the accrual of charges associated with bond issues.

The interest item includes interest attributed to the Grantor – State – Account Receivable (note 14). Since the interest charged to the Grantor State is calculated based on the same financing terms as investing in long-duration infrastructure, the aforementioned grace periods were reflected.

## 31. INCOME TAX

The breakdown of the tax amount for the year recognised in the consolidated comprehensive income statement at 31 December 2018 and 2017 is as follows:

DESCRIPTION	2018	2017
Current income tax	-69,501	-111,167
Deferred income tax	40,845	89,932
	<b>-28,656</b>	<b>-21,234</b>

The tax rate adopted in determining the tax amount for the year in the financial statements is as follows:

INCOME TAX	2018	2017
Nominal tax rate	21.00%	21.00%
Municipal surcharge	1.25%	1.25%
State surcharge (1)	9.00%	7.00%
<b>Tax on current income (2)</b>	<b>31.25%</b>	<b>29.25%</b>
Taxable temporary differences (3)	22.50%	31.25%
Deductible temporary differences other than tax losses	31.20%	31.19%
Tax rate applicable to tax losses	21.00%	21.00%

(1) In 2018:

- 3% on taxable profit between EUR 1.5 million and EUR 7.5 million
- 5% on taxable profit between EUR 7.5 million and EUR 35 million
- 9% when taxable income exceeds EUR 35 million.

In 2017:

- 3% on taxable profit between EUR 1.5 million and EUR 7.5 million
- 5% on taxable profit between EUR 7.5 million and EUR 35 million
- 7% when taxable income exceeds EUR 35 million.

(2) With the approval of the 2018 State Budget, the highest profits tax bracket rises from 7% to 9%, and this was considered for the purpose of the rates to be applied to the temporary differences in 2017.

(3) The rate applied to taxable temporary differences corresponds to the average rate at which the Group expects to reverse these differences in relation to their specific nature. Temporary taxable differences arise from reconciliation movements between the various subsidiaries of the group. Since the parent company (the only company at which the maximum nominal rate is used for the estimate of the reversal of the various temporary differences) was not involved in any of these transactions, the existence of the effect of the state profit tax for the purposes of estimating deferred tax liabilities was not considered.

The reconciliation of the effective tax rate for the periods under review is shown below:

RECONCILIATION OF EFFECTIVE TAX RATE	%	2018	%	2017
Profit before tax		114,364		127,227
Nominal tax rate	31.25%	<b>35,739</b>	31.25%	<b>39,758</b>
State Surcharge - Amount to be deducted / added	-2.28%	-2,604	-5.61%	-7,132
Deductible permanent differences (i)	1.59%	1,817	1.80%	2,286
Permanent tax differences	-0.01%	-15	-0.06%	-77
Temporary differences - Revisions of estimates	0.12%	137	0.11%	139
Temporary differences - Other (ii)	-5.17%	-5,908	-31.58%	-40,181
Tax rate differences	0.00%	-	-6.08%	-7,730
Tax losses and tax benefits	-0.48%	-553	-0.10%	-132
Excess / (Insufficient estimate)	-0.58%	-658	-0.27%	-338
Separate taxation	0.62%	708	0.53%	671
Additional tax settlements	-0.01%	-6	26.70%	33,970
<b>Tax Expenses/(Income) in the year</b>	<b>25.06%</b>	<b>28,656</b>	<b>16.69%</b>	<b>21,234</b>
Current tax Expenses/(Income)	60.77%	69,501	87.38%	111,167
Deferred tax Expenses/(Income)	-35.71%	-40,845	-70.69%	-89,932

The variation of the effective rate, vis-à-vis the nominal tax rate, derives fundamentally from the effects of Temporary Differences - Others, which essentially relate to the amounts concerning the undercapitalisation to be recovered in future periods.

## 32. FINANCIAL ASSETS AND LIABILITIES BY CLASS

The breakdown of Financial Assets and Liabilities by category for the years ended 31 December 2018 and 31 December 2017 is as follows:

31-12-2018	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	NON-FINANCIAL ASSETS AND LIABILITIES	TOTAL
<b>Assets</b>				
Financial Investments	-	32	-	32
Trade receivables (Clients)	73,015	-	-	73,015
Grantor - State - Account receivable	3,767,157	-	-	3,767,157
Other accounts receivable	96,494	-	44,929	141,424
Cash and cash equivalents	321,923	-	-	321,923
<b>Total assets</b>	<b>4,258,589</b>	<b>32</b>	<b>44,929</b>	<b>4,303,551</b>
<b>Liabilities</b>				
Borrowings	3,274,876	-	-	3,274,876
Shareholder funding / Shareholder loans	2,627,065	-	-	2,627,065
Other accounts payable	2,971,009	-	45,109	3,016,118
Trade payables (Suppliers)	15,851	-	-	15,851
<b>Total Liabilities</b>	<b>8,888,802</b>	<b>0</b>	<b>45,109</b>	<b>8,933,911</b>

Non-financial assets mainly relate to Deposits (approximately EUR 31 million), deferrals and advances from suppliers (EUR 7.9 million).

Non-financial liabilities include debts from employment benefits (approximately EUR 17.7 million) and advances on sales (approximately EUR 20.4 million).

31-12-2017	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	NON-FINANCIAL ASSETS AND LIABILITIES	TOTAL
<b>Assets</b>				
Financial Investments	-	32	-	32
Trade receivables (Clients)	76,213	-	-	76,213
Grantor - State - Account receivable	5,625,542	-	-	5,625,542
Other accounts receivable	120,438	-	42,617	163,056
Cash and cash equivalents	350,322	-	-	350,322
<b>Total assets</b>	<b>6,172,515</b>	<b>32</b>	<b>42,617</b>	<b>6,215,164</b>
<b>Liabilities</b>				
Borrowings	3,362,946	-	-	3,362,946
Shareholder funding / Shareholder loans	4,926,872	-	-	4,926,872
Other accounts payable	3,201,798	-	43,719	3,245,517
Trade payables (Suppliers)	19,249	-	-	19,249
<b>Total Liabilities</b>	<b>11,510,865</b>	<b>0</b>	<b>43,719</b>	<b>11,554,584</b>

## 33. DISCLOSURES ABOUT RELATED PARTIES

### 33.1 Summary of Related Parties

The entities identified as related parties of the IP Group at 31 December 2018 and 2017, under the provisions of IAS 24 – Related parties, are as follows:

31-12-2018	RELATIONSHIP
<b>Joint ventures</b>	
AVEP	Joint venture (The Group holds 50.00% of the capital)
AEIE, CFM4	Joint venture (The Group holds 25.00% of the venture)
<b>Other related parties</b>	
AMT	Regulator
Portuguese State	Shareholder /Grantor
CP	Control relationship – State (Railway Operator)

31-12-2017	RELATIONSHIP
<b>Joint ventures</b>	
AVEP	Joint venture (The Group holds 50.00% of the capital)
AEIE, CFM4	Joint venture (The Group holds 25.00% of the venture)
<b>Other related parties</b>	
AMT	Regulator
Portuguese State	Shareholder /Grantor
CP	Control relationship – State (Railway Operator)

## 33.2 Significant Balances and Transactions With Public Bodies

IP is wholly owned by the Portuguese State, and the shareholder function is performed by the General Directorate of Treasury and Finance and is jointly governed by the Ministry of Infrastructures and Housing and the Ministry of Finance.

The following table shows the main balances and transactions between the IP Group and the State and the public bodies in the financial years ending on 31 December 2018 and 31 December 2017:

31-12-2018		NOTES	ASSETS		LIABILITIES		INVESTMENT	INCOME	SPENDING
NATURE	ACCOUNTING ITEM		CURRENT	NON-CURRENT	CURRENT	NON-CURRENT			
Fee - Rail transport operators	Trade receivables/Trade payables (Clients/Suppliers)	13.2 21.1	10,242	-	295	-	2	64,282	3,448
Fee - Rail transport operators	Other accounts receivable/payable	13.1	1,206	-	103	-	-	-	-
Compensatory allowance	Compensatory allowance	23	-	-	-	-	-	62,904	-
Grantor - Account receivable	Grantor State Account receivable	14	3,767,157	-	-	-	-	-	-
Grantor - State - LDI Revenue	Sales and Services	22	-	-	-	-	-	25,335	-
Grantor	Interest earned - State grantor	30	-	-	-	-	-	93,428	-
TRIR/F	Other expenses and losses	29	-	-	-	-	-	-	4,260
RSC	Services	22	-	-	-	-	-	688,889	-
Increased RSC income	Other accounts receivable	13.1	74,076	-	-	-	-	-	-
RSC collection costs	EXTERNAL SUPPLIES AND SERVICES	25	-	-	-	-	-	-	13,778
Increased RSC expenses	Other accounts payable		-	-	1,482	-	-	-	-
Shareholder loans	Shareholder funding / Shareholder loans	20.2	-	-	2,354,537	272,528	-	-	-
Financial expenses - Shareholder loans	Interest incurred - Loans		-	-	-	-	-	-	15,580
			<b>3,852,681</b>	<b>0</b>	<b>2,356,416</b>	<b>272,528</b>	<b>2</b>	<b>934,838</b>	<b>37,066</b>



31-12-2018		NOTES	ASSETS		LIABILITIES		INCOME	SPENDING
NATURE	ACCOUNTING ITEM		CURRENT	NON-CURRENT	CURRENT	NON-CURRENT		
Fee - Rail transport operators	Trade receivables/Trade payables (Clients/Suppliers)	13.2 21.1	5,344	-	251	-	59,107	3,832
Fee - Rail transport operators	Other accounts receivable/payable	13.1	4,758	-	34	-	-	-
Compensatory allowance	Compensatory allowance	23	-	-	-	-	68,416	-
Grantor - Account receivable	Grantor State Account receivable	14	5,625,542	-	-	-	-	-
Grantor - State - LDI Revenue	Sales and Services	22	-	-	-	-	32,616	-
Grantor	Interest earned - State grantor	30	-	-	-	-	94,727	-
TRIR/F	Other expenses and losses	29	-	-	-	-	-	4,061
RSC	Services	22	-	-	-	-	684,959	-
Increased RSC income	Other accounts receivable	13.1	83,555	-	-	-	-	-
RSC collection costs	EXTERNAL SUPPLIES AND SERVICES	25	-	-	-	-	-	13,699
Increased RSC expenses	Other accounts payable		-	-	1,671	-	-	-
Shareholder loans	Shareholder funding / Shareholder loans	20.2	-	-	4,392,482	534,390	-	-
Financial expenses - Shareholder loans	Interest incurred - Loans		-	-	-	-	-	28,946
			<b>5,719,199</b>	<b>0</b>	<b>4,394,438</b>	<b>534,390</b>	<b>939,825</b>	<b>50,539</b>

### 33.3 Balances and Transactions With Railway Operators

The details of the balances with railway operators on 31 December 2018 and 31 December 2017 are shown below:

RAIL OPERATORS (BALANCES)	NOTES	31-12-2018	31-12-2017
<b>Balances receivable</b>			
Trade receivables (Clients)	13.2	10,242	5,344
Other accounts receivable	13.1	1,206	4,758
<b>Balances payable</b>			
Trade payables (Suppliers)	21.1	295	251
Other accounts payable		103	34

The details of the transactions with railway operators for the periods ended 1 January 2018 to 31 December 2018 and 1 January 2017 to 31 December 2017 are as follows:

RAIL OPERATORS (TRANSACTIONS)	2018	2017
Investment	2	-
External supplies and services	1,992	1,417
Other expenses	19	524
Personnel expenses	1,437	1,891
Services rendered	64,561	59,021
Other revenue	-278	86

### 33.4 Joint Ventures

The following are the impacts of jointly controlled ventures on the IP Group's financial statements at 31 December 2018 and 31 December 2017:

BALANCES	31-12-2018	31-12-2017
Assets	376	145
Liabilities	198	19

TRANSACTIONS	2018	2017
Revenue	318	318
Profit for the year	75	-94

## 33.5 Remuneration of Corporate Officers

### BOARD OF THE GENERAL MEETING

<b>Chairman</b>	PAULO MANUEL MARQUES FERNANDES
<b>Vice-Chairman</b>	PAULO MIGUEL GARCÊS VENTURA
<b>Secretary</b>	MARIA ISABEL LOURO CARLA ALCOBIA

### EXECUTIVE BOARD OF DIRECTORS

<b>Chairman</b>	ANTÓNIO CARLOS LARANJO DA SILVA
<b>Vice-Chairman</b>	JOSÉ SERRANO GORDO CARLOS ALBERTO JOÃO FERNANDES
<b>Members</b>	VANDA CRISTINA LOUREIRO SOARES NOGUEIRA ALBERTO MANUEL DE ALMEIDA DIOGO

The terms of the mandate and the remuneration scheme associated with the exercise of the positions were established at the general meeting of 28 August 2015.

Following the election of the members of the Company's Board of Directors for the three-year period of 2018-2020, at the general meeting held on 29 March 2018, the Executive Board of Directors was made up of:

<b>Chairman</b>	ANTÓNIO CARLOS LARANJO DA SILVA
<b>Vice-Chairman</b>	JOSÉ SERRANO GORDO CARLOS ALBERTO JOÃO FERNANDES
<b>Members</b>	VANDA CRISTINA LOUREIRO SOARES NOGUEIRA ALBERTO MANUEL DE ALMEIDA DIOGO ALEXANDRA SOFIA VIEIRA NOGUEIRA BARBOSA.

The same meeting established the terms of the mandate and the remuneration status associated with the exercise of the positions for the three-year period 2018-2020.

Since the remuneration is defined, the 5% reduction provided for in article 12 of Law 12-A/2010 of 30 June was applied to the calculated gross amounts.

The provisions of article 41 of Law 82-B/2014 of 31 December were also complied with, the effects of which were extended by article 20(1) of Law 114/2017 of 29 December, and no management bonuses were awarded.

EXECUTIVE BOARD OF DIRECTORS	2018	
	REMUNERATION	EMPLOYER'S WELFARE CONTRIBUTIONS
António Carlos Laranjo da Silva	103,722	24,274
Carlos Alberto João Fernandes	93,505	21,847
José Saturnino Sul Serrano Gordo	93,547	21,847
Alberto Manuel de Almeida Diogo	83,388	19,420
Vanda Cristina Loureiro Soares Nogueira	83,312	19,420
Alexandra Sofia Vieira Nogueira Barbosa	59,696	13,898
	<b>517,170</b>	<b>120,706</b>
Amounts in euros.		

EXECUTIVE BOARD OF DIRECTORS	2017	
	REMUNERATION	EMPLOYER'S WELFARE CONTRIBUTIONS
António Carlos Laranjo da Silva	103,849	24,275
Carlos Alberto João Fernandes	93,574	21,848
José Saturnino Sul Serrano Gordo	93,434	21,848
Alberto Manuel de Almeida Diogo	83,345	19,420
Vanda Cristina Loureiro Soares Nogueira	83,333	19,420
	<b>457,534</b>	<b>106,810</b>
Amounts in euros.		

## GENERAL AND SUPERVISORY BOARD

The remuneration of the members of these bodies was defined at the General Meeting of 28 August 2015.

After requesting such, the members of the General and Supervisory Board identified below carried out their roles unpaid:

- José Emílio Coutinho Garrido Castel-Branco, because he was appointed public manager of another entity in the State-owned enterprises sector, since the start of 2017;
- Duarte Manuel Ivens Pita Ferraz, because he retired under Decree-Law 1-A/2011 of 3 January, since July 2017.

The following is the annual remuneration paid to the remunerated members:

GENERAL AND SUPERVISORY BOARD	2018	
	REMUNERATION	EMPLOYER'S WELFARE CONTRIBUTIONS
Issuf Ahmad	21,365	4,337
	<b>21,365</b>	<b>4,337</b>
Amounts in euros.		

GENERAL AND SUPERVISORY BOARD	2017	
	REMUNERATION	EMPLOYER'S WELFARE CONTRIBUTIONS
Issuf Ahmad	21,365	4,337
Duarte Manuel Ivens Pita Ferraz	12,071	2,450
	<b>33,436</b>	<b>6,787</b>
Amounts in euros.		

## STATUTORY AUDITOR

ENTITY	2018	2017
Vitor Almeida & Associados, SROC, Lda.	22,997	16,481
Amounts in euros.		

## 34. RECENTLY ISSUED ACCOUNTING STANDARDS AND INTERPRETATIONS

### NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS, WITH DATE OF ENTRY INTO FORCE ON 1 JANUARY 2018:

Improvements to international financial reporting standards (cycle 2014–2016) – These improvements were issued in December 2016 and were adopted by Commission Regulation (EU) 2018/182 of 7 February. They introduce amendments to the following IFRS with application no later than the date of commencement of the first financial year beginning on or after 1 January 2018:

**IFRS 1 – First-time adoption of international financial reporting standards.** Some short-term exemptions are eliminated.

**IAS 28 – Investments in associates and joint ventures.** Clarifications are introduced on the measurement at fair value of results of investments in associates or joint ventures held by venture capital companies or investment funds.

There are no impacts on the IP Group arising from the adoption of these improvements.

**IFRS 15 – Revenue from contracts with customers (new).** This standard was issued in May 2014 and adopted by Commission Regulation (EU) 2016/1905 of 22 September, with application no later than the date of commencement of the first financial year beginning on or after 1 of January 2018. This standard introduces a structure for recognising revenue based on principles founded on a five-step model to be applied to all contracts signed with customers. The steps are as follows:

- i) Identify the contract with the customer
- ii) Identification of the performance obligations
- iii) Determine the price of the transaction
- iv) Allocate the transaction price; and
- v) Recognition of revenue.

IFRS 15 replaces the following standards: IAS 18 – Revenue; IAS 11 – Construction contracts; IFRIC 13 – Loyalty programmes; IFRIC 15 – Agreements for the construction of real estate; IFRIC 18 – Transfers of assets from customers; SIC 31 – Revenue – Transactions of direct exchange involving advertising services.

The adoption of this standard had no significant impact on the financial statements of the IP Group.

**IFRS 15 – Revenue from contracts with customers: clarifications.** These amendments were issued in September 2016 and adopted by Commission Regulation (EU) 2017/1987 of 31 October, with application no later than the date of commencement of the first financial year beginning on or after 1 January 2018. Several clarifications are introduced in the standard in order to eliminate possible divergent interpretations.

There were no significant impacts resulting from these clarifications.

**IFRS 9 – Financial instruments.** This standard was issued in 2009 and amended in 2010, 2013 and 2014, as part of the project to revise and replace IAS 39. It was adopted by Commission Regulation (EU) 2016/2067 of 22 November, with application no later than the date of commencement of the first financial year beginning on or after 1 January 2018.

IFRS 9, issued in 2009, introduced new requirements for the classification and measurement of financial assets. The 2010 amendment introduced additional requirements related to financial liabilities. The 2013 amendment introduced the hedging methodology. In 2014, limited changes to the classification and measurement contained in IFRS 9 and new requirements for impairment of financial assets were considered.

The standard contains three categories of measurement of financial assets: amortised cost; fair value offset in other comprehensive income; and fair value offset against profit and loss. The categories considered in IAS 39 are eliminated.

The impact arising from the adoption of this standard by the IP Group are disclosed in note 2.3.

**IFRS 4 – Insurance Contracts (amendment):** Application of IFRS 9 – Financial Instruments in conjunction with IFRS 4 – Insurance Contracts. This amendment was issued in September 2016 and adopted by Commission Regulation (EU) 2017/1988 of 3 November 2017, with application no later than the date of commencement of the

first financial year beginning on or after 1 January 2018. It provides guidance on the application of IFRS 4 together with IFRS 9. IFRS 4 will be replaced by IFRS 17, still in the process of adoption by the European Union.

The adoption of this amendment had no impact on the IP Group's financial statements.

**IFRS 2 – Share-based Payment: Classification and measurement of transactions (amendments).** The amendment was issued in June 2016 and adopted by Commission Regulation (EU) 2018/289 of 26 February, with application no later than the date of commencement of the first financial year beginning on or after 1 January 2018. It introduces several clarifications in the standard relating to (i) registering cash-settled share-based payment transactions; and (ii) recording changes in share-based payment transactions (from cash-settled to settled with equity instruments).

This amendment has no impact on the IP Group.

**IAS 40 – Investment Properties: Transfers (amendments).** This amendment was issued in December 2016 and adopted by Commission Regulation (EU) 2018/400 of 14 March for application no later than the date of commencement of its first financial year beginning on or after 1 January 2018. Clarifies that the change in classification of the asset, from or to investment properties, should only be made when there is evidence of change in the use of the asset.

The adoption of this amendment has no impact on the IP Group's financial statements.

**IFRIC 22 – Transactions in foreign currency including advances for the purchase of assets.** It was issued in December 2016 and adopted by Commission Regulation (EU) 2018/519 of 28 March for application no later than the date of commencement of its first financial year beginning on or after 1 January 2018. The interpretation has defined, since there were advances in foreign currency for the purpose of acquiring assets, expenses or obtaining income, the transaction date for the purpose of determining the exchange rate to be used in the recognition of the asset, expense or income

is the date on which the entity initially recognises the asset or non-monetary liability resulting from the transaction.

There are no impacts arising from the adoption of this interpretation.

**NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BY THE IASB AND IFRIC BUT NOT YET ADOPTED BY THE EUROPEAN UNION:**

**IFRS 16 – Leases (new).** This standard was issued in January 2016 and adopted by Commission Regulation (EU) 2017/1986 of 31 October, with application no later than the date of commencement of the first financial year beginning on or after 1 of January 2019. The standard introduces the principles for recognition and measurement of leases, replacing IAS 17 – Leases. It defines a single model for accounting for lease contracts that results in the lessee's recognition of assets and liabilities for all lease contracts, except if they are valid for less than 12 months or relate to low value assets. Depreciation and interest related to such assets are disclosed in the income statement separately. The lessors will continue to classify leasing as operational or financial.

Existing contracts at the Group are being renegotiated with the rental companies, and it is not yet possible to measure the real size of the expected impacts of this standard.

**IFRS 9 – Financial Instruments: Prepayment elements with negative compensation (amendments).** These amendments were issued in October 2017 and adopted by Commission Regulation (EU) 2018/498 of 22 March, with application no later than the date of commencement of the first financial year beginning on or after 1 January 2019. The amendments made allow financial assets with contractual conditions that provide for early amortisation of considerable amounts, to be measured at amortised cost or at fair value through reserves, in accordance with the defined requirements and depending on the business model.

It is not expected that the future adoption of this change will impact the IP Group.

**IAS 28 – Investments in associates and jointly controlled entities: Long-term interests in Investments in associates and jointly controlled entities (amendments).** These amendments were issued in October 2017 and adopted by Commission Regulation (EU) 2019/237 of 8 February, with application no later than the date of commencement of the first financial year beginning on or after 1 January 2019. They clarify that IFRS 9 should be applied to investments in associates or joint ventures when the method of application of equity equivalence is not applied for the measurement of such investments.

This standard has no impact on the IP Group, because at the moment there are no holdings in associates. As far as jointly controlled entities are concerned, they are immaterial and have no expression in the IP Group's accounts.

**IFRIC 23 – Uncertainties regarding the treatment of income taxes (new).** It was issued in June 2017 and adopted by Commission Regulation (EU) 2018/1595 of 23 October, with application no later than the date of commencement of the first financial year beginning on or after 1 January 2019. The interpretation includes guidelines on the determination of taxable profit, tax bases, tax losses to be reported, tax credits to be used and tax rates in scenarios of uncertainty.

The IP group has some contentious situations with the Tax Authority, namely the litigation on VAT (note 15), which generate relevant temporary differences and that must be re-analysed in relation to this IFRIC.

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BY THE IASB AND IFRIC BUT NOT YET ADOPTED BY THE EUROPEAN UNION

**Improvements to international financial reporting standards (2015–2017 cycle):** These improvements involve the clarification of aspects related to the following IAS/IFRS: IFRS 3 – Business Combinations: requires remeasurement of interests previously held when an entity obtains control over an investee over which there was joint control; IFRS 11 – Joint Arrangements: clarifies that there should be no remeasurement of interests previously held when an entity obtains joint control over a joint venture; IAS 12 – Income Tax: clarifies that all tax

consequences of dividends should be recorded in profit or loss; IAS 23 – Borrowing costs: clarifies that the part of the loan directly related to the acquisition or construction of an asset, owed after the corresponding asset has become ready for the intended use, is, for the purpose of determining the capitalisation rate, considered an integral part of the entity's general financing. These amendments were issued in December 2017 with an effective application date for periods beginning on or after 1 January 2019.

No significant impacts from the future adoption of these improvements are envisaged.

**IFRS 17 – Insurance Contracts (new).** This standard was issued in May 2017 with mandatory application for periods beginning on or after 1 January 2021. It establishes, within its scope, the principles for recognition, measurement, presentation and disclosure and it aims to replace IFRS 4 – Insurance contracts.

The future adoption of this standard has no impact on the IP Group.

**IFRS 14 Regulatory Deferral Accounts (Tariff deviations).** The IASB issued in January 2014 a standard laying down provisional measures for first-time adopters of IFRS and who have regulated tariffs. The European Commission decided not to proceed with the approval process, awaiting the definitive standard.

**Amendments to references to the Framework in the IFRS:** Corresponds to amendments in several standards (IFRS 2; IFRS 3; IFRS 6; IFRS 14; IAS 1; IAS 8; IAS 34; IAS 37; IAS 38; IFRIC 12; IFRIC 19; IFRIC 20; IFRIC 22 and SIC 32), with reference to the Framework revised in March 2018. This revision includes the updated definitions of assets and liabilities and new guidelines on measurement, derecognition, presentation and disclosure thereof.

These amendments were issued in March 2018 with effective application for periods beginning on or after 1 January 2020.

The eventual impacts of these changes have yet to be analysed.

**IFRS 3 – Business Combinations (amendment):** This amendment concerns the definition of business, aiming to clarify the identification of business acquisition or acquisition of a group of assets. The



revised definition also clarifies the output definition of a business as supply of goods or services to customers.

These amendments were issued in October 2018 with effective application for periods beginning on or after 1 January 2020.

No significant impacts are expected from the future adoption of these changes.

**IAS 1 and IAS 8 (amendment) – Definition of material:** Amendments to IAS 1 – Presentation of financial statements and IAS 8 – Accounting policies, changes in accounting estimates and errors are intended to clarify the definition of material in the context of applying IFRS. The information is material if its omission, distortion or concealment can be reasonably expected to influence the decisions of the primary users of the financial statements, based on those same financial statements.

These amendments were issued by the IASB in October 2018 with effective application for periods beginning on or after 1 January 2020.

These amendments are not expected to have a significant impact on the IP Group's financial statements.

**IAS 19 (amendment): Amendment, Curtailment or Settlement of plan:** If an amendment, curtailment or settlement of the plan occurs, it becomes mandatory that the current service cost and net interest for the period after the remeasurement are determined based on the assumptions used for remeasurement. Also included are modifications to clarify the effect of an amendment, curtailment or settlement of the plan on the requirements regarding the maximum limit of the asset.

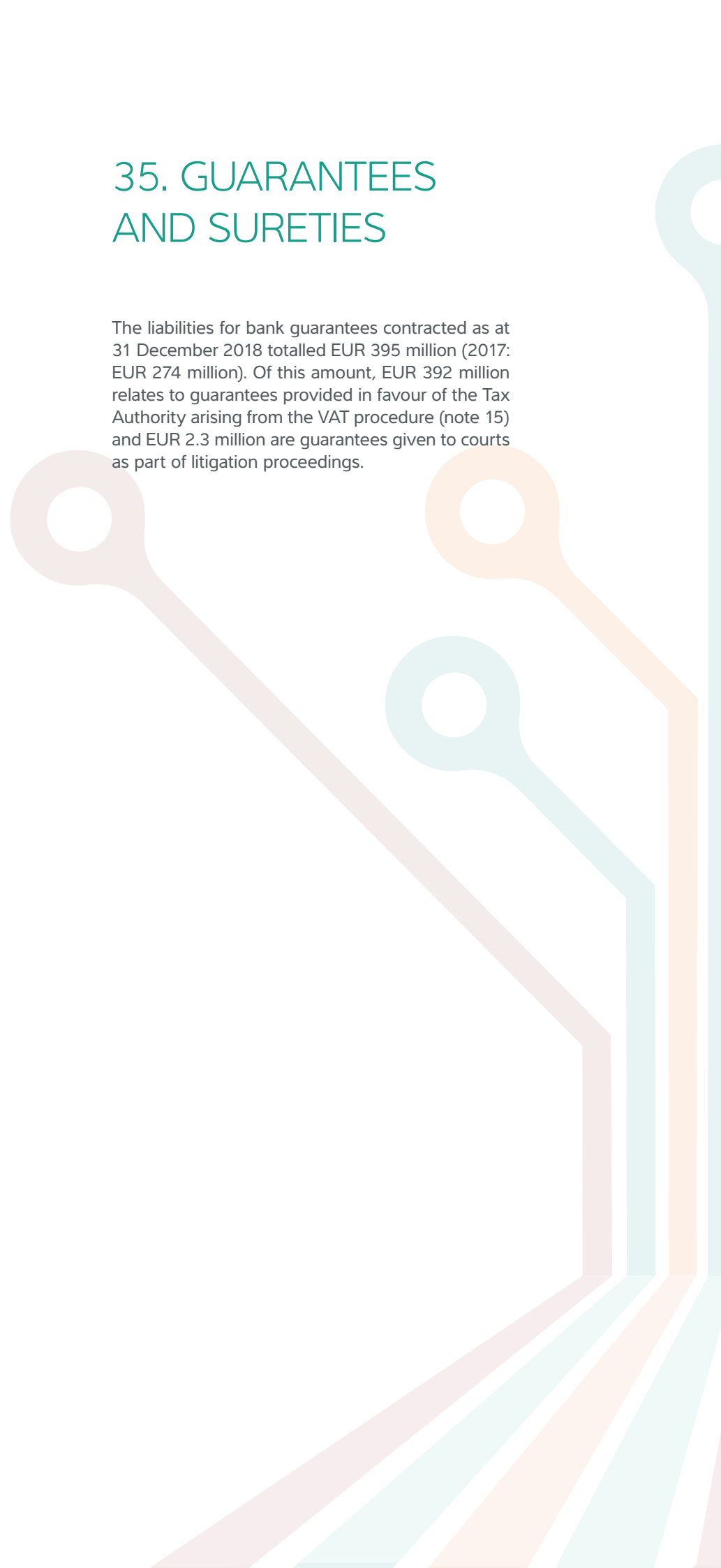
These amendments were issued in February 2018 with effective application for periods beginning on or after 1 January 2019.

No significant impacts are expected from the future adoption of these changes.



## 35. GUARANTEES AND SURETIES

The liabilities for bank guarantees contracted as at 31 December 2018 totalled EUR 395 million (2017: EUR 274 million). Of this amount, EUR 392 million relates to guarantees provided in favour of the Tax Authority arising from the VAT procedure (note 15) and EUR 2.3 million are guarantees given to courts as part of litigation proceedings.



## 36. CONTINGENCIES

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities for a period of four years (five years for Social Security) except when there has been tax losses, tax benefits have been granted or inspections, complaints or challenges are in progress, in which case, depending on the circumstances, the time limits are extended or suspended. The Executive Board of Directors, supported by the information from its tax advisers, considers that any tax contingencies should not have a significant effect on the financial statements on 31 December 2018, taking into account the provisions set up and expectations that existed on that date, including the situation of the appeal in the VAT case.

### PENDING LAWSUITS

As at 31 December 2018, the pending lawsuits relating to railway expropriations totalled EUR 3.897 million (2017: EUR 2.833 million). This amount is not reflected in the Statement of Financial Position. In these cases, deposits are made in the name of the court where the proceedings are being heard. The deposits are equivalent to the value of the case and are in the custody of the Caixa Geral de Depósitos bank. Their resolution does not result in an expense for the Group but the Grantor of the railway infrastructures.

There are also other lawsuits related to accidents in the railway infrastructure that the Group is responsible for, and also damage caused to neighbouring property and imputable to the IP Group. These lawsuits are covered by the IP Group's business insurance.

The contingencies that may arise from the cases in the Labour Court have been provisioned, as stated in note 19.

### VAT PROCEEDINGS

The IP Group recorded the following proceedings at the date of disclosure of its accounts:

- The final decision was issued by the Tax Authority relative to the VAT correction of 2006, involving the amount of EUR 2,816,329 in accordance with note 12. It was partially accepted by the Tax Authority. IP Património filed a legal challenge, based on the opinion of a tax expert. Notwithstanding the rejection of the said appeal, tax experts' opinions on the subject support the Group's conviction that there are grounds for the refund of this amount, since there was no tax default by IP Património in the assessment of tax and processing of the operation according to the VAT code. In a worst-case scenario, if the case is not won, the amount already deposited and payable to the Tax Authority (note 12), plus any interest on late payment and compensatory interest, must be recognised as an expense. On 25 May 2015, the company was notified of the challenge by the Tax Authority and it is awaiting the scheduling of the hearing.
- The enforcement proceeding which took place at the 1st Lisbon Finance Office relating Value Added Tax settled by IP Telecom during the 2002 financial year for which an Administrative Appeal was filed, was granted by order of the Head of Division of the Central Service, dated 26 September 2018.

### GRANTS

The grants assigned to the concession were granted in accordance with the eligibility conditions applicable to the respective applications. They are, however, subject to audits and possible correction by the competent authorities. In the case of applications for Community grants, these corrections may occur over a period of five years from payment of the balance. In the case of grants assigned to the railway investment business on behalf of the grantor, the refund only has an impact on the State Grantor – Accounts receivable item.

## 37. COMMITMENTS

The IP Group's commitments are primarily the responsibility of its obligation to meet the commitments made in the Road Sub-concession Contracts and the substitution of the State in its payments and receipts of the concessioned road network.

The IP Group's net costs with the State's Road Concessions and Sub-concessions including the toll revenues after the end of the State's Concession Contracts with its private partners, which are

the IP Group revenues in accordance with the Concession Contract, at constant prices and including VAT, as per the figures sent to the Directorate-General for the Treasury and Finance and used as a basis for the corresponding table in the Report on the State Budget for 2019, are summarised in the table below:

2018

EXPENSES OF CONCESSIONS AND SUB-CONCESSIONS (EUR MILLION)	2019	2020	2021	2022	2023	2024	2025	2026	2027
Gross Expenses	1,518	1,444	1,435	1,446	1,275	1,223	1,089	963	872
Revenue	-338	-347	-354	-391	-423	-430	-437	-470	-460
<b>Net Expenses</b>	<b>1,180</b>	<b>1,097</b>	<b>1,081</b>	<b>1,055</b>	<b>852</b>	<b>794</b>	<b>653</b>	<b>493</b>	<b>412</b>

EXPENSES OF CONCESSIONS AND SUB-CONCESSIONS (EUR MILLION)	2028	2029	2030	2031	2032	2033	2034	2035	2036
Gross Expenses	804	714	623	537	365	293	281	220	178
Revenue	-468	-475	-341	-221	-156	-132	-136	-140	-88
<b>Net Expenses</b>	<b>336</b>	<b>239</b>	<b>281</b>	<b>316</b>	<b>209</b>	<b>161</b>	<b>145</b>	<b>80</b>	<b>90</b>

EXPENSES OF CONCESSIONS AND SUB-CONCESSIONS (EUR MILLION)	2037	2038	2039	2040	2041	2042
Gross Expenses	162	168	43	10	-	-
Revenue	-74	-75	-29	-6	-	-
<b>Net Expenses</b>	<b>88</b>	<b>93</b>	<b>14</b>	<b>4</b>	<b>0</b>	<b>0</b>

## 38. INFORMATION REQUIRED BY LAW

a) Under article 21(1) of Decree-Law 411/91 of 17 October, the Group confirms that it does not have any Social Security payments in arrears. It also informs that it does not have any debts with the Tax Administration.

b) Impact of the Activity of the IP Group on National Accounts and Public Accounts (Base 12, paragraph 3 c) of Decree-Law 110/2009 of 18 May).

### i) National Accounts:

After consultation with the National Statistical Institute (INE), it is considered that all the IP Group accounting items have a direct impact on the national accounts. The flows that the Group establishes with units outside the perimeter of general government will have a direct effect on the general government aggregates (deficit and/or debt), impact whose effect and magnitude will depend on the operations in question. Thus, when the IP Group receives interest from financial applications outside the general government perimeter, it positively contributes to the balance of general government. When the IP Group pays for services provided by companies outside the general government perimeter it is increasing public spending and, consequently, the deficit. If the IP Group contracts financing from the financial sector or the rest of the world, it is increasing public debt.

Due to the nature of the national accounts system, the estimate of the impact of a single unit should only be taken as indicative. In so far as this is an integrated system, in order to demonstrate the underlying economic relations in a more explicit way, the national accounts methodology establishes that the operations of a unit or set of units are sometimes subject to transformations and the analytical effect of which only makes sense within the broader scope of the accounts.

### ii) Public Accounts:

Financial reporting on a public accounts basis uses the so-called cash basis where financial flows - payments and receipts - are registered.

The IP Group is included in the Reclassified public bodies and is deemed equivalent to the Autonomous services and funds; therefore, it is integrated into the state budget.

c) Forward-looking financial information - commitments assumed and multi-annual forward-looking information for the concession period concerning the concessionaire's activity, namely in terms of results, funding needs, dividends payable to the shareholder and income tax (Base 12, paragraph 4(b) of Decree-Law 110/2009 of 18 May)

### FORWARD-LOOKING INFORMATION

Table I refers to Forward-Looking Information derived from the financial flows to the IP Group as at 31 December 2018 taking into consideration the commitments already made by the Group. Note that compliance with the PRN 2000 requires making investments during the period of the IP Group's Road Concession Contract, the financial inflows and outflows of which are not taken into account in the following table. The figures already include the estimate of the impacts of the ongoing renegotiation of the Sub-concession contracts. Annual net income, annual borrowing needs, dividends payable and income tax (IRC) were all forecast.

**INFORMAÇÃO PREVISIONAL** Valores a preços correntes. m€

	2019	2020	2021	...	2025	...	2035	...
Resultado Líquido	157,181	108,369	17,449	...	102,974	...	816,403	...
Necessidades de Financiamento Anuais	1,127,399	1,254,418	1,458,722	...	628,763	...	-	...
Dividendos a pagar <sup>(a)</sup>	-	-	-	...	-	...	-	...
Impostos sobre o rendimento (IRC) <sup>(b)</sup>	(52,058)	(49,535)	(51,324)	...	(68,398)	...	(317,150)	...
Fluxos financeiros com o Estado <sup>(c)</sup>	646,030	663,212	675,679	...	718,533	...	404,199	...

**INFORMAÇÃO PREVISIONAL** Valores a preços correntes. m€

	2045	...	2055	...	2065	...	2075	...	2082
Resultado Líquido	2,060,677	...	2,875,855	...	3,848,182	...	5,077,549	...	6,115,916
Necessidades de Financiamento Anuais	-	...	-	...	-	...	-	...	-
Dividendos a pagar <sup>(a)</sup>	1,983,798	...	2,790,700	...	3,734,688	...	4,934,529	...	5,964,050
Impostos sobre o rendimento (IRC) <sup>(b)</sup>	(794,928)	...	(1,107,131)	...	(1,479,597)	...	(1,950,363)	...	(2,347,912)
Fluxos financeiros com o Estado <sup>(c)</sup>	(2,005,736)	...	(3,127,658)	...	(4,510,443)	...	(6,260,966)	...	(7,753,634)

<sup>(a)</sup> Para estas actividades em exclusivo e não tendo sido realizado o exercício de restrição de capital próprio, assume-se que o *cash flow* disponível, a partir do reembolso da dívida, possa ser distribuído como dividendo não podendo ser superior ao resultado líquido do exercício.

<sup>(b)</sup> Numa óptica de *cash flow*.

<sup>(c)</sup> Na óptica da IP. Inclui *outflows*: IRC, Renda da Concessão Rodoviária e Dividendos e *inflows*: Redução do ISP (por criação da CSR), numa óptica de *cash flow*.

**INFORMAÇÃO PREVISIONAL** Valores a preços constantes. m€

	2019	2020	2021	...	2025	...	2035	...
Resultado Líquido	157,181	106,768	16,854	...	91,888	...	597,635	...
Necessidades de Financiamento Anuais	1,127,399	1,235,880	1,408,985	...	561,074	...	-	...
Dividendos a pagar <sup>(a)</sup>	-	-	-	...	-	...	-	...
Impostos sobre o rendimento (IRC) <sup>(b)</sup>	(52,058)	(48,803)	(49,574)	...	(61,034)	...	(232,165)	...
Fluxos financeiros com o Estado <sup>(c)</sup>	646,030	653,411	652,640	...	641,180	...	295,887	...

**INFORMAÇÃO PREVISIONAL** Valores a preços constantes. m€

	2045	...	2055	...	2065	...	2075	...	2082
Resultado Líquido	1,237,484	...	1,416,756	...	1,555,184	...	1,683,366	...	1,765,163
Necessidades de Financiamento Anuais	-	...	-	...	-	...	-	...	-
Dividendos a pagar <sup>(a)</sup>	1,191,316	...	1,374,805	...	1,509,317	...	1,635,951	...	1,721,332
Impostos sobre o rendimento (IRC) <sup>(b)</sup>	(477,373)	...	(545,415)	...	(597,957)	...	(646,606)	...	(677,649)
Fluxos financeiros com o Estado <sup>(c)</sup>	(1,204,491)	...	(1,540,803)	...	(1,822,827)	...	(2,075,706)	...	(2,237,838)

<sup>(a)</sup> Para estas actividades em exclusivo e não tendo sido realizado o exercício de restrição de capital próprio, assume-se que o *cash flow* disponível, a partir do reembolso da dívida, possa ser distribuído como dividendo não podendo ser superior ao resultado líquido do exercício.

<sup>(b)</sup> Numa óptica de *cash flow*.

<sup>(c)</sup> Na óptica da IP. Inclui *outflows*: IRC, Renda da Concessão Rodoviária e Dividendos e *inflows*: Redução do ISP (por criação da CSR), numa óptica de *cash flow*.

## 39. OTHER RELEVANT EVENTS

### COMPENSATION, RIGHTS RESERVES, REQUESTS FOR REINSTATEMENT OF FINANCIAL EQUILIBRIUM (REF) AND APPEALS OF FINES IN SUB-CONCESSIONS AND SERVICE CONTRACTS

Under the terms of the Sub-concession Contracts still prior to submission of any specific application for the reinstatement of financial equilibrium (REF), the IP Group's consideration is called the "rights reserve", i.e. it has to inform the IP Group that a particular fact is eligible for the purposes of REF.

After this reserve, REF application requests are or can be submitted. It should also be noted that if the rights reserve is not formulated within 30 days of the occurrence of the event, any putative right to REF expires.

The following REF requests were submitted up to 31 December 2018:

SUBCONCESSÃO	TIPO DE PEDIDO EFETUADO	FACTO GERADOR DO PEDIDO	PONTO DE SITUAÇÃO
Transmontana Motorway (AEXXI)	Interest on late payment of remuneration	Interest on arrears due to late payment of remuneration	The IP Group's Executive Board of Directors suspended payments, at least until the Court of Auditors decision on AL's CSA appeal; payments were resumed but only partially.
Baixo Alentejo	Interest on late payment of remuneration	Interest on arrears due to late payment of remuneration	The IP Group's Executive Board of Directors suspended payments, at least until the Court of Auditors decision on AL's CSA appeal; payments were resumed but only partially.
Baixo Tejo (AEBT)	Reinstatement of financial equilibrium	Specific legislative amendments: Decree-Law 112/2009 of 18/5; Ordinance 314-B/2010 of 14/6; Decree-Law 111/2009 of 18/05 and Ordinance 1033-C/2010 of 06/10	Arbitration. Suspended by agreement between the Sub-concessionaire and the Renegotiation Commission. The Arbitral Tribunal granted the suspension until 30 September 2018; process resumed.
Baixo Tejo (AEBT)	Reinstatement of financial equilibrium	Impossibility of construction of the ER377, including Avenida do Mar	IP requested that SEI set up a negotiation commission (see article 21 of Decree-Law 111/2012 of May 23)
Litoral Oeste (AELO)	Reinstatement of financial equilibrium	Specific legislative changes: Decree-Law 112/2009 of 18/5; Ordinance 314-B/2010 of 14/6; Decree-Law 111/2009 of 18/5 and Ordinance 1033-C/2010 of 06/10	Arbitration. Suspended by agreement between the Sub-concessionaire and the Renegotiation Commission. The Arbitral Tribunal granted the suspension until 31 December 2018; process resumed
Pinhal Interior (Ascendi PI)	Reinstatement of financial equilibrium	Construction of the Peral, Alvaiázere and Almalaguês junction	Agreement formalised with the conclusion of the Amendment Agreement/Amended Sub-concession Contract, which entered into force on 21 December 2017.
		Archaeological finds - Peral junction	
Pinhal Interior (Ascendi PI)	Interest on late payment of remuneration	Interest on arrears due to late payment of remuneration.	The IP Group's Executive Board of Directors suspended payments, at least until the Court of Auditors decision on AL's CSA appeal; payments were resumed but only partially.
SERVICES CONTRACT	TYPE OF REQUEST MADE	REQUEST GENERATING FACT	STATUS
ViaLivre - Norte Litoral	Reinstatement of financial equilibrium	Specific legislative amendment - Amendment of Law 25/2006, became materially necessary when Law 64-B/2011 of 30 December was approved.	The IP Group accepted the eligibility of the submitted expenses, which will or will not be approved on a case-by-case basis.

It should be noted that following the Court of Auditors' refusal to approve the renegotiation process for the Algarve Litoral subconcession in accordance with Judgment no. 29/2018, the ongoing negotiations, especially those concerning the Baixo Tejo and Litoral Oeste subconcessions, were suspended, although they were at a stage when agreement had already been reached on the reduction of future payments to be made by IP, and the renegotiated version of the Ascendi Douro Interior, Estradas do Douro Interior, S.A. subconcession contract was not signed.

The reason for the suspension of the negotiation process and the non-signature of the already renegotiated Douro Interior contract are the doubts raised by Judgment no. 29/2018, which was the subject of an appeal, decided by IP's Board of Directors on 28 June 2018 and submitted on 5 July 2018.

Indeed, it may be inferred from this judgment that, according to the Court of Auditors, the renegotiated contract established the inclusion in future payments to be made to sub-concessionaires of the so-called "contingent remuneration", which the Court had previously understood, following an audit in 2011, would not be due to the sub-concessionaires, which is why they were never accepted or paid by the company, even though they were included in the respective base case, which are annexed to the subconcession the contracts already renegotiated, namely the subconcession contracts for the Pinhal Interior, Autoestrada Transmontana, Baixo Alentejo subconcessions, or those in renegotiation.

Thus, as the Court of Auditors' decision on the appeal is not yet known, and if it is unfavourable to IP's claims, doubts remain as to the outcome of this proceeding which will most likely require further negotiation or possibly be submitted to arbitration proceedings that may be triggered by some of the sub-concessionaires.

#### COMPENSATION, RESERVES OF RIGHTS AND REQUESTS FOR REINSTATEMENT OF FINANCIAL EQUILIBRIUM (REF) IN STATE CONCESSIONS

These concessions are State concessions, negotiated by the State with the Concessionaires, and IP, not being a counterparty, is unaware of any reservation of law and/or request for rebalancing. As part of its Concession Contract with the State, the IP Group may possibly be called upon to pay these REF if the Grantor so decides.

In 2018, the IP Group recorded expenses of EUR 73.8 million in co-payments, compensation and rebalancing, the most important of which were:

- i) Payment of compensation to the AEDL – Auto-estradas do Douro Litoral concessionaire, in the amount of EUR 64.8 million, related to the decrease in revenue.
- ii) Payment of compensation to the Brisal – Auto-Estradas do Litoral, S.A. concessionaire, amounting to EUR 8.5 million, resulting from the drop in traffic caused by the introduction of tolls on the Costa da Prata motorway.
- iii) Payment of the amount of EUR 1.7 million relative to the reimbursement of the TRIR (Road Infrastructure Regulation Charge) and SIEV, to various concessionaires.
- iv) Implementation of Financial Rebalancing Agreement IX with Lusoponte, resulting in a balance of EUR 0.64 million in favour of the Group.
- v) Receipt of EUR 0.5 million relating to the return of expropriation amounts from the Norte and Grande Porto concessions.

#### APPROVAL OF IP'S ACCOUNTS FOR THE 2017 PERIOD

On 19 March 2019, the separate and consolidated financial statements and the IP Executive Board of Directors' report for 2017 were approved by the shareholder.



## 40. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITY

The reconciliation of liabilities whose flows affect financing activities are indicated below:

	FINANCING	SHAREHOLDER LOANS	TOTAL
<b>Balance at 31 December 2017 (1)</b>	<b>3,362,946</b>	<b>4,926,872</b>	<b>8,289,818</b>
<b>Cash</b>			
Interest	-113,029	-	-113,029
Amortisations (2)	-95,332	-2,199,992	-2,295,323
Other financial expenses	-5,384	-	-5,384
<b>Non Cash</b>			
Effective rate (3)	1,030	-	1,030
Accrued interest (4)	-554	-99,815	-100,369
Other financial expenses (5)	-39	-	-39
Other variations (6)	6,825	-	6,825
<b>Balance at 31 December 2018 (1) + (2) + (3) + (4) + (5) + (6)</b>	<b>3,274,876</b>	<b>2,627,065</b>	<b>5,901,941</b>

	FINANCING	SHAREHOLDER LOANS	TOTAL
<b>Balance in December 2016 (1)</b>	<b>3,489,147</b>	<b>4,866,371</b>	<b>8,355,518</b>
<b>Cash</b>			
Interest	-122,603	-	-122,603
Amortisations (2)	-113,027	-	-113,027
Other financial expenses	-9,564	-	-9,564
<b>Non Cash</b>			
Effective rate (3)	981	-	981
Accrued interest (4)	-13,918	60,501	46,583
Other financial expenses (5)	-192	-	-192
Other variations (6)	-45	-	-45
<b>Balance at 31 December 2017 (1) + (2) + (3) + (4) + (5) + (6)</b>	<b>3,362,946</b>	<b>4,926,872</b>	<b>8,289,818</b>

## 41. SUBSEQUENT EVENTS

By Unanimous Corporate Decision in Writing, dated 15 February 2019, the share capital of IP was increased by EUR 945 million through the issue of 189,000 shares with a nominal value of EUR 5,000 each, subscribed and paid up or to be paid up by the shareholder, the Portuguese State.

**Almada, 26 April 2019**

### The Executive Board of Directors

**Chairman,** ANTÓNIO CARLOS LARANJO DA SILVA

**Finance Director**

**Vice-Chairman,** JOSÉ SATURNINO SUL SERRANO GORDO

MARIA DO CARMO DUARTE FERREIRA

**Vice-Chairman,** CARLOS ALBERTO JOÃO FERNANDES

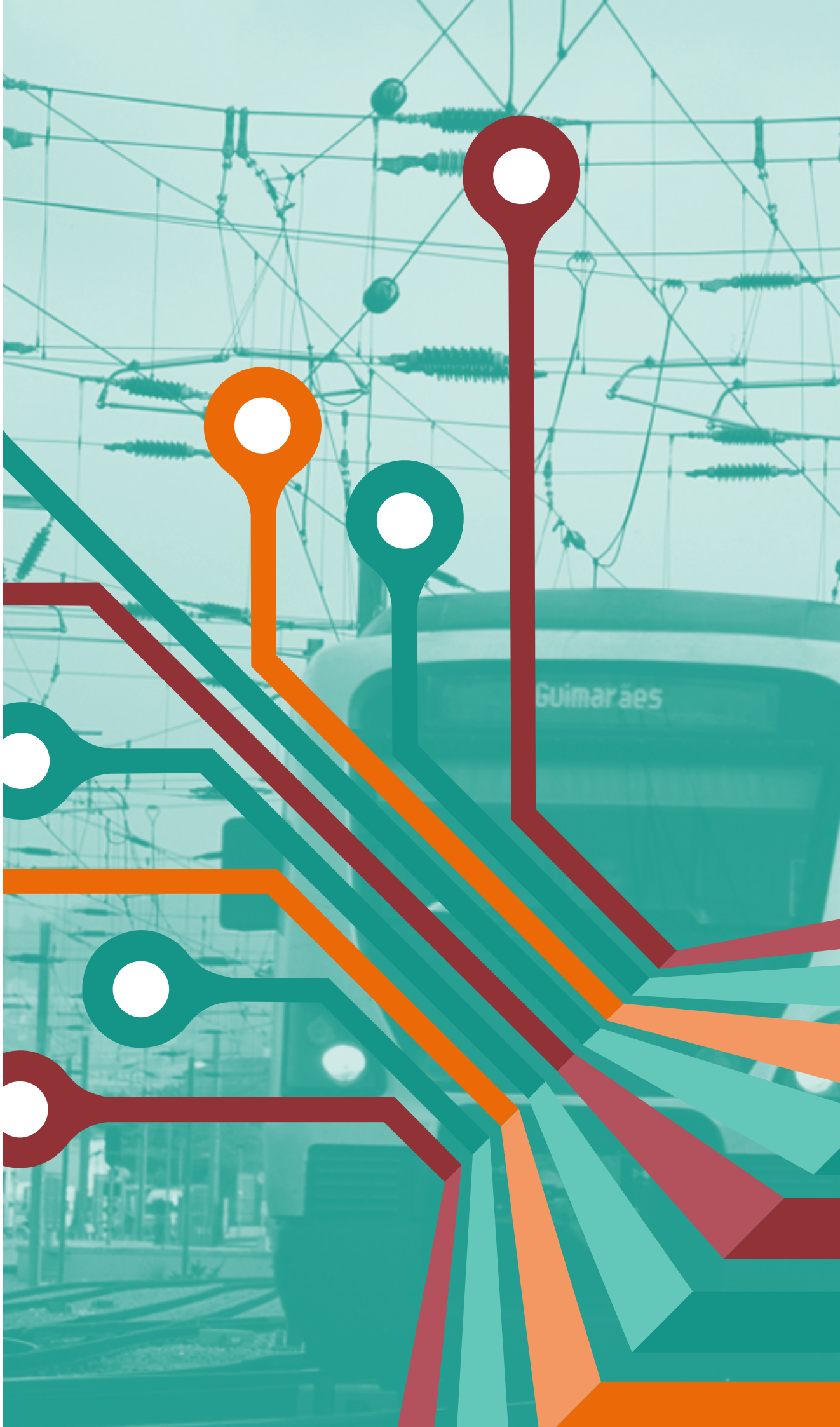
**Certified Accountant**

**Member,** ALBERTO MANUEL DE ALMEIDA DIOGO

DIOGO MENDONÇA LOPES MONTEIRO

**Member,** VANDA CRISTINA LOUREIRO SOARES NOGUEIRA

**Member,** ALEXANDRA SOFIA VIEIRA NOGUEIRA BARBOSA







# Part IV Legal Certification of Accounts 2018

**OPINION OF THE GENERAL AND SUPERVISORY BOARD****Annual Report and Accounts - 2018 Financial Year**

1. In compliance with the legal and statutory provisions applicable to Infraestruturas de Portugal, S.A. (IP), we give an opinion on "IP's Report and Accounts 2018", which contains the Management Report for 2018, the Financial Statements and Notes to IP's Individual Accounts, the Financial Statements and Notes to the IP Group's Consolidated Accounts, IP's 2018 Corporate Governance Report, as well as the Standard GRI Table 2018 and the corresponding audit reports and legal certifications of the accounts, all referring to the year ended 31 December 2018, as well as the Proposal for Distribution of Profits.
2. In the course of the financial year, we monitored the Company's business activity with the periodicity and the breadth we considered appropriate. We verified the correct nature of the accounting books and their documentation, as well as the effectiveness of the internal control system, insofar as it is relevant to IP's activity, the presentation of the individual and consolidated financial statements, the risk management and compliance system and the internal audit system. We also checked compliance with the law and articles of association.
3. Within this scope we report the following:
  - The EBD produced the quarterly budget implementation reports (first, second and third quarters of 2018), as provided for in article 13 (1) (f) of the IP Articles of Association and article 44 (1) (i) of the RJSPE, and the General and Supervisory Board (GSB) issued its corresponding reports.
  - In 2018, the State Budget Law sets forth that the overall growth of the indebtedness of public companies is limited to 2%, considering the interest-bearing financing adjusted by the paid-up share capital. IP's compliance with the ratio in 2018 is due to the compensation operation carried out in December, which allowed the settlement of part of the company's debt due to investments in LDI.



- As for the state treasury unit, IP maintained part of its assets deposited in the national financial system under the authorisation granted by the IGCP, through SGC notice no. 2018/11774 of July 17. As such, on 31/12/2018 almost all of its assets (99.8%) were placed with the IGCP – Treasury and Public Debt Management Agency.
4. The adequacy of the presentation of IP's financial position was checked, as well as its results, comprehensive income, changes in shareholders' equity and cash flows on an individual and consolidated basis, as expressed in the related financial statements and the Notes thereto, supplemented by the Statutory Audit Report issued by "Vitor Almeida & Associados, SROC, Lda." and the Audit Report issued by RCA - Rosa, Correia & Associados SROC, S.A. (RCA), in the terms required by article 245 (1) (b) of the Portuguese Securities Code.
  5. IP's net profit for 2018 is EUR 109.3 million, which compares with a net loss of EUR 13.6 million recorded in 2017. The Executive Board of Directors proposes, under the terms and for the purposes of article 31 of the Articles of Association and article 376 (1) (b) and article 295 of the Commercial Companies Code, that said profit amounting to EUR 109,287,314.98 (one hundred and nine million two hundred and eighty-seven thousand three hundred and fourteen euros and ninety-eight cents) be wholly applied to the legal reserve. This proposal is considered adequate in relation to the level of the company's indebtedness and its equity structure.
  6. The consolidated financial information for the year ended 31 December 2018 includes the Consolidated Statement of Financial Position at 31 December 2018 (Total Assets of EUR 26,376 million and total Equity of EUR 6,121 million, including a net profit of EUR 85.7 million), and the Consolidated Statements of Comprehensive Income, Changes in Shareholders' Equity and Cash Flows for the year ended on that date, as well as the Notes thereto. This information was supplemented by the Statutory Audit Report and the Audit Report issued by "Vitor Almeida & Associados, SROC, Lda." and by RCA - Rosa, Correia & Associados SROC, S.A (RCA) respectively, on the audit of the consolidated financial statements.



IP's consolidated net profit amounted to EUR 85.7 million in 2018, which corresponds to a reduction of EUR 20.3 million compared to the profit recorded in 2017.

7. The difference between the IP Group's consolidated net profit and IP's net profit results essentially from the cancellation of the impairments related to the loans granted to GIL (Gare Intermodal de Lisboa).
8. The GSB and its individual members declare that, to the best of their knowledge, the financial information analysed (including in particular the individual and consolidated accounts) have been prepared in accordance with applicable accounting standards, giving a true and fair view of the assets and liabilities, financial position and results of the issuer, and that both the Annual Report and Accounts adequately present the evolution of the business, IP's performance and the position and contain information on the main risks and uncertainties.
9. The work conducted by the Statutory Auditor, Vitor Almeida & Associados, SROC, Lda., and the External Auditor, RCA - Rosa, Correia & Associados SROC, S.A. (RCA) and examined the legal certifications of the accounts and the audit reports on the Separate and Consolidated Financial Information, as well as the Key Audit Matters expressed in said certifications and reports, which were considered in the work carried out and in the formation of the opinion.
10. We express our agreement to the legal certifications of the accounts and to the audit reports on the Separate and Consolidated Financial Information, which were issued without reservations but with emphasis and mention of the Key Audit Matters, which should also be considered as part of this Opinion.
11. The General and Supervisory Board, as a result of the work carried out and considering what was reported in the previous points, issues a favourable opinion of IP's Management Report and Accounts for the year ended 31 December 2018, presented by the Executive Board of Directors in the assessment of the accounts for the year.
12. After the assessment of the 2018 Corporate Governance Report, presented by the EBD, in Part IV of the Report and Accounts of 2018, the GSB confirms that this document contains the current and complete required information on all matters provided for in Chapter II of the RJSPE and that IP followed the instructions sent by DGTF – General Directorate of the Treasury and Finance, through Circular Letter no. 1116, of 12 March 2019, for the preparation of said report. The GSB also certifies that the same Report includes the elements contained in article 245-A of the Portuguese Securities Code, in the part that applies to it as an issuer, held exclusively by the State





13. Accordingly, it is our opinion, taking into account the information received from the Executive Board of Directors and other bodies and department of IP, and the opinions and emphases in the Key Audit Matters, expressed in the legal certifications and the audit reports regarding the consolidated and individual financial information, that the General Meeting of IP approve:

- a. The 2018 Annual Report, which includes the Management Report, the individual and consolidated Financial Statements and the accompanying notes thereto and the Corporate Governance Report for 2018 (Part IV of the Annual Report and Accounts);
- b. The Proposal for the Distribution of Profits presented by the EBD, under which the total net profit for 2018 is used to strengthen the Legal Reserve.

Pursuant to article 376 (1) (c) of the Commercial Companies Code, the General Meeting is also responsible for the general appraisal of the management and supervision of the Company.

Pragal, 30 April 2019

General and Supervisory Board

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José Emílio Castel-Branco

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Duarte Ivens Pitta Ferraz

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Issuf Ahmad

## STATUTORY AUDIT REPORT

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### OPINION

We have audited the accompanying financial statements of **INFRAESTRUTURAS DE PORTUGAL, SA** (the Entity), which comprise the statement of financial position at 31 December 2018 (which shows a total of EUR 26,333.338 million and total equity of EUR 6,082.576 million, including a net profit of EUR 109.287 million), the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended on that date and the notes to the financial statements which include a summary of the main accounting policies.

In our opinion, the accompanying financial statements present truly and fairly in all material respects present the financial position of **INFRAESTRUTURAS DE PORTUGAL, S.A.** at 31 December 2018 and its financial performance and cash flows for the year ended on that date, in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union.

#### BASES FOR OPINION

Our audit was carried out in accordance with the International Standards on Auditing (ISA) and other standards and technical and ethical guidelines of the Portuguese Statutory Auditors Association. Our responsibilities under these standards are described in the section "Auditor's Responsibilities for the Audit of the Financial Statements" below. We are independent of the Entity according to the law and we comply with the other ethical requirements under the code of ethics of the Portuguese Statutory Auditors Association.

We are convinced that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### EMPHASES

1. As reported in section 5.6.1. management report and point 38 of the Notes to the Financial Statements, the Court of Auditors, through Ruling no. 29/2018, refused to approve the Amended Algarve Litoral Sub-concession Contract, agreed with the Sub-concessionaire within the scope of a process of renegotiation.

According to that Ruling, doubts are raised as to whether, in the opinion of the Court of Auditors, the renegotiated contract contemplates the future inclusion of payments to be made to the Subcontractor of the so-called "contingent remuneration", which the Court previously considered, in an audit carried out in 2011, would not be due to it, which is why they were never accepted or paid by the Entity, even though they were included in the respective base case, which is an annex to the respective subconcession contract.

Notwithstanding the fact that the Entity appealed against that decision of the Court of Auditors by means of an appeal filed on 5 July 2018, in which no ruling has been made, it was assumed that, with the understanding expressed in the said Ruling prevailing, it may be liable to contaminate the contracts already renegotiated. Those contracts relate to the Pinhal Interior, Transmontana Motorway and Baixo Alentejo sub-concessions, as well as those still in an advanced phase of negotiation, in which the agreement on the reduction of future payments to be made by IP had already been reached (Baixo Tejo and the Litoral Oeste subconcessions) or the Douro Interior sub-concession, already renegotiated but with the renegotiated contract not yet signed.

As a result, the negotiation processes that were still in progress were suspended, and the renegotiated version of the Douro Interior sub-concession contract was not signed. This situation also led to the unilateral decision by the Entity to limit the payments that were agreed under the renegotiated contracts related to the Baixo Alentejo, Pinhal Interior and Transmontana sub-concession contracts, as well as Memoranda of Understanding which had been agreed in the context of the respective negotiation procedures for the Baixo Tejo and Litoral Oeste sub-concessions, and the so-called "contingent remuneration" was not being paid in relation to the non-renegotiated Douro Interior contract.

As the decision of the Court of Auditors is not yet known, and in the event that it is unfavourable to the Entity's claims, doubts remain as to the consequences thereof, given that, at least in some cases, it will not be possible to perform in full the non-renegotiated contracts. This may result in the inevitable redemption of some of the contracts, the occurrence of new negotiation processes or, possibly, the use of arbitration proceedings that may be triggered by some of the sub-concessionaires, with financial consequences for the Entity which cannot be quantified.

2. As disclosed in item 13 of the Notes to the Financial Statements, the Government and Other Public Bodies item, recorded in current assets, in the amount of EUR 1,285.852 million, includes EUR 1,285.775 million related to VAT - Added Value Tax to be recovered, of which a reimbursement of EUR 227.562 million has already been requested, relative to the year 2008 and up to October 2009.

As a result of inspections carried out by the Tax Authority, several additional VAT payment demands were issued, amounting to EUR 1,095.251 million (of which EUR 341.630 million refers to 2008 and 2009, EUR 384.270 million refers to 2011 and 2012 and EUR 171.213 million refers to 2013, and settlements of EUR 369.351 million have already been made in 2019 relating to 2014 and 2015). The total amount of EUR 74.678 million of interest should be added to this, calculated at the date of the respective additional settlements, of which EUR 16.639 million is related to settlements already made in 2019. All of these settlements are being contested, either through legal challenges or through administrative complaints, which is why they were not recognised in the accounts.

These additional settlements result from the fact that the Tax Authority assumes that, contrary to the opinion of the Board of Directors of the Entity, the Road Service Contribution is not taxable income and does not therefore confer the right to deduct the VAT with the activities financed by this revenue.

Adopting a prudential approach and as disclosed in point 13 of the Notes to the Financial Statements, the Entity includes in the Non-Current Liabilities item, under Provisions, the amount of EUR 366.479 million (including the reinforcement in the period of EUR 17.712 million) relating to VAT deducted over the years, associated to the activities funded by the Road Service Contribution. This provision does not include the effect of interest that may be calculated if the final decision is unfavourable to the Entity.

In 2018, in respect of one of the VAT proceedings being contested, the judicial challenge presented by the Entity was considered to be fully valid and the totality of the additional assessments issued by the Tax Authority was annulled. This led to an appeal to the Southern Central Administrative Court, which was rejected. However, the Supreme Administrative Court allowed the Tax Authority to file an appeal, and we await the final outcome of this action.

It should be pointed out, however, that if the understanding reached by the Tax Authority comes to prevail at the final instance, the impact from a possible non-recovery of VAT deducted over the years would result in its recognition as a component of the acquisition cost of the Intangible assets. This would not have immediate consequences in terms of profit for the period in which such a decision was granted, since this would only be reflected in a reclassification of accounts at the asset level. As such, impacts would be diluted over the remaining period of the concession, through the increase in amortisations to be recognised in each of the remaining years of the road network concession, until 2082.

3. As mentioned in the Notes to the Financial Statements, in particular in points 2.2., subparagraphs c) and e), 2.3. and 6., particularly with regard to the accounting recognition associated with Intangible Assets – Road Concession Rights, which had the net amount of EUR 20,325.374 million at 31 December 2018, underpinning the same is an accounting model that allows, in addition to recognising the charges already incurred, the consideration of a set of assumptions that support the incorporation in the value of this asset of the estimated amount of future investments in the road network, until the end of the respective concession agreement. It also considers assumptions and estimates in relation to the determination of the amortisations of each period, the income forecast for this asset, also until the end of the concession. These assumptions and estimates are based on the business plan produced and reviewed annually by the Management Body. They are adjusted in accounts based on a stability analysis of the activity.

We note, however, that future events often do not occur in the expected way, due in particular to factors exogenous to the Entity, namely the evolution of macroeconomic variables, political orientation or socioeconomic changes, with potentially significant impacts on the economic and financial performance of the Entity.

Notwithstanding this matter being reported as a relevant audit matter, which would justify, in the light of applicable auditing standards, its non-treatment as an emphasis, the fact that this asset represents 77.2% of the total assets, combined with the uncertainty associated with the achievement of the defined assumptions, although adequately disclosed, is grounds for additional reporting in this section, in our opinion.

4. As referred to in point 17.2. of the Notes to the Financial Statements, the State, as the shareholder, granted financing/loans to the Entity, which, as of 31 December 2018, amounted to EUR 2,627.065 million, of which EUR 2,354.537 million was placed in current liabilities. EUR 1,981.369 million of that amount has already surpassed the date initially contracted for amortisation. However, this situation does not detract from the contractual compliance by the Entity, not only because the State itself granted a moratorium on these loans, having decided not to charge interest from the date initially scheduled for their amortisation, but also because there is a receivable from the State, in assets, in the net amount of EUR 3,767.165 million, recorded in current assets, as referred to in point 12 of the Notes to the Financial Statements. This figure refers to investments made by the Entity on behalf of the State in LDI – Long-duration Infrastructure.

Our opinion has not changed in relation to these matters.

## KEY AUDIT MATTERS

The key audit matters are those that, in our professional judgment, played a greater role in the audit of the financial statements of the current year. These matters were considered in the context of the audit of the financial statements as a whole and in the formation of our opinion and we do not express a separate opinion on these matters.

Description of the most significant identified material misstatement risks	Summary of the response to the most significant material misstatement risks analysed
<p><b>Recognition of Intangible Assets - Road Concession Right</b></p> <p>As mentioned in the Notes to the Financial Statements, in particular points 2.2, subparagraphs c) and e), 2.3 and 6., the Entity entered into a concession agreement with the State (sole shareholder) permitting the recognition of the Concession Right of the National Road Network to the end of the year 2082.</p> <p>As a result of the aforementioned agreement, the Entity recognises this concession right as an intangible asset, in accordance with IFRIC12, which is increased both by the investment already made and by the estimated investment to be made, both in the National Road Network and in the Concessioned Network, thus corresponding to the overall total costs incurred and liabilities assumed under the general concession of the national road infrastructure.</p> <p>The amortisation of the intangible asset is based on the unit of production method, considering the unit of production to be the best estimate of income inherent to the revenue directly associated with the rights already acquired by the Entity.</p> <p>In view of the high level of judgments and estimates implicit over the rather long-time horizon of the road service concession, which are based on macroeconomic and management assumptions as well as on future investment policies, this set of issues is considered to be relevant to the audit.</p>	<p>In order to mitigate the risks of material misstatement at the level of Intangible Assets - Concession Right, an adjusted audit methodology was developed based on the understanding of the controls and procedures implemented and maintained by the Entity and through the development of a set of substantive audit procedures, of which the following stand out:</p> <ul style="list-style-type: none"><li>▪ Analysis of the information supporting the accounting movements, validation of the underlying assumptions and replication of the calculations of increases and decreases in gross assets and their amortisation;</li><li>▪ Analysis of the business model of the entity that supports the measurement of the intangible asset and the recognition of its amortisation, with particular attention to the coherence and consistency of the assumptions inherent to the same and its evolution from the previous year;</li><li>▪ Analysis of contracts and their relevant annexes, including the validation of their consistency and conformity with the amounts recognised in the accounts;</li><li>▪ Documentary verification, on a sampling basis, of the investment amount of the year, as well as the capitalisation of financial expenses with construction;</li><li>▪ Validation of the external confirmation of Concessionaires and Sub-concessionaires with the respective balances and analysis of the reconciliations made.</li></ul>

Description of the most significant identified material misstatement risks	Summary of the response to the most significant material misstatement risks analysed
<p><b>Recognition of Financial Assets - Accounts receivable - Grantor State (Railway)</b></p> <p>As mentioned in the Notes to the Financial Statements, in particular point 2.2 subparagraph (c) and point 12, the Entity ensures the construction and renovation of long-duration railway infrastructure, in accordance with State guidelines. Its financing is ensured through capital, grants and loans mostly endorsed by the shareholder (State), as the Entity takes on the role of "agent" in this activity.</p> <p>Applying this understanding, the impact related to this activity is recognised and measured in accordance with IFRIC 12, considering that the investment activity in Long-Duration Infrastructure (LDI) substantiates the existence of a concession with the State, taking the form of "receivables" (financial asset) attributed to the entity "Grantor State". It is initially recognised at fair value.</p> <p>The financial assets, which at the end of 2018 reached a net value of EUR 3,767.165 million reflect the net amount receivable from the State, and are generated by the costs incurred with the investment made in the railway infrastructure, plus the interest charged on the loans which are considered as imputed to the concession and deducted from the sales values of these assets, when this occurs, and from the grants received that concern these.</p> <p>Since the financial assets result from the direct allocation of expenses associated with the investment in the National Railway Network, including financial charges, unilaterally undertaken by the Entity, the associated risk results from the allocation of these amounts to the State Grantor, as well as from the respective recognition by this. For this reason, it is considered to be relevant to the audit.</p>	<p>In order to mitigate the risks of material misstatement at the level of Financial Assets - Accounts receivable - State Grantor (Railway), we have developed the following substantive audit procedures:</p> <ul style="list-style-type: none"> <li>▪ Analysis of the information supporting the accounting movements associated with the assumption of this responsibility by the Entity, validation of the underlying assumptions and replication of the calculations of increases and decreases of the financial assets;</li> <li>▪ Analysis of the contracts and validation of their consistency and conformity with the calculations and assumptions taken on;</li> <li>▪ Documentary verification, on a sampling basis of the amount of investment made in the year in LDI;</li> <li>▪ Documentary verification and analysis of the financing considered as allocated to the financing of the LDI, as well as the allocation of the respective financial expenses;</li> <li>▪ Confirmation of the approval of the individual and consolidated financial statements for 2017 by the shareholder State, which also assumes the role of grantor of railway infrastructure, assuming that, by approving these financial statements, it implicitly recognises the value of the expenses incurred with the LDI investment that has not yet been reimbursed to the Entity by the State.</li> </ul>

Description of the most significant identified material misstatement risks	Summary of the response to the most significant material misstatement risks analysed
<p><b>Recognition of revenue associated with relevant activities carried out by the Entity</b></p> <p>Of note in relation to the road sector, as mentioned in the Notes to the Financial Statements, in particular point 2.2 subparagraph k) and point 20, is the revenue recognised in 2018 amounting to EUR 1,046.587 million, mainly as a result of the Road Service Contribution (66%) and toll revenues (30%). However, this toll revenue is partially recognised in expenses and, consequently, deducted from the cost of Intangible Assets - Concession Right which will occur until the end of the initial period of each of the concessions granted to private partners which are part of the Entity's overall concession.</p> <p>The revenue recognised in 2018 associated with the railway sector, amounting to EUR 104.078 million, is mainly due to the management of the railway infrastructure, plus the amount of the compensatory allowance awarded in the year, amounting to EUR 62.904 million.</p> <p>Due to the impact of revenue on the Statement of Comprehensive Income and the specificity that not all income is recognised as revenue, namely that resulting from the concessioned network, this topic is considered to be relevant for the audit.</p>	<p>In order to mitigate the risks of material misstatement in the recognition of the revenues from the relevant activities developed by the Entity, a methodology was developed based on the understanding of the controls and procedures implemented and maintained by the Entity and the development of a set of substantive audit procedures, of which the following stand out:</p> <ul style="list-style-type: none"> <li>▪ Confirmation of the revenue collected regarding the Road Service Contribution is obtained by verifying the transfers occurred and replicating the respective calculations. In addition, the overall calculation to determine this type of revenue recognised in the period was replicated, based on the information available on the Tax Authority's website on the volume of fuels consumed, to which the applicable amounts were applied by type of product, for the purpose of calculating the Road Service Contribution, the necessary clarifications, resulting from such analysis, having been requested and obtained;</li> <li>▪ With regard to toll revenue, external confirmations were made with the Sub-concession Entities, with the purpose of confirming the accounting amounts recognised in the year and, when necessary, analysing the information reported by them to the Entity itself;</li> <li>▪ The revenue associated with road infrastructure construction services was validated through the analysis of the costs incurred and external confirmations of the same;</li> <li>▪ As regards revenue from the management of railway infrastructure, the amount recognised and its conformity with the accounting records were documented on a sampling basis.</li> </ul>



## **RESPONSIBILITIES OF THE MANAGEMENT BODY AND THE SUPERVISORY BODY FOR THE FINANCIAL STATEMENTS**

The management body is responsible for the:

- preparation of financial statements that truly and fairly present the financial position, financial performance and cash flows of the Entity in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union;
- preparation of the single management report, including the corporate governance report and the non-financial statement, in accordance with applicable legal and regulatory rules;
- creation and maintenance of an appropriate internal control system to enable the preparation of financial statements free from material misstatement due to fraud or error;
- adoption of appropriate accounting policies and criteria in the circumstances; and
- assessment of the Entity's ability to maintain continuity, disclosing, when applicable, matters that may raise significant doubts about the continuity of the business activities.

The Supervisory Body is responsible for supervising the process of preparation and disclosure of the financial information of the Entity.

## **RESPONSIBILITIES OF THE AUDITOR IN THE AUDIT OF THE FINANCIAL STATEMENTS**

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error, and to issue a report stating our opinion.

Reasonable safety is a high level of safety, but it is not a guarantee that an audit performed according to ISA will always detect material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, alone or together, they can reasonably be expected to influence the economic decisions of users taken on the basis of those financial statements.

As part of an ISA audit, we make professional judgments and maintain professional scepticism during the audit and also:

- we identify and assess the risks of material misstatement of the financial statements due to fraud or error, we design and perform audit procedures that respond to those risks, and we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement due to fraud is greater than the risk of not detecting a material misstatement due to error, since fraud may involve collusion, counterfeiting, intentional omissions, false statements or overlapping of internal control;

- we obtain an understanding of the internal control relevant to the audit for the purpose of designing audit procedures that are appropriate to the circumstances, but not to express an opinion on the effectiveness of the Entity's internal control;
- we evaluate the adequacy of the accounting policies used and the reasonableness of accounting estimates and respective disclosures made by the management body;
- we conclude on the appropriation of the use by the management body of the assumption of continuity and, based on the audit evidence obtained, whether there is any material uncertainty related to events or conditions that could raise significant doubts about the Entity's ability to continue its business activities. If we conclude that there is material uncertainty, we should draw attention in our report to the related disclosures included in the financial statements or, if these disclosures are not appropriate, we must alter our opinion. Our findings are based on audit evidence obtained on the date of our report. However, future events or conditions may cause the Entity to discontinue its activities;
- we evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in order to achieve an appropriate presentation;
- we communicate with those in charge of governance, including the supervisory body, *inter alia*, the scope and planned timing of the audit, and significant audit findings including any significant deficiencies in internal control identified during the audit;
- of the matters we have communicated to those in charge of governance, including the supervisory body, we determine the most important ones in auditing the financial statements for the current year and which are the key audit matters. We describe these in our report, except when the law or regulations prohibit their public disclosure;
- we declare to the supervisory body that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes checking that the information contained in the management report matches that from the financial statements, and carrying out the verifications provided for in article 451 (4) and (5) of the Commercial Companies Code.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **MANAGEMENT REPORT**

It is our opinion, in compliance with article 451 (3) (e) of the Commercial Companies Code, that the management report was prepared in accordance with the applicable legal and regulatory requirements, the information contained therein agrees with the audited financial statements and, based on our knowledge and appraisal of the entity, we have not identified material misstatements. It should be noted that the Entity has chosen to present a single management report, covering both individual and consolidated accounts, as permitted by article 508-C (6) of the Commercial Companies Code.

### **NON-FINANCIAL INFORMATION PROVIDED FOR IN ARTICLE 66-B OF THE COMMERCIAL COMPANIES CODE**

In compliance with article 451 (6) of the Commercial Companies Code, we hereby inform that the entity presents the non-financial information, as provided for in article 66-B of the Commercial Companies Code, as an integral part of the Management Report.

### **CORPORATE GOVERNANCE REPORT**

It is our opinion, in compliance with article 451 (4), of the Commercial Companies Code, that the Corporate Governance Report includes the elements required from the Entity pursuant to article 245-A of the Portuguese Securities Code, and no material inaccuracies have been identified in the information disclosed therein, complying with subparagraphs c), d), f), h), i) and m) of the said article. The same Report also complies with what is established in the manual provided by the Technical Unit for Supervision and Monitoring of the Corporate Public Sector (UTAM).

### **ADDITIONAL ELEMENTS PROVIDED FOR IN ARTICLE 10 OF REGULATION (EU) No 537/2014**

In compliance with article 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- we were appointed as the Statutory Auditor for the first time on 13 April 2017 through a written unanimous corporate resolution for the 2016 and 2017 financial years, and retained for the three-year period 2018-2020 at the general meeting held on 19 March 2019.
- the management body has confirmed to us that it is not aware of the occurrence of any fraud or suspected fraud with material impact on the financial statements. In the planning and performance of our audit according to ISA we have maintained professional scepticism and designed audit procedures to respond to the possibility of material misstatement of financial statements due to fraud. As a result of our work, we have not identified any material misstatement in the financial statements due to fraud.

- we confirm that the audit opinion we issue is consistent with the additional report we prepared and delivered to the Entity's supervisory body on the same date.
- we declare that we have not provided any services prohibited pursuant to article 77 (8) of the Statutes of the Portuguese Statutory Auditors Association and that we have maintained our independence from the Entity during the performance of the audit.
- In addition to the audit, we have provided the Entity with an agreed procedures service, regarding the verification of the conversion of the statement of financial position prepared in accordance with International Financial Reporting Standards (IFRS) on a balance sheet prepared in accordance with Accounting and Financial Standards of the Accounting Standardisation System, which is permitted by law and by the regulations in force.

Lisbon, 30 April 2019.

**VITOR ALMEIDA & ASSOCIADOS, SROC, LDA.**

Represented by:

Vitor Manuel Batista de Almeida

(Registered in the Portuguese Statutory Auditors Association under number 691 and in the list of auditors of the CMVM under No. 20160331)

## STATUTORY AUDIT REPORT

### REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### OPINION

We have audited the accompanying consolidated financial statements of **INFRAESTRUTURAS DE PORTUGAL, S.A.** (the Group), which comprise the statement of financial position at 31 December 2018 (which shows a total of EUR 26,376.229 million and total equity of EUR 6,121.076 million, including a net profit of EUR 85,707 million), the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that date, and the notes to the consolidated financial statements which include a summary of the main accounting policies.

In our opinion, the accompanying consolidated financial statements present truly and fairly in all material respects present the consolidated financial position of **INFRAESTRUTURAS DE PORTUGAL, S.A.** at 31 December 2018 and its financial performance and consolidated cash flows for the year ended on that date, in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union.

#### BASES FOR OPINION

Our audit was carried out in accordance with the International Standards on Auditing (ISA) and other standards and technical and ethical guidelines of the Portuguese Statutory Auditors Association. Our responsibilities under these standards are described in the section "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" below. We are independent of the entities that make up the Group under the terms of the law and we comply with the other ethical requirements under the code of ethics of the Portuguese Statutory Auditors Association.

We are convinced that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### EMPHASES

1. As reported in section 5.6.1. management report and point 39 of the Notes to the Financial Statements, the Court of Auditors, through Ruling no. 29/2018, refused to approve the Amended Algarve Litoral Sub-concession Contract, agreed with the Sub-concessionaire within the scope of a process of renegotiation.

According to that Ruling, doubts are raised as to whether, in the opinion of the Court of Auditors, the renegotiated contract contemplates the future inclusion of payments to be made to the Subcontractor of the so-called "contingent remuneration", which the Court previously considered, in an audit carried out in 2011, would not be due to it, which is why they were never accepted or paid by the Entity, even though they were included in the respective base case, which is an annex to the respective sub-concession contract.

Notwithstanding the fact that the Entity appealed against that decision of the Court of Auditors by means of an appeal filed on 5 July 2018, in which no ruling has been made, it was assumed that, with the understanding expressed in the said Ruling prevailing, it may be liable to contaminate the contracts already renegotiated. Those contracts relate to the Pinhal Interior, Transmontana Motorway and Baixo Alentejo sub-concessions, as well as those still in an advanced phase of negotiation, in which the agreement on the reduction of future payments to be made by IP had already been reached (Baixo Tejo and the Litoral Oeste subconcessions) or the Douro Interior sub-concession, already renegotiated but with the renegotiated contract not yet signed.

As a result, the negotiation processes that were still in progress were suspended, and the renegotiated version of the Douro Interior sub-concession contract was not signed. This situation also led to the unilateral decision by the Entity to limit the payments that were agreed under the renegotiated contracts related to the Baixo Alentejo, Pinhal Interior and Transmontana sub-concession contracts, as well as Memoranda of Understanding which had been agreed in the context of the respective negotiation procedures for the Baixo Tejo and Litoral Oeste sub-concessions, and the so-called "contingent remuneration" was not being paid in relation to the non-renegotiated Douro Interior contract.

As the decision of the Court of Auditors is not yet known, and in the event that it is unfavourable to the Entity's claims, doubts remain as to the consequences thereof, given that, at least in some cases, it will not be possible to perform in full the non-renegotiated contracts. This may result in the inevitable redemption of some of the contracts, the occurrence of new negotiation processes or, possibly, the use of arbitration proceedings that may be triggered by some of the sub-concessionaires, with financial consequences for the Entity which cannot be quantified.

2. As disclosed in note 15 of the Notes to the Consolidated Financial Statements, the Government and Other Public Bodies item, recorded in current assets, amounting to EUR 1,286.984 million includes the amount of EUR 1,286.907 million related to VAT - Value Added Tax to be recovered, of which a reimbursement of EUR 227.562 million has already been requested, relative to the year 2008 and until October 2009.

As a result of inspections carried out by the Tax Authority, several additional VAT payment demands were issued, amounting to EUR 1,095.251 million (of which EUR 341.630 million refers to 2008 and 2009, EUR 384.270 million refers to 2011 and 2012 and EUR 171.213 million refers to 2013, and settlements of EUR 369.351 million have already been made in 2019 relating to 2014 and 2015). The total amount of EUR 74.678 million of interest should be added to this, calculated at the date of the respective additional settlements, of which EUR 16.639 million is related to settlements already made in 2019. All of these settlements are being contested, either through legal challenges or through administrative complaints, which is why they were not recognised in the accounts.

These additional settlements result from the fact that the Tax Authority assumes that, contrary to the opinion of the Group, the Road Service Contribution is not a taxable income and does not therefore confer the right to deduct the VAT with the activities financed by this revenue.

Adopting a prudential approach and as disclosed in point 19 of the Notes to the Consolidated Financial Statements, the Group includes in Non-Current Liabilities, under Provisions, the amount of EUR 366.479 million (including the reinforcement in the period of EUR 17.712 million) relating to VAT deducted over the years, associated with the activities funded by the Road Service Contribution. This provision does not include the effect of interest that may be calculated if the final decision is unfavourable to the Group.

In 2018, in respect of one of the VAT proceedings being contested, the judicial challenge presented by the Group was considered to be fully valid and the totality of the additional assessments issued by the Tax Authority was annulled. This led to an appeal to the Southern Central Administrative Court, which was rejected. However, the Supreme Administrative Court allowed the Tax Authority to file an appeal, and we await the final outcome of this action.

It should be pointed out, however, that if the understanding reached by the Tax Authority comes to prevail at the final instance, the impact from a possible non-recovery of VAT deducted over the years would result in its recognition as a component of the acquisition cost of the Intangible assets. This would not have immediate consequences in terms of profit for the period in which such a decision was granted, since this would only be reflected in a reclassification of accounts at the asset level. As such, impacts would be diluted, through the increase in amortisations to be recognised in each of the remaining years of the road network concession, until 2082.

3. As mentioned in the Notes to the Consolidated Financial Statements, in particular notes 2.2., sub-paragraphs b) and d), 2.3., 2.4., and 8., particularly with regard to the accounting recognition associated with Intangible Assets - Road Concession Rights, which rose to the net amount of EUR 20,325.374 million at 31 December 2018, underpinning the same is an accounting model that allows, in addition to recognising the charges already incurred, the consideration of a set of assumptions that support the incorporation in the value of this asset of the estimated amount of future investments in the road network, until the end of the respective concession agreement. It also considers assumptions and estimates in relation to the determination of the amortisations of each period, the income forecast for this asset, until the end of the concession. These assumptions and estimates are based on the business plan produced and reviewed annually by the Management Body. They are adjusted in accounts based on a stability analysis of the activity.

We note, however, that future events often do not occur in the expected way, due in particular to factors exogenous to the Group, namely the evolution of macroeconomic variables, political orientations or socioeconomic changes, with potentially significant impacts on the economic and financial performance of the Group.

Notwithstanding this matter being reported as a key audit matter, which would justify, in the light of applicable auditing standards, it not being treated as an emphasis, the fact that this asset represents 71.3% of the total, combined with the uncertainty associated with the achievement of the defined assumptions, although adequately disclosed, is in our opinion grounds for additional reporting in this section.

4. As referred to in point 20.2. of the Notes to the Consolidated Financial Statements, the State, as the shareholder, granted financing/loans to the Group, which, as of 31 December 2018, amounted to EUR 2,627.065 million, of which EUR 2,354.537 million was placed in current liabilities. EUR 1,981.369 million of that amount has already surpassed the date initially contracted for amortisation. However, this situation does not detract from the contractual compliance by the Entity, not only because the State itself granted a moratorium on these loans, having decided not to charge interest from the date initially scheduled for their amortisation, but also because there is a receivable from the State, in assets, in the net amount of EUR 3,767.165 million, recorded in current assets, as referred to in point 14 of the Notes to the Consolidated Financial Statements. This figure refers to investments made by the Group on behalf of the State in LDI – Long-duration Infrastructure.

Our opinion has not changed in relation to these matters.



## KEY AUDIT MATTERS

The key audit matters are those that, in our professional judgment, played a greater role in the audit of the consolidated financial statements of the current year. These matters were considered in the context of the audit of the consolidated financial statements as a whole and in the formation of our opinion and we do not express a separate opinion on these matters.

Description of the most significant identified material misstatement risks	Summary of the response to the most significant material misstatement risks analysed
<p><b>Recognition of Intangible Assets - Road Concession Right</b></p> <p>As mentioned in the Notes to the Financial Statements, in particular points 2.2, subparagraphs d), 2.3, 2.4 and 8, the parent company entered into a concession contract with the State (sole shareholder) permitting the recognition of the Concession Right of the National Road Network to the end of the year 2082.</p> <p>As a result of the aforementioned agreement, the Group recognises this concession right as an intangible asset, in accordance with that established by IFRIC12, which is increased both by the investment already made and by the estimated investment to be made, both in the National Road Network and in the Concessioned Network, thus corresponding to the overall total costs incurred and liabilities assumed under the general concession of the national road infrastructure.</p> <p>The amortisation of the intangible asset is based on the unit of production method, considering the unit of production to be the best estimate of income inherent in the revenue directly associated with the rights already acquired by the Group.</p> <p>In view of the high level of judgments and estimates implicit over the rather long-time horizon of the road service concession, which are based on macroeconomic and management assumptions as well as on future investment policies, this set of issues is considered to be relevant to the audit.</p>	<p>In order to mitigate the risks of material misstatement at the level of Intangible Assets - Concession Right, an adjusted audit methodology was developed based on the understanding of the controls and procedures implemented and maintained by the Group and through the development of a set of substantive audit procedures, of which the following stand out:</p> <ul style="list-style-type: none"> <li>▪ Analysis of the information supporting the accounting movements, validation of the underlying assumptions and replication of the calculations of increases and decreases in gross assets and its amortisation;</li> <li>▪ Analysis of the business model of the Group that supports the measurement of the intangible asset and the recognition of its amortisation, with particular attention to the coherence and consistency of the assumptions inherent to the same and its evolution from the previous year;</li> <li>▪ Analysis of contracts and their relevant annexes, including the validation of their consistency and conformity with the amounts recognised in the accounts;</li> <li>▪ Documentary verification, on a sampling basis, of the investment amount of the year, as well as the capitalisation of financial expenses with construction;</li> <li>▪ Validation of the external confirmation of Concessionaires and Sub-concessionaires with the respective balances and analysis of the reconciliations made.</li> </ul>

Description of the most significant identified material misstatement risks	Summary of the response to the most significant material misstatement risks analysed
<p><b>Recognition of Financial Assets - Accounts receivable - Grantor State (Railway)</b></p> <p>As mentioned in point 14 of the Notes to the Consolidated Financial Statements, the parent company ensures the construction and renovation of long-term railway infrastructure, in accordance with State guidelines, and its financing is ensured through capital, grants and loans mostly endorsed by the State, as the Group takes on the role of "agent" in this activity.</p> <p>Applying this understanding, the impact related to this activity are recognised and measured in accordance with IFRIC 12, considering that the investment activity in Long Duration Infrastructures (LDI) substantiates the existence of a concession with the State, taking the form of "receivable" (financial asset) attributed to the entity "Grantor State". It is initially recognised at fair value.</p> <p>The financial assets, which at the end of 2018 reached a net value of EUR 3,767.157 million reflect the net amount receivable from the State, and are generated by the costs incurred with the investment made in the railway infrastructure, plus the interest charged on the loans which are considered as imputed to the concession and deducted from the sales values of these assets, when this occurs, and from the grants received that concern these.</p> <p>Since the financial assets result from the direct allocation of expenses associated with the investment in the National Railway Network, including financial charges, unilaterally undertaken by the Group, the associated risk results from the allocation of these amounts to the State Grantor, as well as from the respective recognition by this. For this reason, it is considered to be relevant to the audit.</p>	<p>In order to mitigate the risks of material misstatement at the level of Financial Assets - Accounts receivable - State Grantor (Railway), we have developed the following substantive audit procedures:</p> <ul style="list-style-type: none"> <li>▪ Analysis of the information supporting the accounting movements associated with the assumption of this responsibility by the Entity, validation of the underlying assumptions and replication of the calculations of increases and decreases of the financial assets;</li> <li>▪ Analysis of the contracts and validation of their consistency and conformity with the calculations and assumptions taken on;</li> <li>▪ Documentary verification, on a sampling basis of the amount of investment made in the year in LDI;</li> <li>▪ Documentary verification and analysis of the financing considered as allocated to the financing of the LDI, as well as the allocation of the respective financial expenses;</li> <li>▪ Confirmation of approval of the consolidated financial statements for 2017 by the shareholder State, which also assumes the role of grantor of railway infrastructure, assuming that, by approving these financial statements, it implicitly recognises the value of the charges incurred with the LDI investment that has not yet been reimbursed to the Group by the State.</li> </ul>

Description of the most significant identified material misstatement risks	Summary of the response to the most significant material misstatement risks analysed
<p><b>Recognition of revenue associated with relevant activities carried out by the Group</b></p> <p>Of note in relation to the road sector, as mentioned in the Notes to the Financial Statements, in particular point 2.2 subparagraph o) and in point 22 of the Notes to the Consolidated Financial Statements, is the revenue recognised in 2018 amounting to EUR 1,046.587 million, mainly as a result of the Road Service Contribution (58%) and toll revenues (27%). However, this toll revenue is partially recognised in expenses and, consequently, deducted from the cost of Intangible Assets - Concession Right which will occur until the end of the initial period of each of the concessions granted to private partners which are part of Infraestruturas de Portugal, S.A.'s concession.</p> <p>The revenue recognised in 2018 associated with the railway sector, amounting to EUR 104,078,000 is mainly due to the management of the railway infrastructure, plus the amount of the compensatory allowance awarded in the year, amounting to EUR 68,416,000.</p> <p>Given the impact of revenue on the Statement of Comprehensive Income and the details of toll revenue recognised as concession network income, being also recognised as an expense, after collection costs are deducted, this item is considered a key audit matter.</p>	<p>In order to mitigate the risks of material misstatement in the recognition of the revenues from the relevant activities developed by the Group, a methodology was developed based on the understanding of the controls and procedures implemented and maintained by the Group and the development of a set of substantive procedures, of which the following stand out:</p> <ul style="list-style-type: none"> <li>▪ Obtaining external confirmation of the revenue collected regarding the Road Service Contribution and replication of the calculations.</li> <li>▪ Validation of the external confirmation of Sub-concessionaire Entities with their accounting calculations;</li> <li>▪ Documentary verification, on a sampling basis, of the recognised revenue amount for the management of the railway infrastructure and its conformity with accounting records.</li> </ul>
<p><b>Goodwill Recognition</b></p> <p>Goodwill recorded in the balance sheet in the amount of EUR 21,687,000 results from the acquisition in 2014 of the remaining capital of GIL - Gare Intermodal de Lisboa, S.A. This is a cash generating unit in accordance with IAS 36, and its recoverable amount is recognised based on its value in use.</p> <p>Impairment tests are carried out annually, in accordance with the assumptions set out in note 5 of the Notes to the Consolidated Financial Statements.</p>	<p>In order to mitigate the risks of material misstatement in the recognition of Goodwill, we have developed the following substantive audit procedures:</p> <ul style="list-style-type: none"> <li>▪ Confirmation of the acquisition value of the shareholding and of the inherent goodwill calculation at the date of acquisition;</li> </ul>

Description of the most significant identified material misstatement risks	Summary of the response to the most significant material misstatement risks analysed
<p>Due to the high level of estimates and judgments associated with the determination of the recoverable amount of goodwill, it is considered to be relevant for the audit.</p>	<ul style="list-style-type: none"> <li>▪ Validation of the assumptions underlying the goodwill calculation;</li> <li>▪ Analysis of projected cash flows and other assumptions used in calculating the recoverable amount of this cash-generating unit;</li> <li>▪ Verification of impairment tests carried out on the value of goodwill;</li> <li>▪ Analysis of other information supporting the accounting movements associated with this recognition and review of the calculations made and the conclusions obtained.</li> </ul>

## RESPONSIBILITIES OF THE MANAGEMENT BODY AND THE SUPERVISORY BODY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The management body is responsible for the:

- preparation of consolidated financial statements that truly and fairly present the financial position, financial performance and cash flows of the Group in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union;
- preparation of the single management report, including the corporate governance report and the non-financial statement, in accordance with applicable legal and regulatory rules;
- creation and maintenance of an appropriate internal control system to enable the preparation of financial statements free from material misstatement due to fraud or error;
- adoption of appropriate accounting policies and criteria in the circumstances; and
- assessment of the Group's ability to maintain continuity, disclosing, when applicable, matters that may raise significant doubts about the continuity of the business activities.

The supervisory body is responsible for supervising the process of preparation and disclosure of the financial information of the Group.

## **RESPONSIBILITIES OF THE AUDITOR IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement due to fraud or error, and to issue a report stating our opinion.

Reasonable safety is a high level of safety, but it is not a guarantee that an audit performed according to ISA will always detect material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, alone or together, they can reasonably be expected to influence the economic decisions of users taken on the basis of those financial statements.

As part of an ISA audit, we make professional judgments and maintain professional scepticism during the audit and also:

- we identify and assess the risks of material misstatement of the consolidated financial statements due to fraud or error, we design and perform audit procedures that respond to those risks, and we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement due to fraud is greater than the risk of not detecting a material misstatement due to error, since fraud may involve collusion, counterfeiting, intentional omissions, false statements or overlapping of internal control;
- we obtain an understanding of the internal control relevant to the audit for the purpose of designing audit procedures that are appropriate to the circumstances, but not to express an opinion on the effectiveness of the Group's internal control;
- we evaluate the adequacy of the accounting policies used and the reasonableness of accounting estimates and respective disclosures made by the management body;
- we conclude on the appropriation of the use by the management body of the assumption of continuity and, based on the audit evidence obtained, whether there is any material uncertainty related to events or conditions that could raise significant doubts about the Group's ability to continue its business activities. If we conclude that there is material uncertainty, we should draw attention in our report to the related disclosures included in the financial statements or, if these disclosures are not appropriate, we must alter our opinion. Our findings are based on audit evidence obtained on the date of our report. However, future events or conditions may cause the Group to discontinue its activities;

- we evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in order to achieve an appropriate presentation;
- we obtain sufficient and appropriate audit evidence regarding the financial information of the entities or activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the guidance, supervision and performance of the Group's audit and we are ultimately responsible for our audit opinion;
- we communicate with those in charge of governance, including the supervisory body, *inter alia*, the scope and planned timing of the audit, and significant audit findings including any significant deficiencies in internal control identified during the audit;
- of the matters we have communicated to those in charge of governance, including the supervisory body, we determine the most important ones in auditing the consolidated financial statements for the current year and which are the key audit matters. We describe these in our report, except when the law or regulations prohibit their public disclosure;
- we declare to the supervisory body that we comply with the relevant ethical requirements regarding independence and communicate all relationships and other matters that may be perceived as threats to our independence and, where applicable, the respective safeguards.

Our responsibility also includes checking that the information contained in the management report matches that from the consolidated financial statements, and carrying out the verifications provided for in article 451 (4) and (5) of the Commercial Companies Code, as well as verifying that the non-financial statement was presented.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **MANAGEMENT REPORT**

It is our opinion, in compliance with article 451 (3) (e) of the Commercial Companies Code, due to the remission provided for in article 508-D of that Code, that the management report was prepared in accordance with the applicable legal and regulatory requirements, the information contained therein agrees with the audited consolidated financial statements and, based on our knowledge and appraisal of the Group, we have not identified material misstatements. This opinion does not apply to the non-financial statement included in the management report.

#### **NON-FINANCIAL INFORMATION PROVIDED FOR IN ARTICLE 508-G OF THE COMMERCIAL COMPANIES CODE**

Pursuant to article 451 (6) of the Commercial Companies Code, we hereby inform you that the Group has included in its single management report the consolidated non-financial statement provided for in article 508-G of the same Code.

#### **CORPORATE GOVERNANCE REPORT**

It is our opinion, in compliance with article 451 (4), of the Commercial Companies Code, that the Corporate Governance Report includes the elements required from the Entity pursuant to article 245-A of the Portuguese Securities Code, and no material inaccuracies have been identified in the information disclosed therein, complying with subparagraphs c), d), f), h), i) and m) of the said article. The same Report also complies with what is established in the manual provided by the Technical Unit for Supervision and Monitoring of the Corporate Public Sector (UTAM).

#### **ADDITIONAL ELEMENTS PROVIDED FOR IN ARTICLE 10 OF REGULATION (EU) No. 537/2014**

In compliance with article 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council of 16 April 2014, and in addition to the key audit matters mentioned above, we also report the following:

- we were appointed as the Statutory Auditor for the first time on 13 April 2017 through a written unanimous corporate resolution for the 2016 and 2017 financial years, and retained for the three-year period 2018-2020 at the general meeting held on 19 March 2019.
- the management body has confirmed to us that it is not aware of the occurrence of any fraud or suspected fraud with material impact on the financial statements. In the planning and performance of our audit according to ISA we have maintained professional scepticism and designed audit procedures to respond to the possibility of material misstatement of the consolidated financial statements due to fraud. As a result of our work, we have not identified any material misstatement in the consolidated financial statements due to fraud.
- we confirm that the audit opinion we issue is consistent with the additional report we prepared and have delivered to the Group's supervisory body on the same date.
- we declare that we have not provided any services prohibited pursuant to article 77 (8) of the Statutes of the Portuguese Statutory Auditors Association and that we have maintained our independence from the Group during the performance of the audit.

- in addition to the audit, we have provided the Group with an agreed procedures service, regarding the verification of the conversion of the statement of financial position prepared in accordance with International Financial Reporting Standards (IFRS) on a balance sheet prepared in accordance with Accounting Standards and Financial Reporting System, which is permitted by law and by the regulations in force.

Lisbon, 30 April 2019.

**VITOR ALMEIDA & ASSOCIADOS, SROC, LDA.**

Represented by:

Vitor Manuel Batista de Almeida

*(Registered in the Portuguese Statutory Auditors Association under number 691 and in the list of auditors of the CMVM under No. 20160331)*



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**INFRAESTRUTURAS DE PORTUGAL, S.A.**

AUDITOR'S REPORT

Issued under the terms of article 245, nr. 1 b), of the Portuguese Securities Code

ON SEPARATED FINANCIAL STATEMENTS

YEAR OF 2018

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## AUDITOR'S REPORT

### Issued under the terms of article 245, nr. 1 b), of the Portuguese Securities Code

*(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail)*

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the accompanying financial statements of INFRAESTRUTURAS DE PORTUGAL, S.A. (the Entity) which comprise the statement of financial position as at 31 December 2018 (which shows a total of 26.333.338 thousand euros and total shareholder's equity of 6.082.576 thousand euros, including a net profit of 109.287 thousand euros), the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of INFRAESTRUTURAS DE PORTUGAL, S.A. as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and other technical and ethical recommendations issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section, below. We are independent of the Entity in accordance with the law and we have fulfilled with the other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphases

According to disclosures in section 5.6.1 of the management report and in the note 38 to the financial statements, the Court of Auditors, through Court's Decision nr. 29/2018, refused the granting of a Visa to the Algarve Litoral Allocated Subconcession Contract agreed with the Subconcessionary in a renegotiation process, having the Entity filed an appeal on July 5, 2018, which is pending of decision. Given the view of the understanding included in the referred Court's Decision, the negotiation processes that were still ongoing regarding the subconcessions of Baixo Tejo and Litoral Oeste, with agreement reached on the reduction of future payments were suspended, as well as the signature of the renegotiated version of the subconcession of Douro Interior. This situation also led the Entity to decide to limit the agreed payments under the terms of the negotiated contracts, concerning the subconcessions of Baixa Alentejo, of Pinhal Interior and Transmontana. Also, in note 38, it is admitted the possibility that, if the outcome is unfavourable to the Entity, new negotiation processes are required or, possibly, the existence of new arbitration proceedings initiated by the Subconcessionaries.

As disclosed in Note 13 to the financial statements, current assets recorded as State and other public entities correspond almost entirely to the VAT calculated under the road concession by the extinct company EP - Estradas de Portugal, S.A. and by the holding-company since the merger with Refer, totalling 1.285.775 thousand euros. Due to the framework given by Tax Authority for the activity carried out by the holding company, particularly the Road Service Contribution (CSR), additional VAT assessments have been made, the amount of which for the years inspected up to 2015 totals 1.266.464 thousand euros, to be added interest up to the date of the same, in the amount of 74.678 thousand euros, which were subject to judicial claim (two processes related with years before 2011) and administrative complaint (years 2011, 2012 and 2013) or are in the process of complaint (year of 2014 and part of the year 2015). As disclosed in note 13, the holding company was notified in October 2017 of the Judicial Decision that revokes the sentence appealed of one of the judicial proceedings (tax of 64.506 thousand euros), deciding entirely in favour of EP, and cancelling the additional liquidations issued by the Tax Authority that appealed to the Supreme Administrative Court. As disclosed in note 16, the Group has booked annually provisions corresponding to the total VAT deducted in activities financed by CSR, which as at 31 December 2018 shows a total amount of 366.479 thousand euros. It should be noted that any risk associated with VAT deducted not considered under this provision has essentially an accounting impact on the cost of the concession rights of the national road network

According to the information disclosed in note 17 to the financial statements, a significant part of the Entity's financing has been provided by the shareholder State, with a total financing, as of December 31, 2018 amounting to 2.627.065 thousand euros, including interest. The amount disclosed under current liabilities (2.354.537 thousand euros) includes 1.981.369 thousand euros already reached maturity in respect of which a moratorium has been granted with interest suspension. Also, and as mentioned in note 12, current assets include 3.767.165 thousand euros of investments made by the Entity on behalf of the State, in long term railway infrastructures.

As disclosed in notes 2.2 e), 2.3 and 6 to the financial statements, the financial reporting framework applicable to service concession arrangements and the model followed by the Entity with respect to the concession rights of the national road network (Concession) have underlying assumptions and estimates of great relevance, such as the total amount of the investments and the expected income until the end of the concession, as of 31 December 2082, which consist of economic and financial projections annually prepared and reviewed by the Entity. As often future events may not occur as expected, namely due to factors exogenous to the Entity, such as the evolution of macroeconomic variables, political decisions and socioeconomic mutations, the financial and economic performance of the Concession may be significantly affected if the assumptions change, as demonstrated in the sensitivity analysis disclosed in note 2.3 to the financial statements.

Our opinion is not modified in respect to these matters.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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#### Right of road concession

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##### Risk

As explained in notes 2.2 e), 2.3 and 6 to the financial statements, the concession right, classified as an intangible asset under IFRIC 12 - Service Concession Arrangements, represents 77.2% of the Entity's assets and is measured at cost, being annually increased as a result of construction services, including financial charges, and the availability and service payments, net of tolls received, related to the concession network.

The concession right is depreciated using the units of production method, which is based on estimates

##### Audit approach summary

As a response to the risks of material distortion inherent to the right of road concession, due to the different variables that contribute to the measurement of the respective intangible asset and to the recognition of the related depreciation expense, a specific audit approach was carried out, based on the understanding of the controls and procedures implemented and maintained by the Entity and the development of substantive procedures, namely:

of costs and income to be materialized during the term of the concession agreement.

Therefore, annual depreciation is determined by applying the rate resulting from the proportion of eligible forecasted income for the period on the total eligible income forecast for the duration of the concession right. Identical criteria is followed in relation to the recognition of investment subsidies in results.

The aforementioned revenues and costs, which support the depreciation for the period, are based on assumptions and estimates involving a high degree of judgment, which are included in economic and financial projections reviewed annually by the Board.

Associated with the concession right, there is the obligation to maintain the average quality level of the road network, and an annual expense of 53 million euros is accrued (total of 301.074 thousand euros at the date of the statement of financial position) for periodic maintenance, which is based on internal estimates taking into account the typology of the network and specific intervention strategies.

Considering the amounts involved and a high level of judgment, based on the assumptions used in determining the depreciation rate of the intangible asset, this subject is a key audit matter.

- Obtaining and analysing the model followed by the Entity in the measurement of the intangible asset and in the recognition of its depreciation, including verification of the coherence and consistency of its assumptions and variables, in relation to the previous year:

- Obtaining and analysing the attachments related with the availability payments inherent to the concession contracts (State Concessions) and sub-concession (own construction of the Entity) to validate the reasonability of annual remunerations;

- Testing of the additions for the year registered in the concession right resulting from contractually established obligations, for State Concessions and sub-concessions;

- Testing of reductions in the concession right resulting from tolls received;

- Recalculation of depreciation expense of the concession right and the corresponding subsidy, taking into account the model and policies adopted;

- Reading the minutes of the Executive Board of Directors;

- Analysis of periodic maintenance costs charged to the year and the utilization of related accruals for expenses on works carried out in the year;

- Obtaining written representations from the Executive Board of Directors confirming that the assumptions and estimates used have taken into consideration the best information available at the date of financial reporting.

## Recognition of revenue from sales and services rendered

### Risk

The Entity's revenue derives results mainly from the road concession agreement concluded with the State on 23 November 2007, effective since 2008, and from the management of the railway infrastructure, as per contract signed with the State on 11 March 2016.

Thus, according to the disclosed in notes 2.2 k) and 20, the 2018 revenue related to sales and services rendered comprises income from the Road Service Contribution (CSR), established by Law no. 55/2007, of 31 August, with the effects of the Ministerial Order no. 246-A / 2016 of September 8 (688.889 thousand euros; 60% of total), road toll revenues (316.131 thousand euros; 27,5% of total), contracts for the construction of road infrastructures and capitalized financial charges (38.123 thousand euros; 3,4% of total), use of railways, i.e., fares (69.129 thousand euros; 6% of total) and long-term railway investments (ILD) charged to the Grantor - State (19.029 thousand

### Audit approach summary

The approach taken to validate the accounting assertions inherent to revenue involved the following:

- In the income from the CSR, its recognition was validated by verifying the related transfers. In addition, the overall reconciliation of the revenue recognized in the period with the information available on the Tax Authority's website was made on the volume of fuels introduced into consumption and requested the necessary clarifications arising from such analysis;

- Regarding revenue from tolls, audit procedures were developed to understand and evaluate the control processes implemented and maintained by the Entity to ensure full recognition of this revenue in the period to which it relates. In addition, external confirmations were made to the different operators, aiming the confirmation of the amounts recognized in the accounting period and when necessary,

euros; 1,7% of total) and other services (19.364 thousand euros; 1,7% of total).

It should be noted that total toll revenue includes the amount of 262.576 thousand euros related to the concession network, which, until the end of the initial concession period, constitutes a reduction of the cost of the intangible asset, against expenses for the period.

The collection of the income inherent to toll revenue is carried out by third parties, involving several operators.

The relevance of the revenue in the context of financial information and the particularity of revenue from the concession network does not contribute to the results of the Entity, lead to this matter being relevant for audit purposes.

analysed the information reported by them directly to the entity;

- The revenue inherent to the construction activities of road infrastructure was validated by analysing costs incurred and external confirmations;

- The validation of revenue related to management of railway infrastructure was based on the combination of the analysis of integration of related billing and inherent cut off procedures with external confirmations of the balances of main clients at the date of the statement of financial position. It was also verified the accounting of the compensatory payments contracted for the fiscal year 2017.

#### **Long-term railway infrastructure: Grantor - State – Account Receivable**

##### **Risk**

As disclosed in notes 2.2 c) and 12 to the financial statements, it was assigned to the Entity the responsibility for construction and renewal of long-term railway infrastructure, an activity that is developed accordingly with the shareholder-State guidelines and financed by capital inflows, subsidies and loans mostly endorsed by the State, assuming the Entity the role of "Agent".

These infrastructures belong to Railway Public Domain, and the Entity has access to them for the provision of public infrastructure management services.

Given that the Entity has an unconditional right to receive money from the State for the investments made, this activity was framed within the scope of service concession arrangements (IFRIC 12), considering the financial asset model.

The carrying amount of the financial asset (3.767.165 thousand euros at 31 December 2018 and 5.625.616 thousand euros at 31 December 2017) is essentially the value of the concession assets existing at the date of the merger plus the amount of assets subsequently acquired or constructed and of the financing interest charged to the Grantor - State (93.428 thousand euros in 2018 and 94.727 thousand euros in 2017) deducted from subsidies received. This receivable amount does not have defined maturity, therefore is due when issued. The reduction compared to December 31, 2017 results from the offsetting

##### **Audit approach summary**

In response to the identified risks of material misstatement, the following audit procedures were carried out:

- Evaluation of existing controls on the acquisition of goods and services;

- Execution of substantive procedures in relation to the main acquisitions recorded in the period as debt receivable from the Grantor;

- Evaluation of the reasonableness and consistency of the criteria used to allocate financing costs to the long-term rail infrastructure and validation of the bases used and recalculation of the interest charged to Grantor - State account;

- Confirmation of the approval of the financial statements for 2016 by the State as shareholder and grantor of railway infrastructure;

- Reading the minutes of the Executive Board of Directors;

- Obtaining the Agreement on the regularization of credits, signed in 2018, between the Portuguese State and the Entity as well as the related accounting repercussions.

- Obtaining written representations from the Executive Board of Directors confirming the adequacy of the assumptions associated with this asset, namely the nature of the costs to be charged to the Grantor - State.

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operation with past due shareholders loans approved and completed in the year.

The risk of material misstatement associated to this matter concerns the possibility of under allocation of the costs incurred with rail infrastructure, including financing costs.

### **Responsibilities of management and supervisory body for the financial statements**

Management is responsible for:

- the preparation of financial statements that give a true and fair view of the Entity's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;
- the preparation of single management report including the corporate governance report and the non-financial statement, in accordance with the applicable laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Entity's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Entity's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Entity's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- communicate with those charged with governance, including the supervisory body, regarding among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- determine, from the matters communicated with those charged with governance, including the supervisory board, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes their public disclosure;
- provide the supervisory body with a statement that we have complied with the relevant ethical requirements regarding independence and communicated all relationships and other matters that may be reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility also includes the verification that the information contained in the management report is consistent with the financial statements and the verification of the requirements as provided for in numbers 4 and 5 of the article 451 of the Portuguese Companies Code as well as verification that the non-financial statement was presented.

## **Report on other legal and regulatory requirements**

### **On the management report**

It is our opinion that the management report which corresponds to a single report as allowed by no. 6 of article 508-C of the Portuguese Companies Code was prepared in accordance with the applicable legal and regulatory requirements and the information is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment over the Group, we have not identified any material misstatements. This opinion shall not apply to the non-financial statement included in the management report.

### **On non-financial information provided for in Article 66-B of the Companies Code**

We inform that the Group includes in its management report the non-financing statement, as foreseen in article 508-G of the Companies Code.

### **On corporate governance report**

In our opinion the Corporate governance report includes the information required to the Entity to provide under article 245-A of the Securities Code, and we have not identified material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of that article.

### **On additional information required in article 10 of the Regulation (EU) 537/2014**

Pursuant to article 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of 16 April 2014, in addition to the key audit matters referred to above, we also report the following:

- we were appointed auditors of the Entity, for the first time, in December 7, 2016 for the years 2016 and 2017 and in September 2018, for the years of 2018 and 2019.
- management has confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISA we maintained professional skepticism and we designed audit procedures to respond to the possibility of material misstatement in the financial statements due to fraud. As a result of our work, we have not identified any material misstatement on the financial statements due to fraud.
- we confirm that our audit opinion is consistent with the additional report that we prepared and delivered to the supervisory body of the Entity on this same date, 30 April 2018.

- we declare that we have not provided any prohibited services as described in article 77º, number 8, of the Ordem dos Revisores Oficiais de Contas statutes, and that we have remained independent of the Entity in conducting the audit.
- We inform that in addition to the audit, we carried out, in accordance with the tender procedures, the limited review of the half-yearly consolidated financial statements and review of provisional management instruments.

Lisbon, April 30, 2019

RCA – Rosa, Correia & Associados, SROC, S.A.  
Represented by Gabriel Correia Alves, ROC



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**INFRAESTRUTURAS DE PORTUGAL, S.A.**

AUDITOR'S REPORT

Issued under the terms of article 245, nr. 1 b), of the Portuguese Securities Code

ON CONSOLIDATED FINANCIAL STATEMENTS

YEAR OF 2018

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## AUDITOR'S REPORT

### Issued under the terms of article 245, nr. 1 b), of the Portuguese Securities Code

*(Free translation from a report originally issued in Portuguese language. In case of doubt the Portuguese version will always prevail)*

#### REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

##### Opinion

We have audited the accompanying consolidated financial statements of INFRAESTRUTURAS DE PORTUGAL, S.A. (the Group) which comprise the consolidated statement of financial position as at 31 December 2018 (which shows a total of 26.376.229 thousand euros and total shareholders' equity of 6.121.076 thousand euros, including a net profit of 85.707 thousand euros), the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements that include a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view in all material respects, of the consolidated financial position of INFRAESTRUTURAS DE PORTUGAL, S.A. as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

##### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and further technical and ethical standards and guidelines issued by the Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section, below. We are independent of the entities comprising the Group in accordance with the law and we have fulfilled the other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Emphases

According to disclosures in section 5.6.1 of the management report and in the note 39 to the consolidated financial statements, the Court of Auditors, through Court's Decision nr. 29/2018, refused the granting of a Visa to the Algarve Litoral Allocated Subconcession Contract agreed with the Subconcessionary in a renegotiation process, having the Entity filed an appeal on July 5, 2018, which is pending of decision. Given the view of the understanding included in the referred Court's Decision, the negotiation processes that were still ongoing regarding the subconcessions of Baixo Tejo and Litoral Oeste, with agreement reached on the reduction of future payments were suspended, as well as the signature of the renegotiated version of the subconcession of Douro Interior. This situation also led the Entity to decide to limit the agreed payments under the terms of the negotiated contracts, concerning the subconcessions of Baixa Alentejo, of Pinhal Interior and Transmontana. Also in note 39, it is admitted the possibility that, if the outcome is unfavourable to the Entity, new negotiation processes are required or, possibly, the existence of new arbitration proceedings initiated by the Subconcessionaries.

As disclosed in Note 15 to the consolidated financial statements, current assets recorded as State and other public entities correspond almost entirely to the VAT calculated under the road concession by the extinct company EP - Estradas de Portugal, S.A. and by the holding-company since the merger with Refer, totalling 1.285.775 thousand euros. Due to the framework given by Tax Authority for the activity carried out by the holding company, particularly the Road Service Contribution (CSR), additional VAT assessments have been made, the amount of which for the years inspected up to 2015 totals 1.266.464 thousand euros, to be added interest up to the date of the same, in the amount of 74.678 thousand euros, which were subject to judicial claim (two processes related with years before 2011) and administrative complaint (years 2011, 2012 and 2013) or are in the process of complaint (year of 2014 and part of the year 2015). As disclosed in note 15, the holding company was notified in October 2017 of the Judicial Decision that revokes the sentence appealed of one of the judicial proceedings (tax of 64.506 thousand euros), deciding entirely in favour of EP, and cancelling the additional liquidations issued by the Tax Authority that appealed to the Supreme Administrative Court. As disclosed in note 19, the Group has booked annually provisions corresponding to the total VAT deducted in activities financed by CSR, which as at 31 December 2018 shows a total amount of 366.479 thousand euros. It should be noted that any risk associated with VAT deducted not considered under this provision has essentially an accounting impact on the cost of the concession rights of the national road network.

According to the information disclosed in note 20 to the consolidated financial statements, a significant part of the Group's financing has been provided by the shareholder State, with a total financing, as of December 31, 2018 amounting to 2.627.065 thousand euros, including interest. The amount disclosed under current liabilities (2.354.537 thousand euros) includes 1.981.369 thousand euros of financing related to the highway segment, whose maturity has already been reached, in respect of which a moratorium has been granted with suspension of interest. Also, and as mentioned in note 14, current assets include 3.767.157 thousand euros of investments made by the Group on behalf of the State, in long term railway infrastructures.

As disclosed in notes 2.2 d), 2.3, 2.4 and 8 to the consolidated financial statements, the financial reporting framework applicable to service concession arrangements and the model followed by the Group with respect to the concession rights of the national road network (Concession) have underlying assumptions and estimates of great relevance, such as the total amount of the investments and the expected income until the end of the concession, as of 31 December 2082, which consist of economic and financial projections annually prepared and reviewed by the Group. As often future events may not occur as expected, namely due to factors exogenous to the Group, such as the evolution of macroeconomic variables, political decisions and socioeconomic mutations, the financial and economic performance of the Concession may be significantly affected if the assumptions change, as demonstrated in the sensitivity analysis disclosed in note 2.4 to the consolidated financial statements.

Our opinion is not modified in respect to these matters.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion, and we do not provide a separate opinion on these matters.

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#### Right of road concession

##### Risk

As explained in notes 2.2 d), 2.4 and 8 to the consolidated financial statements, the concession right, classified as an intangible asset under IFRIC 12 - Service Concession Arrangements, represents 77,1% of the Group's assets and is measured at cost being annually increased as a result of construction services, including financial charges, and the availability and service payments, net of tolls received, related to the concession network.

##### Audit approach summary

As a response to the risks of material distortion inherent to the right of the road concession, arising from the different variables contributing to the measurement of the related intangible asset and to the recognition of the related depreciation expense, a specific audit approach was carried out, based on the understanding of the controls and procedures implemented and maintained by the Group and the development of substantive audit procedures, namely:

The concession right is depreciated using the units of production method, which is based on estimates of costs and income to be materialized during the term of the concession agreement.

Therefore, annual depreciation is determined by applying the rate resulting from the proportion of eligible income forecast for the period, on the total forecasted eligible income for the duration of the concession right, to the total estimated costs of that same right. Identical criteria are followed in relation to the recognition of investment subsidies in results.

The aforementioned forecasted revenues and costs, which support the depreciation for the period, are based on assumptions and estimates, involving a high degree of judgment, which are included in economic and financial projections reviewed annually by the Board.

Associated with the concession right, there is the obligation to maintain the average quality level of the road network, and an annual expense of 53 million euros is accrued (total of 301.074 thousand euros at the date of the statement of financial position) for periodic maintenance, which is based on internal estimates taking into account the typology of the network and specific intervention strategies.

Considering the amounts involved and a high level of judgment, based on the assumptions used in determining the depreciation rate of the intangible asset, this subject is a key audit matter.

- Obtaining and analysing the model followed by the Group in the measurement of the intangible asset and in the recognition of its depreciation, including verification of the coherence and consistency of its assumptions and variables, in relation to the previous year:

- Obtaining and analysing the attachments related with the availability payments inherent to the concession contracts (State Concessions) and sub-concession (own construction of holding-company) to validate the reasonableness of annual remunerations;

- Testing of the additions for the year registered in the concession right resulting from contractually established obligations, towards State Concessions and sub-concessions;

- Testing of reductions in the concession right resulting from tolls received;

- Recalculation of the depreciation expense of the concession right and the corresponding subsidy, considering the model and policies adopted;

- Reading the minutes of the Executive Board of Directors of the holding-company;

- Analysis of periodic maintenance costs charged to the year and the utilization of related accruals for works carried out in the year;

- Obtaining written representations from the Executive Board of Directors of holding-company confirming that the assumptions and estimates used have taken into consideration the best information available at the date of financial reporting.

## Recognition of revenue from sales and services rendered

### Risk

The Group's revenue results mainly from the road concession agreement concluded with the State on 23 November 2007, effective since 2008, and from the management of the railway infrastructure, as per contract signed with the State on 11 March 2016.

Thus, according to the disclosed in notes 2.2 o) and 22, the 2018 consolidated revenue related to sales and services rendered comprises income from the Road Service Contribution (CSR), established by Law no. 55/2007, of 31 August (688.889 thousand euros, 58,2% of the total), highway toll revenues (316.131 thousands of euros, 26,7% of total) contracts for the construction of road infrastructures and capitalized financial charges (38.123 thousand euros, 3,2% of total), use of railways, i.e. fares (69.129 thousand euros, 5,8% of total) and long-term railway investments (ILD) charged to the Grantor-State (25.335 thousand

### Audit approach summary

The approach taken to validate the accounting assertions inherent to revenue involved the following:

- In the income from the CSR, its recognition was validated by verifying the related transfers. In addition, it was made an overall reconciliation of the revenue recognized in the period with the information available on the Tax Authority's website concerning the volume of fuels introduced into consumption and requested the necessary clarifications arising from such analysis;

- Regarding revenue from tolls, audit procedures were developed to understand and evaluate the control processes implemented and maintained by the Group to ensure full recognition of this revenue in the period to which it relates. In addition, external confirmations were made to the different operators, aiming the confirmation of the amounts recognized in the accounting period and when necessary,

euros; 2,1% of total) and other services (47.166 thousand euros; 4,0% of total).

It should be noted that total toll revenue includes the amount of 264.986 thousand euros related to the concession network, which, until the end of the initial concession period, constitutes a reduction of the cost of the intangible asset, against expenses for the period.

The collection of income inherent to toll revenues is carried out by third parties, involving several operators.

The relevance of the revenue in the context of the financial information and the particularity of revenue from the concession network does not contribute to the results of the Group, lead to this matter being relevant for audit purposes.

analyzed the information reported by them directly to the entity;

- The revenue inherent to the construction activities of road infrastructures was validated by analyzing the costs incurred and by obtaining external confirmations;

- The validation of revenue related to management of railway infrastructure was based on the combination of the analysis of integration of related billing and the inherent cut-off procedures, with external confirmations from main clients at the date of the financial position. It was also verified the accounting of the compensatory payments contracted for the fiscal year 2018.

#### **Long-term railway infrastructure: Grantor - State – Account Receivable**

##### **Risk**

As disclosed in notes 2.2 b) and 14 to the consolidated financial statements, it was assigned to the holding-company the responsibility for the construction and renewal of long-term railway infrastructure, an activity that is developed accordingly with shareholder-State guidelines and financed by capital inflows, subsidies and loans mostly endorsed by the State, assuming the Entity the role of "Agent".

These infrastructures belong to Railway Public Domain and the holding-company has access to them for the provision of public infrastructure management services.

Given that the holding-company has an unconditional right to receive money from the State for the investments made, this activity was framed within the scope of service concession arrangements (IFRIC 12), considering the financial asset model.

The carrying amount of the consolidated financial asset (3.767.165 thousand euros at 31 December 2018 and 5.625.542 thousand euros at 31 December 2017) is essentially the value of the concession assets existing at the date of the merger plus the amount of assets subsequently acquired or constructed and of the financing interest charged to the Grantor - State (93.428 thousand euros in 2018 and 94.727 thousand euros in 2017) deducted from subsidies received. This receivable amount does not have defined maturity, therefore is due when issued. The reduction compared to December 31, 2017 results from the offsetting operation with past due

##### **Audit approach summary**

In response to the identified risks of material misstatement, the following audit procedures were carried out:

- Evaluation of existing controls on the acquisition of goods and services;

- Execution of substantive procedures in relation to the main acquisitions recorded in the period as debt receivable from the Grantor;

- Evaluation of the reasonableness and consistency of the criteria used to allocate financing costs to the long-term rail infrastructure and validation of the bases used and recalculation of the interest charged to the Grantor-State account;

- Confirmation of the approval of the financial statements for 2017 by the State as shareholder and grantor of railway infrastructure;

- Reading the minutes of the Executive Board of Directors of the holding-company;

- Obtaining the Agreement on the regularization of credits, signed in 2018, between the Portuguese State and the Entity as well as the related accounting repercussions.

- Obtaining written representations from the Executive Board of Directors of the holding-company confirming the adequacy of the assumptions associated with this asset, namely the nature of the costs to be charged to the Grantor - State.

shareholders loans approved and completed in the year.

The risk of material misstatement associated to this matter concerns the possibility of under allocation of the costs incurred with rail infrastructure, including financing costs.

### Goodwill measurement

#### Risk

As disclosed in notes 2.2 a), 2.4 and 5 to the consolidated financial statements, goodwill shown in the consolidated statement of financial position results from the acquisition in 2014 of the remaining share capital of GIL - Gare Intermodal de Lisboa, S.A., incorporated in IP Património in 2018, which was subject to impairment test, having its business of exploring commercial spaces been defined as a cash-generating unit.

The risk of material misstatement associated with this matter arises from the determination of the recoverable amount, calculated based on its use value.

#### Audit approach summary

In response to the risk of material misstatement, the following audit methodology was adopted:

- Obtaining information on the calculation of the goodwill at acquisition date and impairment tests carried out at the date of the consolidated statement of financial position;
- Obtaining and analyzing the expected cash flows and the assumptions used in calculating the recoverable amount of said cash-generating unit;
- Review of the calculations made and the conclusions obtained;
- Obtaining written representations from the Executive Board of Directors of the holding-company confirming the appropriateness of the assumptions associated with the recoverability of this asset.

### Responsibilities of management and supervisory bodies for the consolidated financial statements

The management is responsible for:

- the preparation of the consolidated financial statements that give a true and fair view of the Group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union;
- the preparation of single management report including the corporate governance report and the non-financial statement, in accordance with the applicable laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing of the Group's ability to continue as a going concern, disclosing, as applicable, the matters that may cast significant doubt about the Group's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Group's financial reporting process.

### Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of those financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether those financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the guidance, supervision and performance of the Group's audit and we are ultimately responsible for our audit opinion;
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- determine, from the matters communicated with those charged with governance, including the supervisory board, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key auditing matters. We describe these matters in our auditor's report, unless law or regulation precludes their public disclosure;
- provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence and we have communicated all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

Our responsibility also includes the verification that the information contained in the management report is consistent with the financial statements and the verification of the requirements as provided in numbers 4 and 5 of the article 451.<sup>o</sup> of the Portuguese Companies Code as well as verification that the non-financial statement was presented.

## **Report on other legal and regulatory requirements**

### **On the management report**

It is our opinion that the management report which corresponds to a single report as allowed by no. 6 of article 508-C of the Portuguese Companies Code was prepared in accordance with the applicable legal and regulatory requirements and the information is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment over the Group, we have not identified any material misstatements. This opinion shall not apply to the non-financial statement included in the management report.

### **On non-financial information provided for in Article 508–G of the Companies Code**

We inform that the Group includes in its management report the non-financing statement, as foreseen in article 508-G of the Companies Code.

### **On corporate governance report**

In our opinion the Corporate governance report includes the information required to the Group to provide under article 245-A of the Securities Code, and we have not identified material misstatements on the information provided therein in compliance with paragraphs c), d), f), h), i) and m) of that article.

### **On additional information required in article 10 of the Regulation (EU) 537/2014**

Pursuant to article 10 of Regulation (EU) 537/2014 of the European Parliament and of the Council, of April 16, 2014, in addition to the key audit matters mentioned to above, we also report the following information:

- we were appointed auditors of the INFRAESTRUTURAS DE PORTUGAL, S.A., for the first time, in December 7, 2016 for the years 2016 and 2017 and in September 2018, for the years of 2018 and 2019.
- management has confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISA we maintained professional skepticism and we designed audit procedures to respond to the possibility of material misstatement in the financial statements due to fraud. As a result of our work, we have not identified any material misstatement on the financial statements due to fraud.
- we confirm that our audit opinion is consistent with the additional report that we prepared and delivered to the supervisory body of the Group on this same date, 30 April 2019.
- we declare that we have not provided any prohibited services as described in article 77º, number 8, of the Ordem dos Revisores Oficiais de Contas statutes, and that we have remained independent of the Group in conducting the audit.
- we inform that in addition to the audit, we carried out, in accordance with the tender procedures, the limited review of the half-yearly consolidated financial statements and review of provisional management instruments.

Lisbon, April 30, 2019

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