

CONSOLIDATED ANNUAL REPORT

First Half 2019

TABLE OF CONTENTS

PART I – CONSOLIDATED MANAGEMENT REPORT 1ST HALF 2019

1. CHAIRMAN'S STATEMENT	07
2. ABOUT US	08
2.1 THE IP GROUP	09
2.2 MISSION, VISION AND VALUES	11
2.3 GOVERNANCE MODEL	12
2.4 IP GROUP STRUCTURE: ORGANISATIONAL MODEL	14
2.5 OUR NETWORKS	15
3. PERFORMANCE IN 1ST HALF	18
3.1 SOME RELEVANT INDICATORS	18
3.2 HIGHLIGHTS OF THE HALF-YEAR	22
4. MAIN BUSINESS AREAS	28
4.1 NETWORK MAINTENANCE	28
4.2 INVESTMENT IN ROAD AND RAIL INFRASTRUCTURE	35
4.3 USE OF THE ROAD AND RAILWAY NETWORK	44
4.4 PUBLIC-PRIVATE PARTNERSHIPS	47
4.5 TELECOMMUNICATIONS AND BUSINESS CLOUD	52
4.6 ENGINEERING SERVICES	53
4.7 REAL ESTATE AND COMMERCIAL REAL ESTATE MANAGEMENT	53
5. ECONOMIC AND FINANCIAL PERFORMANCE	54
5.1 OPERATING INCOME	54
5.2 OPERATING EXPENSES	61
5.3 ASSET STRUCTURE	67
6. FINANCIAL MANAGEMENT AND DEBT	68
6.1 FINANCIAL MANAGEMENT	68
6.2 CAPITAL INCREASE OPERATIONS	70
6.3 FINANCIAL DEBT STRUCTURE	70
6.4 ANALYSIS OF FINANCIAL RESULTS	73
7. SUBSEQUENT EVENTS	75

PART II – CONSOLIDATED FINANCIAL STATEMENTS AND CONDENSED NOTES

CONSOLIDATED FINANCIAL STATEMENTS AND CONDENSED NOTES	80
STATEMENT OF COMPLIANCE	81
CONSOLIDATED CONDENSED FINANCIAL STATEMENTS	83
NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2019	89
1. INTRODUCTORY NOTE	90
1.1 PARENT COMPANY ACTIVITY	90
1.2 ACTIVITIES OF THE IP GROUP COMPANIES	90
1.3 OTHER EQUITY HOLDINGS	91
2. BASES OF PRESENTATION AND ACCOUNTING POLICIES	92
2.1 BASES OF PRESENTATION	92
2.2 CONSOLIDATION BASIS AND ACCOUNTING POLICIES	92
2.3 COMPARABILITY	93
2.4 MAIN ESTIMATES USED IN THE FINANCIAL STATEMENTS	95

3. FINANCIAL RISK MANAGEMENT POLICIES	97
4. COMPANIES INCLUDED IN THE CONSOLIDATION	100
5. SEGMENT REPORTING	101
6. TANGIBLE FIXED ASSETS	104
7. INTANGIBLE ASSETS	106
8. DEFERRED TAX ASSETS AND LIABILITIES	108
9. DEFERRALS	111
9.1 INVESTMENT GRANTS - ROAD CONCESSION RIGHT	112
10. TRADE RECEIVABLES (CLIENTS) AND OTHER ACCOUNTS RECEIVABLE	113
10.1 TRADE RECEIVABLES (CLIENTS)	113
10.2 OTHER ACCOUNTS RECEIVABLE	113
11. GRANTOR - STATE - ACCOUNT RECEIVABLE	114
12. GOVERNMENT AND OTHER PUBLIC BODIES	115
13. NON-CURRENT ASSETS HELD FOR SALE	117
14. CASH AND CASH EQUIVALENTS	117
15. SHARE CAPITAL AND RESERVES	118
16. PROVISIONS	119
17. BORROWINGS	120
17.1 BORROWINGS	120
17.2 SHAREHOLDER FUNDING / SHAREHOLDER LOANS	122
18. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITY	126
19. TRADE PAYABLES (SUPPLIERS) AND OTHER ACCOUNTS PAYABLE	127
19.1 TRADE PAYABLES (SUPPLIERS)	127
19.2 OTHER ACCOUNTS PAYABLE	127
20. SALES AND SERVICES	128
21. COMPENSATORY ALLOWANCES	129
22. COST OF GOODS SOLD AND MATERIALS CONSUMED	130
23. EXTERNAL SUPPLIES AND SERVICES	131
24. PERSONNEL EXPENSES	132
25. OTHER INCOME AND GAINS	133
26. FINANCIAL LOSSES AND GAINS	134
27. INCOME TAX	135
28. DISCLOSURES ABOUT RELATED PARTIES	137
28.1 SUMMARY OF RELATED PARTIES	137
28.2 SIGNIFICANT BALANCES AND TRANSACTIONS WITH PUBLIC BODIES	138
28.3 BALANCES AND TRANSACTIONS WITH RAILWAY OPERATORS	140
28.4 JOINT VENTURES	140
28.5 REMUNERATION OF CORPORATE OFFICERS	141
29. RECENTLY ISSUED ACCOUNTING STANDARDS AND INTERPRETATIONS	143
30. GUARANTEES AND SURETIES	145
31. CONTINGENCIES	146
32. COMMITMENTS	147
33. INFORMATION REQUIRED BY LAW	148
34. OTHER RELEVANT EVENTS	148
35. SUBSEQUENT EVENTS	151

PART III – AUDITOR REPORT





Part I
**CONSOLIDATED
MANAGEMENT
REPORT**
first half 2019



1. CHAIRMAN'S STATEMENT

One of the IP Group's strategic objectives is Sustainable Mobility. This also involves ensuring the Group's financial sustainability within a framework of compliance with the service levels established with the Portuguese State for the operation of the road and railway networks, and for the integrated and rational development of the network.

It is therefore essential, for this purpose, not only to develop adequate planning and execution of network maintenance and conservation activities, but also of investment activities with a view to their modernisation. Only in this way will it be possible to ensure the existence of an efficient, modern and safe road network that meets the mobility needs of its users and contributes significantly to the economic and social development of the country.

Notwithstanding the difficulties of context, both internal and external, ranging from the insufficient renewal of staff in recent years to the demanding management standards to which companies of the State Public Business Sector are held, or to a certain lack of market responsiveness after several years of low investment, the results of the first half of 2019 showed the clear evolution of the activity, especially in the maintenance, upkeep and modernisation interventions on the rail and road network.

This increase in activity is reflected in an 18% increase in network maintenance and upkeep, which amounted to EUR 77.0 million, and a 44% increase in the investment made, reaching EUR 58.8 million, EUR 41.4 million of which relates to the Ferrovia 2020 Investment Programme.

These are positive signs that the growth trend already seen in 2018 has been consolidated. These signs allow us to say that the effort made in recent years is paying off.

This is against a backdrop of clearly positive economic and financial results, with net income for the year amounting to EUR 35.0 million. Compared to 2018, there was a decrease of EUR 12.4 million, essentially due to the abovementioned increase in road maintenance expenses.

Another highlight is the positive evolution of toll revenues, which grew by EUR 6.4 million compared to the same period of 2018, despite the introduction of a new discounts scheme at the beginning of the year for goods vehicles.

Payments for road concessions and sub-concessions amounted to EUR 636.5 million in the first half of 2019 (excluding VAT). Charges fell by EUR 89.6 million compared to the same period of 2018.

Of this, EUR 39.7 million related to the reimbursements and rebalances heading, due to the payment in the first half of 2018 of compensation to the Douro Interior Concession, on behalf of the Portuguese State, in the amount of EUR 43 million.

The decrease in multiannual charges compared to 2018 is further justified by the reduction in payments to the Beira Interior Concession (EUR -31.7 million), in line with the forecast in the respective contracted financial model.

The Financial Result for the first half of 2019 amounted to EUR -101.4 million, representing a reduction of EUR 14.2 million compared to the same period of the previous year.

The share capital increase operations carried out by IP, by the end of June 2019, totalled EUR 1,061 million. The company's share capital amounted to EUR 6,872,510,000 at the end of the first half of the year. These operations were intended to cover financing needs related to Investment and Debt Service.

This made it possible to reduce the Group's financial debt, which at the end of the first half of 2019 stood at EUR 5,208 million, which means a decrease of EUR 537 million compared with the EUR 5,745 million of December 2018.

One of the most relevant achievements of the first half of 2019 should also be noted - the conclusion of the new Collective Bargaining Agreement, which is a fundamental instrument for the harmonisation of different employment rules. It is based on a policy of valuing work that promotes equality and equilibrium in the teams. In this context, we can say with great satisfaction that 99.7% of the universe of employees eligible for the new Collective Bargaining Agreement have already signed up to it.

A final word of thanks to all our employees for their work and dedication, as well as to the Shareholder, Supervisory Body and other Stakeholders for their continued support and trust in our work.

2. 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, following the publication of 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.



2.1 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.



The shares representing the total share capital of the company belong to the State and are held by the Directorate General of the Treasury and Finance. The share capital is EUR 6,872,510,000.



IP TELECOM, S.A. is a public limited company with a share capital of EUR 10,000,000 that is fully subscribed and paid up by the sole shareholder IP, S.A. and represented by 200,000 shares with a nominal value of EUR 50.00 each.

The purpose of IP TELECOM is the establishment, management and operation of telecommunication infrastructures and systems, the provision of telecommunication services as well as the exercise of any activities that are complementary, alternative or ancillary activities, either directly or by establishing or acquiring shareholdings in other companies.

Its mission is to ensure the effective management of the telecommunications infrastructure concessioned by the Shareholder, comprising the supply and delivery of information technology and communication systems and services, based on innovative solutions focused on cloud technologies and security and the main national telecommunications infrastructure, based on optical fibre and the roadway technical channel, for the corporate market and State organisations.



IP PATRIMÓNIO, S.A. is a public limited company with a share capital of EUR 5,500,000. Its shareholders are IP, S.A. with a 99.9968% stake, represented by 1,099,965 shares with a nominal value of EUR 5.00, and IP Engenharia, S.A. with a shareholding of 0.0032%, represented by 35 shares of the same nominal value.

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.



IP ENGENHARIA, S.A. is a public limited company with a share capital of EUR 1,500,000. The shareholders are IP, S.A., which holds 295,286 shares with a nominal value of EUR 5.00 each, corresponding to a shareholding of 98.43% of the total capital, and IP Património, S.A., which holds 4,714 shares with a nominal value of EUR 5.00 each, corresponding to a 1.57% stake in the total capital.

IP ENGENHARIA (IPE) has as its mission to "Draw up studies and projects in transport engineering, managing, coordinating and supervising works in this field and streamlining the IP Group's international business".

AVEP - High Speed Spain - Portugal

Its purpose is to carry out preliminary studies of the Porto-Vigo and Madrid-Lisbon-Porto corridors.

Atlantic Corridor

Its mission is to earn revenue from the existing railway infrastructure, without additional investment, through centralised management of capacity allocation, traffic management and customer relations.

In addition, the Atlantic Corridor is also a privileged platform for the coordination of investments in rail infrastructure in Portugal, Spain, France and Germany, in order to overcome technical and operational barriers, promoting interoperability and, consequently, driving the greater competitiveness of freight transport by railway.

2.2 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

They guide the way we act.

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.

Vision



DEFINING THE DESTINATION

Values

They guide the way we act



DEFINING HOW WE GET THERE

VALUES AND MANAGEMENT COMMITMENT

2.3. GOVERNANCE MODEL

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 Infrastructure and Housing and, under the terms of the corporate public sector legal regime, is subject to the jurisdiction and control exercised by the Court of Auditors, as well as the supervision of the General Inspectorate of Finance, according to law.

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

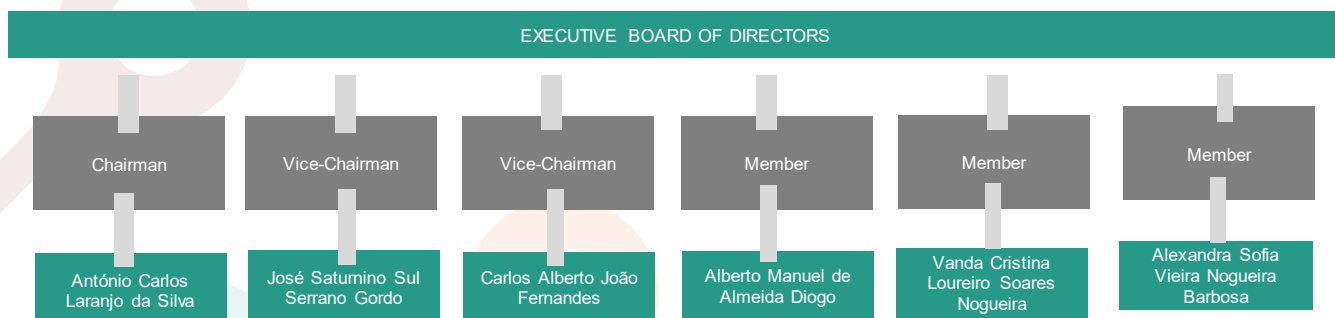
It is composed of the shareholders. The General Meeting Board consists of a chairman, vice-chairman and secretary.

GENERAL MEETING



EXECUTIVE BOARD OF DIRECTORS

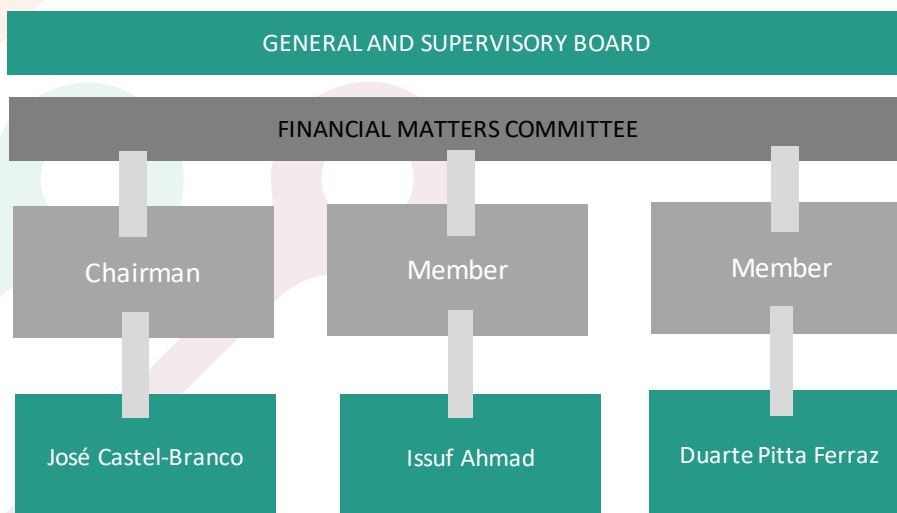
The Executive Board of Directors consists of the Chairman, two Vice-Chairmen and three Members.



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.

There are currently three members appointed to the General and Supervisory Board, who also constitute the Financial Matters Committee.



STATUTORY AUDITOR

In accordance with the statutory framework established for IP, the audit of the company's accounts is the responsibility of a Statutory Auditor or a firm of statutory auditors, appointed by the holder of the shareholder function, on a proposal from the General and Supervisory Board, with the powers and duties established by law.

On 13 April 2017, the Shareholder appointed Vítor Almeida e Associados, SROC, Lda. (Statutory Auditor no. 191, registered with CMVM no. 20161491), represented by its partner Vítor Manuel

Batista de Almeida (ROC no. 691, registered with CMVM no. 20160331), as Statutory Auditor. This appointment was made for the 2016-2017 term, and was maintained pending subsequent decision of the shareholder.

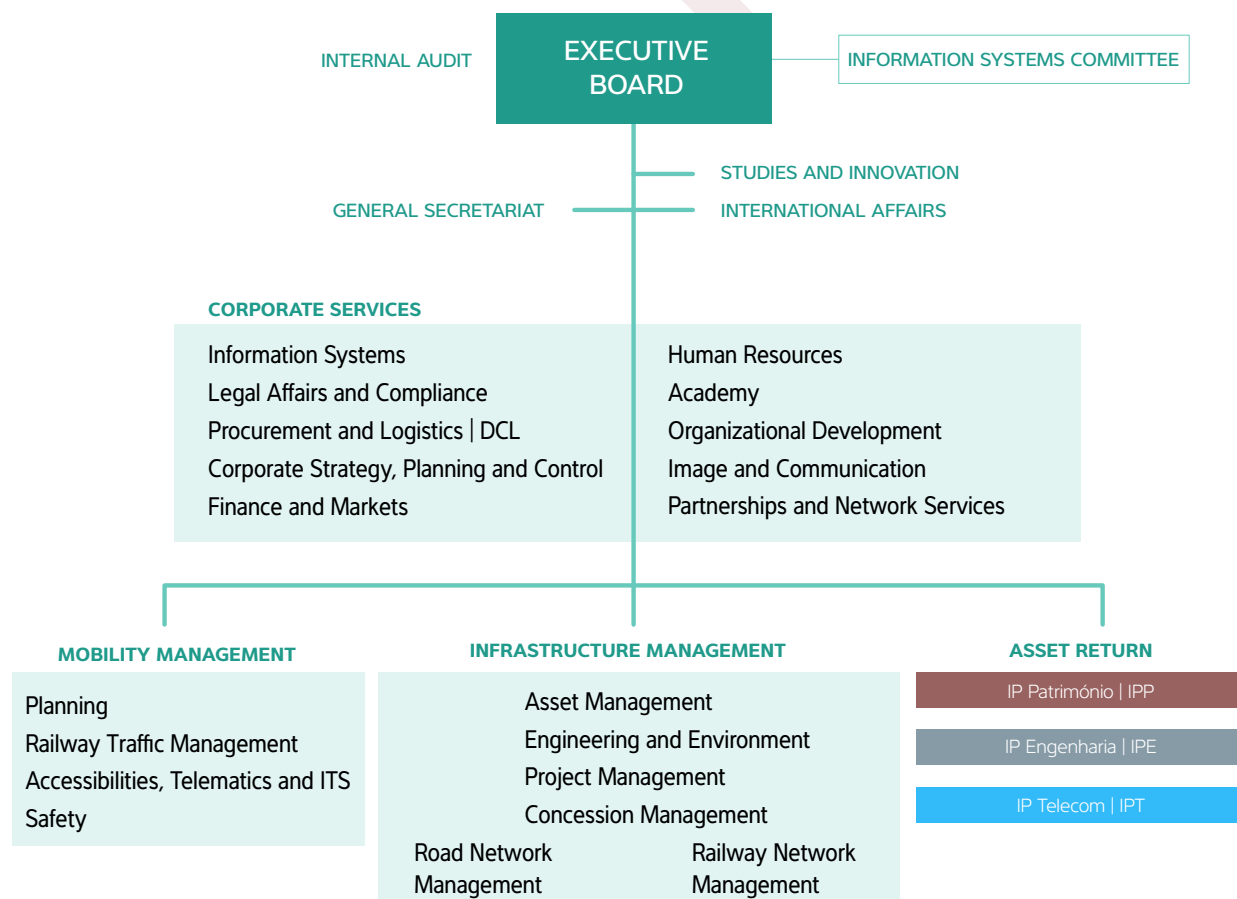
In 2019, at the General Meeting held on 19 March, the shareholder appointed as IP's Statutory Auditor, the same company Vítor Almeida e Associados, SROC, Lda, for the term 2018-2020.

2.4. IP GROUP STRUCTURE: ORGANISATIONAL MODEL

Three years after the merger, some adjustments were made to the IP Group's organisational structure in 2018 to boost value generation/creation in the light of stakeholder needs and expectations, promoting greater efficiency among IP Group's various areas and companies.

In this organisation chart, in addition to the Corporate Centre, which incorporates the areas that provide support services to the entire IP Group structure, the Business Areas are aligned with the company's main strategic objectives and are divided into three groups:

- Mobility management, which ensures 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, which aims to increase non-core revenues for the benefit of the core service.



Moreover, the Information Systems Committee forms part of the organisational model, as an interface management and decision-sharing mechanism

2.5 OUR NETWORKS

2.5.1 ROAD NETWORK

The total length of the network operated by IP is currently 15,104 km, of which 14,092 km is directly managed and 1,012 km is under sub-concessions

The classification of roads in the National Road Network is defined in the National Road Plan - Decree-Law 222/98 (as amended).

The 14,092 km under direct IP management is distributed as follows:

- Motorways (IP) = 299 km
- A-Roads (IC) = 608 km
- National Roads (EN) = 4,715 km
- Regional Roads (ER) = 3,338 km

5,132 km of roads are added to this, which are no longer classified in the National Road Plan, of which 1,369 km comprise sections of Motorways and A-Roads not yet built.

In terms of network dynamics, no new roads were opened to traffic in the first half of 2019, nor did any previously sub-concessioned roads return to IP's direct management.

With regard to the changes in classification of roads not classified in the National Road Plan, 10 km were placed under the control of three municipalities in the first half of 2019.



2.5.2 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 per cent of the network is in operation, corresponding to 2,527 km, of which 1,916 km is single track and 611 km multi-track.

The length of the electrified network (1,640 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 (1,696 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 the first half of 2019, 443 railway stations were in operation, of which 405 were exclusively for passenger services, 11 were exclusively for freight services and 27 provided combined services.



2.5.3 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



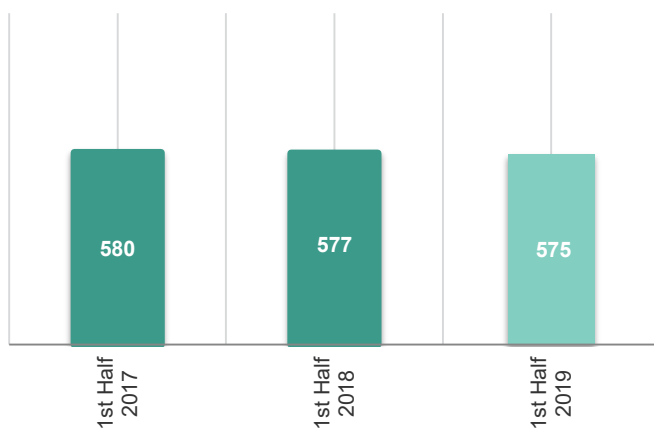
Global and Main Rail Network

3. PERFORMANCE IN 1ST HALF

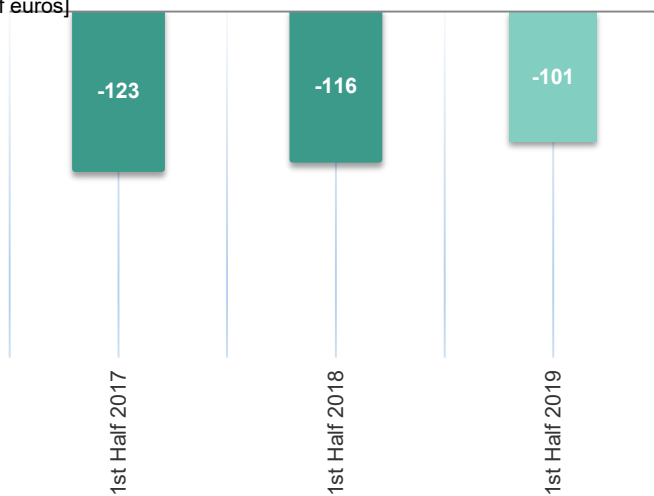
3.1 SOME RELEVANT INDICATORS

3.1.1 ECONOMIC AND FINANCIAL INDICATORS

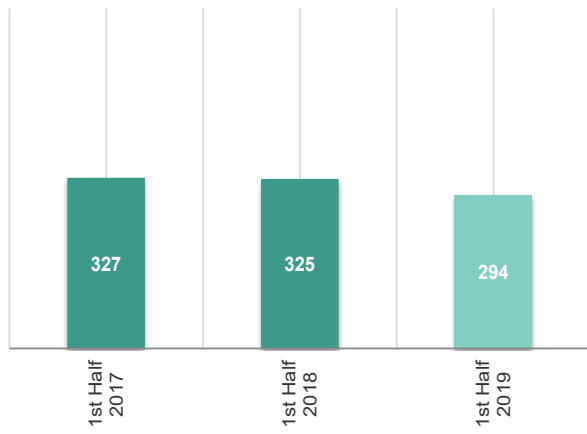
Turnover
millions of euros



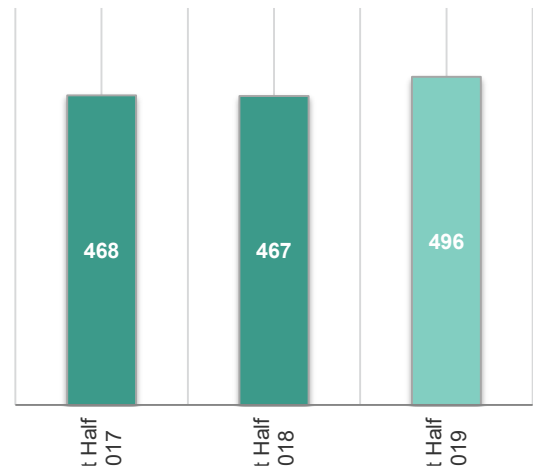
Financial result
[millions of euros]



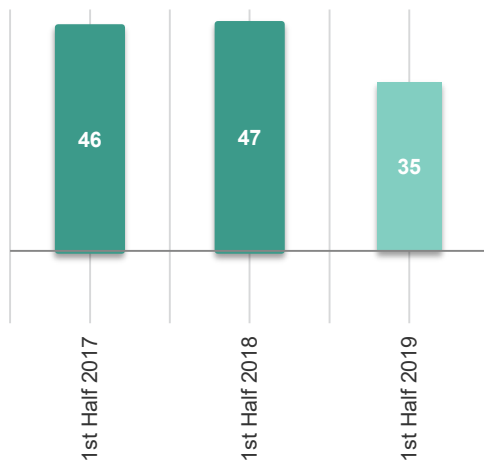
EBITDA
[millions of euros]



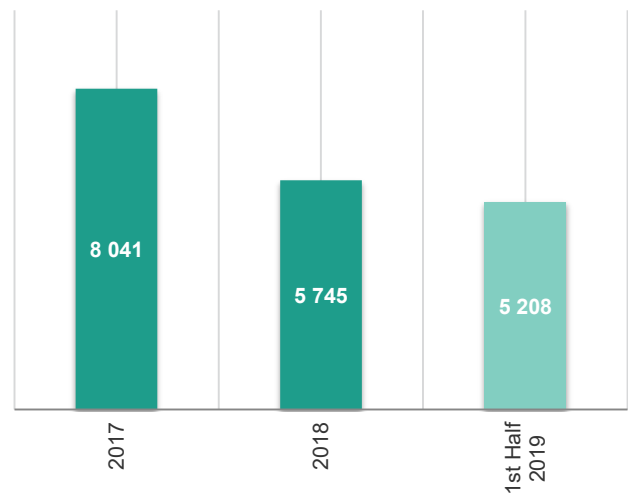
Operational Expenses
[millions of euros]



Net profit
[millions of euros]

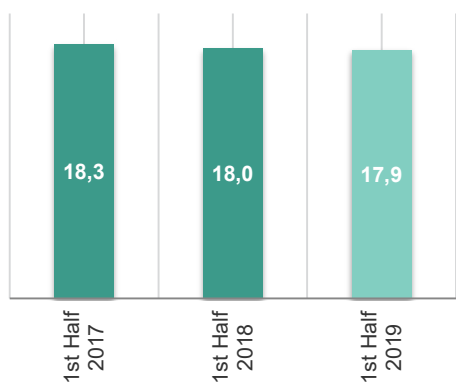


Debt
[millions of euros]

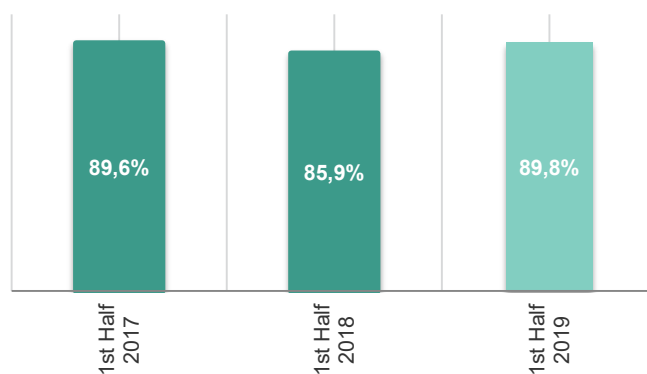


3.1.2 OPERATIONAL INDICATORS

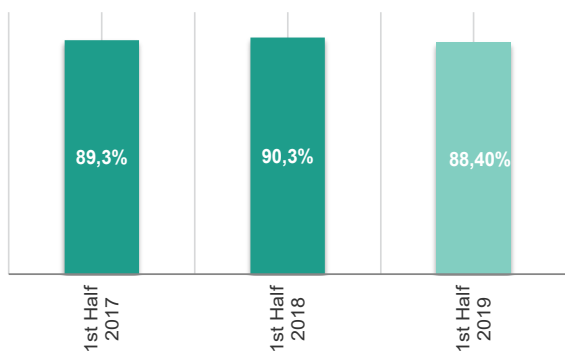
Train Km
[milions]



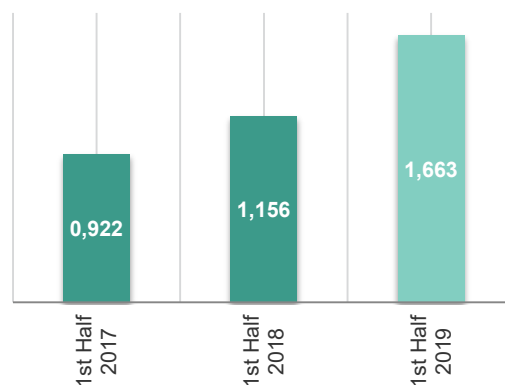
Punctuality index
[%]



Network availability
[%]



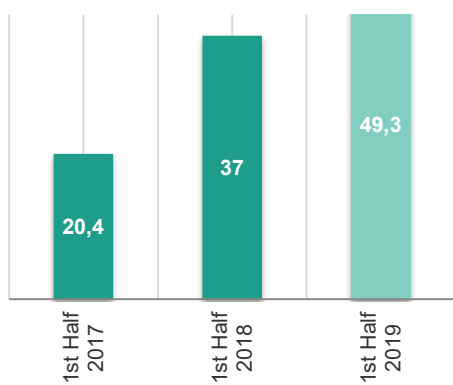
Railway safety level
(Major accidents per 1,000 TK)



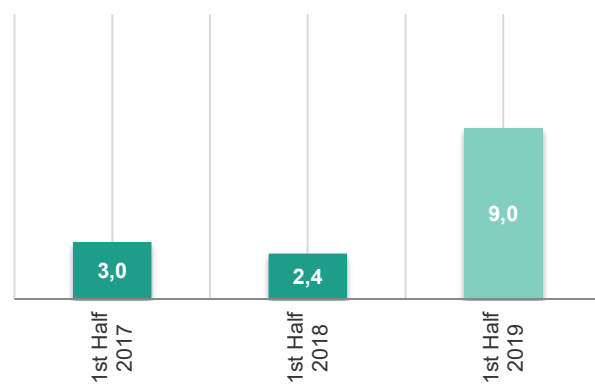
Note: at the time of this Report no indicators are available for road service and road accident figures.

3.1.3 INVESTMENT INDICATORS

Railway Investment [millions of euros]



Road investment [millions euros]



3.2 HIGHLIGHTS OF THE HALF-YEAR

JANUARY

IP signs protocol for new road-rail terminal
16 January

On 16 January, IP signed a protocol with MEDWAY and Famalicão City Council for the construction of the largest road-railway terminal in the Iberian Peninsula, with an associated investment of over EUR 35 million.



FEBRUARY

Mondego Mobility System

4 February

IP launching ceremony of tenders for the construction and supervision of the first section of the Mondego MetroBus, between Alto de São João and Serpins.

This ceremony took place in the Municipality of Miranda do Corvo, attended by Prime Minister António Costa, the Minister of Planning and Infrastructure, Pedro Marques and the Mayor, Miguel Baptista.



South International Corridor - Construction of the Évora Norte/Freixo section

11 February

The first of three contracts of the Évora Norte/Elvas link on the South International Corridor was awarded to the COMSA, SA/Fergrupo, SA/Constructora San Jose Consortium for a sum of EUR 46.6 million and with a performance deadline of 540 days.

The award session was held at the Redondo Municipal Council Chambers and was attended by Prime Minister António Costa, the Minister of Planning and Infrastructure Pedro Marques and the Mayor of Redondo, António Rect.





North Line - Full track upgrade

The contract for the complete upgrade of the line, on the section between km 147.167 and 148.404 of the North Line, in Albergaria dos Doze, Pombal and Ourém municipalities, was awarded and signed.

The work was awarded to Somafel - Engenharia e Obras Ferroviárias, S.A for a sum of EUR 798,000 and with a deadline of 120 calendar days. The cost associated with the materials to be used, about EUR 335,000, will be added to the value of the contract.



Entrecampos and Sete Rios with new commercial spaces

27 February

A major supermarket chain opened two new commercial spaces at Entrecampos and Sete Rios railway stations, two of the busiest railway stations of the capital, which 18 million commuters use every year.



MARCH

IP certified according to ISO 9001 and 55001 Standards

Following the audit conducted last December, IP was certified in accordance with ISO 9001 (Quality) and ISO 55001 (Asset Management) Standards.



IPV 2018 Programme - Preventive Interventions on Road Surfaces

Between November 2018 and March 2019, the 27 works of the "IPV 2018 - Preventive Interventions on Road Surfaces" Programme which covers a network of 231 km throughout Portugal were completed.

The IPV 2018 programme was launched in January 2018, with the purpose of improving road traffic conditions on the national road network, comprising the execution of 27 works, with a total investment of around EUR 14.5 million.

Minister Pedro Nuno Santos visits the 25 de Abril Bridge works

18 March

The Minister of Infrastructure and Housing, Pedro Nuno Santos and the Secretary of State for Infrastructure, Jorge Delgado, visited the maintenance works of the 25 Abril Bridge, on 18 March.

The delegation, which included the LNEC and ISQ Presidents and representatives of Lusoponte and the contractor, was accompanied by the Chairman of the IP Board of Directors, António Laranjo, and the Vice-Chairman, José Serrano Gordo.



IIPE signs Technical Cooperation Protocol with INEA

19 March

IP Engenharia has signed a Protocol with the Angolan Road Institute (INEA) for the establishment of a cooperative road relationship.



IER 305 - Accessibility to the Lanheses Business Park

15 March

On 15 March, the "Improvement of the access to the Lanheses Business Park to the ER 305", located in Viana do Castelo District, Viana do Castelo Municipality, was concluded.

This intervention is part of the Business Areas Enhancement Programme, presented by the Government in February 2017.



APRIL

South International Corridor - Construction of the Freixo/Alandroal Section

IP signed the contract for the construction of





the new 20.5 km railway section between Freixo and Alandroal, with MOTA-ENGIL, Engenharia e Construção, SA. It represents an investment of around EUR 75 million, as part of the South International Corridor of the Ferrovia 2020 Programme.

IP Group Collective Bargaining Agreement being Fully Applied

The agreement was signed with the unions that subscribed to the previous Company Agreement - AE REFER, which allows its revocation and replacement by the new IP Group Collective Bargaining Agreement.

MAY

IP at United Nations Global Road Safety Week

The 5th United Nations Global Road Safety Week, which was held this year from 6 to 12 May, aimed to mobilise all countries around the serious topic of road accidents.

Road Safety is one of the main concerns and priorities in the daily activity of IP which, through its policies, seeks to contribute to the improvement of the safety for the millions of users who travel on the National Road Network.

South International Corridor - Construction of the Alandroal/East Line Section

22 May

On 22 May, IP signed the Contract with the Sacyr Somague Consortium, S.A./Sacyr Infraestructuras, S.A., for the construction of the new railway section between Alandroal and the East Line, which will form part of the future South International Corridor.

This EUR 130.5 million investment, carried out under the Ferrovia 2020 program, includes the construction of a 38.4 km sub-section of the new Vora line.

IP3 Development - Penacova Node/Bridge over the River Dão

22 May

The "IP3 - Penacova Node (km 59+000)/Bridge over the River Dão (km 75+160) Rehabilitation", located in the districts of Coimbra and Viseu, Penacova and Mortágua municipalities, was awarded to a consortium comprising the companies EMBELRAL, Engenharia e Construção, S.A. and ACA - Alberto Couto Alves S.A, in the sum of EUR 11.8 million.



Beira Baixa Line - strengthening of Praia Bridge pillars

The contract for strengthening the P4 and P5 pillars of Praia Bridge, at km 118.860 of the Beira Baixa Line (Constância/Vila Nova da Barquinha), was awarded.

The contract was awarded to Extraco - Construções e Proxectos, SA. for a sum of EUR 2.8 million, with a performance deadline of 365 calendar days.



JUNE

Award of the IP6 road platform stabilisation

11 June

The consortium comprising Teixeira Duarte, Engenharia e Construções, S.A./COBA - Consultores de Engenharia e Ambiente, S.A., was awarded the contract "IP6. km 13+670 and 14+430 - Stabilisation of the road platform (Olho Marinho Viaduct) - under Design / Construction ", located in the municipality of Óbidos and district of Leiria, in the sum of EUR 2.5 million.





Memorandum of Understanding between IP and AVIPG

17 June

On 17 June, the signing ceremony of the Memorandum of Understanding between IP and the Pedrogão Grande Fire Victims Association (AVIPG) was held at the Castanheira de Pêra City Council.

IP President António Laranjo and AVIPG President Nadia Piazza signed the Memorandum, which put into practice the collaboration between IP and AVIPG for the design and construction of the Memorial in Honour of Victims the 2017 Forest Fires.



Award of the EN9 rehabilitation work in Torres Vedras

27 June

The company Construções Pragosa, S.A., for a sum of EUR 3.7 million, was awarded the "EN9 - Torres Vedras (km 68.000) and Junction with EN115 (Merceana) (km 83.700). Rehabilitation" contract, located in the municipalities of Torres Vedras and Alenquer, in the District of Lisbon.

4. MAIN BUSINESS AREAS

4.1 NETWORK MAINTENANCE

4.1.1 RAILWAY NETWORK

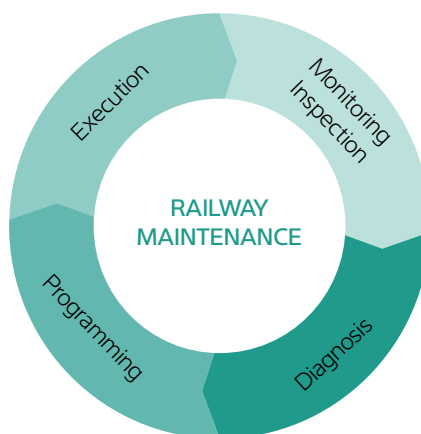
Safety, availability, reliability and sustainability are the basic pillars of the activity to maintain the railway infrastructure.

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 subcontracts, secured by IP's operating budget through multiannual contracts in the various specialities, 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 the first half of 2019, the amount associated with these interventions stood at EUR 27.7 million, an increase of 4% over the same period last year.

Investments in Long-Duration Infrastructure in the rehabilitation component in the first half of 2019 stood at EUR 7.9 million (excluding the Ferrovia 2020 Investment Programme), which represents an increase of 71% on the previous year.

4.1.2 ROAD NETWORK

Network Supervision

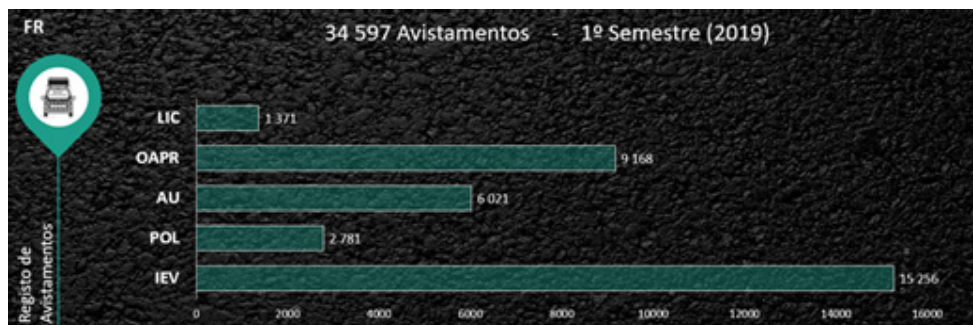
IP carries out the Network Supervision activity, which translates into the operational need to periodically patrol the roads, due to the stratification of the network, evaluated by criteria such as Annual Average Daily Traffic (AADT) or Half-Yearly Average Daily Traffic (HADT), commercial activity (Licences),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

The Operation results in the patrolling of the network, through the UMIA (Mobile Inspection and Support Units), using routes covering the itineraries, consisting of sections of the road to be monitored and others as connecting routes, indicating the direction and situations to be evaluated. In the first half of the year, the UMIA covered around 738,000 km of road, throughout the country (18 districts), corresponding to about 370,000 km of supervised network.



The main function of the UMIA is to continuously and systematically monitor the road network by promoting the collection and recording of information on deficiencies or notable events arising from unexpected events not resulting from the normal wear and tear of the road and its components,

which need urgent intervention or signalling as they endanger the travel conditions and the immediate safety of users. In summary, the activity of the 1st half of 2019 resulted in:



In addition to Network Supervision, it carries out network activities within the Company associated with the development of road maintenance and operation management.

Campanha "Peregrinos"

A FR integrou a campanha promovida pela IP, na decorrência das Peregrinações a Fátima, com o objetivo de alertar peões e automobilistas para a concentração de pessoas, aconselhando a adoção de comportamentos seguros.

Próximos Passos

No âmbito da atividade de Fiscalização da Rede, promover uma otimização dos recursos existentes, disponibilizando equipamentos mobile aos OIA, que lhes permitam aferir no terreno aquele que é o domínio público, propriedade autónoma, licenciamentos, etc., i.e., acesso a toda a informação disponibilizada pelo SIG da empresa, bem como acesso a outras aplicações em ambiente web.

Easytoll

As UFR asseguram as atividades de logística, associadas ao bom funcionamento das Praças Easytoll e seus equipamentos, garantindo uma periodicidade de assistência aos mesmos, nomeadamente na substituição de consumíveis e verificação de funcionamento.

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

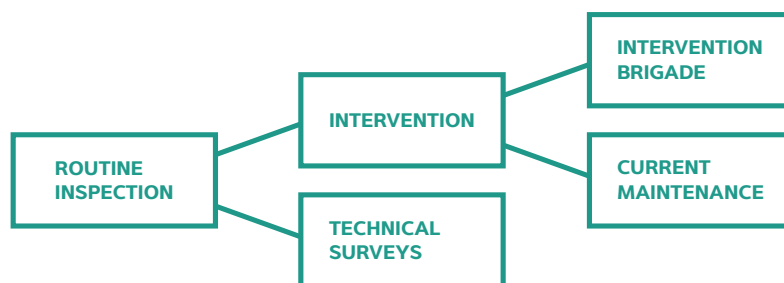
The management of current maintenance contracts comprises a series of phases that culminate in intervention on the road network. Each job carried out goes through the identification of needs, technical validation, prioritisation, planning and finally the Order of Execution, under the current maintenance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

In the first half of 2019, current maintenance spending amounted to EUR 21.7 million, an increase of EUR 14.8 million compared to the same period in 2018.

The high performance observed in the 1st half of 2019 is justified by the works still in the 2018 portfolio, including road surface maintenance, which, due to the delay in the beginning of the new multiannual current maintenance contracts, were not executed in full in 2018 as planned.

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)

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.

IC1 (EN120) - Junction with EN120 (Alcácer do Sal) (km 3 + 400) and Junction with IC33 (Grândola Norte) (km 19+100)



Before



After

IC4/EN120 - Stabilisation of excavation slope between km104+900 and km105+000 (LD)



Before



After

IPV Programme - Preventive Work on Road Surfaces

The road surface intervention programme is based on the assessment of rehabilitation needs, according to the prioritisation strategy based on technical urgency, the Quality Index (IQ) of the roads and verified traffic levels, in accordance with that provided for in the Proximity Plan.

This methodology allows IP to plan and prioritise road rehabilitation interventions, in addition

to the needs of intervention in the specific geotechnical field that result from an evaluation and prioritisation through surveys after detection of occurrences by the inspection units.

The IPV 2018 programme was completed in the first half of 2019. This programme, which aimed to improve road traffic conditions on the national road network, allowed the execution of 27 works, with a total length of 231 km, which reached a total sum of EUR 14.5 million.

Infraestruturas de Portugal

PIR - Main Works

ER336 - ALGERIZ (KM 23+000) AND LUSO (KM 31+000), IMPROVEMENT. IPV 2018

Deadline: 90 days
Contract Price: EUR 669,768.67
Contractor: VÍTOR ALMEIDA & FILHOS, S.A.
Award: 01-10-2018
Conclusion: 07-04-2019

EN206, KM89+930, CAVEZ BRIDGE OVER THE TAMEGA RIVER; ER207, KM55+710, PASSOS BRIDGE OVER THE VIZELA RIVER; ER310, KM5+720, SABIGODE BRIDGE. REHABILITATION AND REPLACEMENT

Deadline: 360 days
Contract Price: EUR 930,018.24
Contractor: EXTRACO, SA
Award: 09-04-2018
Conclusion: 04-04-2019

ENd10-2. KM 0+000 and KM 4+933; ER11-2. KM 0+000 and KM 5+904. IMPROVEMENT. IPV

Deadline: 90 days
Contract Price: EUR 572,450.62
Contractor: TOPBET - TRABALHOS DE OBRAS PÚBLICAS E PAVIMENTOS BETUMINOSOS, S.A.
Award: 25-09-2018
Conclusion: 22-02-2019

IC2, KM 194+496, BRIDGE OVER EIRAS STREAM AND EN111, KM 37+744, BRIDGE - REPLACEMENT OF ENGINEERING STRUCTURE

Deadline: 240 days
Contract Price: EUR 948,316.64
Contractor: TECNOVIA - SOCIEDADE DE EMPRESAS S.A.
Award: 11-04-2018
Conclusion: 18-04-2019

IC1 (EN120) ENT. WITH EM120 (ALCÁCER DO SAL) (KM 3+400) AND ENT. WITH IC33 (GRÃNDOLA NORTE) (KM19+100)

Deadline: 270 days
Contract Price: EUR 4,621,585.08
Contractor: CONSTRUÇÕES J.J.R. & FILHOS, S.A.
Award: 12-09-2018
Conclusion: 09-06-2019

ER125 - KM138+750, BRIDGE OVER THE RIVER ALMARGEM - REHABILITATION

Deadline: 180 days
Contract Price: EUR 499,887.00
Contractor: CONDURL - ENGENHEIROS S.A.
Award: 01-10-2018
Conclusion: 18-05-2019

DRR

4.1.3 25 DE ABRIL BRIDGE

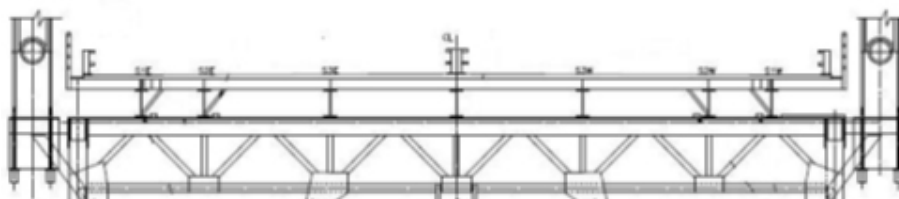
As part of the management of the 25 de Abril Bridge, regulated by a specific law, IP develops its activity in close coordination with LUSO-PONTE, which has management competences related specifically to the road.

A series of actions are regularly carried out in terms of inspection, studies and maintenance, upkeep 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).

The 25 de Abril Bridge Maintenance Contract, worth EUR 0.9 million which started at the end of 2018, and began in the first half of 2019, is currently underway.



4.2 INVESTMENT IN ROAD AND RAIL INFRASTRUCTURE

Investment in the rail and road networks under IP's direct management, excluding investment in the Public Private Partnerships, was EUR 58.8 million, an increase of 44% over the same period of the previous year.

unit: EUR million

Investments	IP GROUP		
	1st Half 2018	1st Half 2019	Δ% 2019/2018
Ferrovia 2020 Investments	32.4	41.4	28%
PETI3 + Road Investments	0.0	0.4	3496%
PETI3 + Investments	32.4	41.8	29%
Other Railway Investments	4.6	7.9	72%
Other Road Investments	2.2	6.5	198%
PVAE Investments (*)	0.2	2.1	835%
Other Investments	7.0	16.6	136%
Management Support Investments	1.3	0.3	-73%
Total	40.7	58.8	44%

(*) In the first half of 2018, PVAE Investments were included in Other Road Investments

4.2.1 Investment 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 PET13 + 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 750m 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.

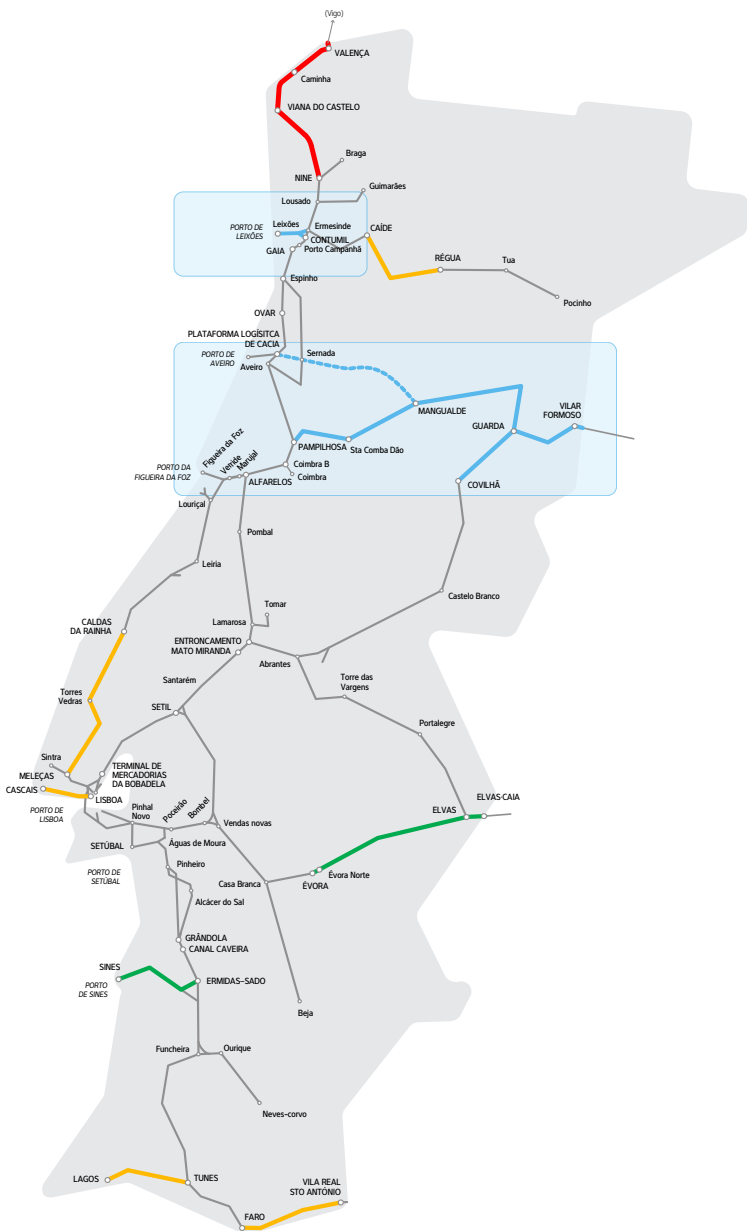
The Railway Modernisation Plan – Ferrovia 2020 – is currently underway, at a time of transition between the completion of the projects and the execution of the work. We highlight the 2018 conclusion of RIV Alfarelos-Pampilhosa, on the North Line, and the completion in the first half of 2019 of the Electrification of the Nine-Viana do Castelo section, on the Minho Line, and the Electrification of the Caíde-Marco section, on the Douro Line.

Other works are at an advanced stage of development, namely the modernisation of the Beira Baixa line between Covilhã and Guarda, the modernisation of the Elvas-Caia section on the South Line and the electrification of the Viana-Valença section on the Minho Line.

The first modernisation work on the Beira Alta Line, between Guarda and Cerdeira, is already underway.

The three projects that comprise the new link between Évora (North) and Elvas, in a total investment that will reach EUR 252 million, have already signed the contracts and work is expected to start in the second half of 2019.

The implementation of the Ferrovia 2020 Investment Plan was EUR 41.4 million in the first half of 2019, an increase of 28% over the same period in 2018.



North International Corridor

The investment made in the first half of 2019 in this Corridor was EUR 12.6 million. The general works for the modernisation of the Covilhã-Guarda section and the Beira Baixa line link with the Beira Alta Line received investment of EUR 12.1 million.

The completion of this development will allow the Covilhã-Guarda section of the Beira Baixa Line, which has been closed since 2009, to reopen in 2020.

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.

The Railway Renovation contract for the Guarda-Cerdeira subsection, related to the first phase of modernisation of the Beira Alta Line, was awarded on 10 May 2019, for a sum of EUR 8.7 million and with a term of 294 days, to the company Teixeira Duarte - Engenharia e Construcoes, SA, and the respective assignment occurred in July 2019.

South International Corridor

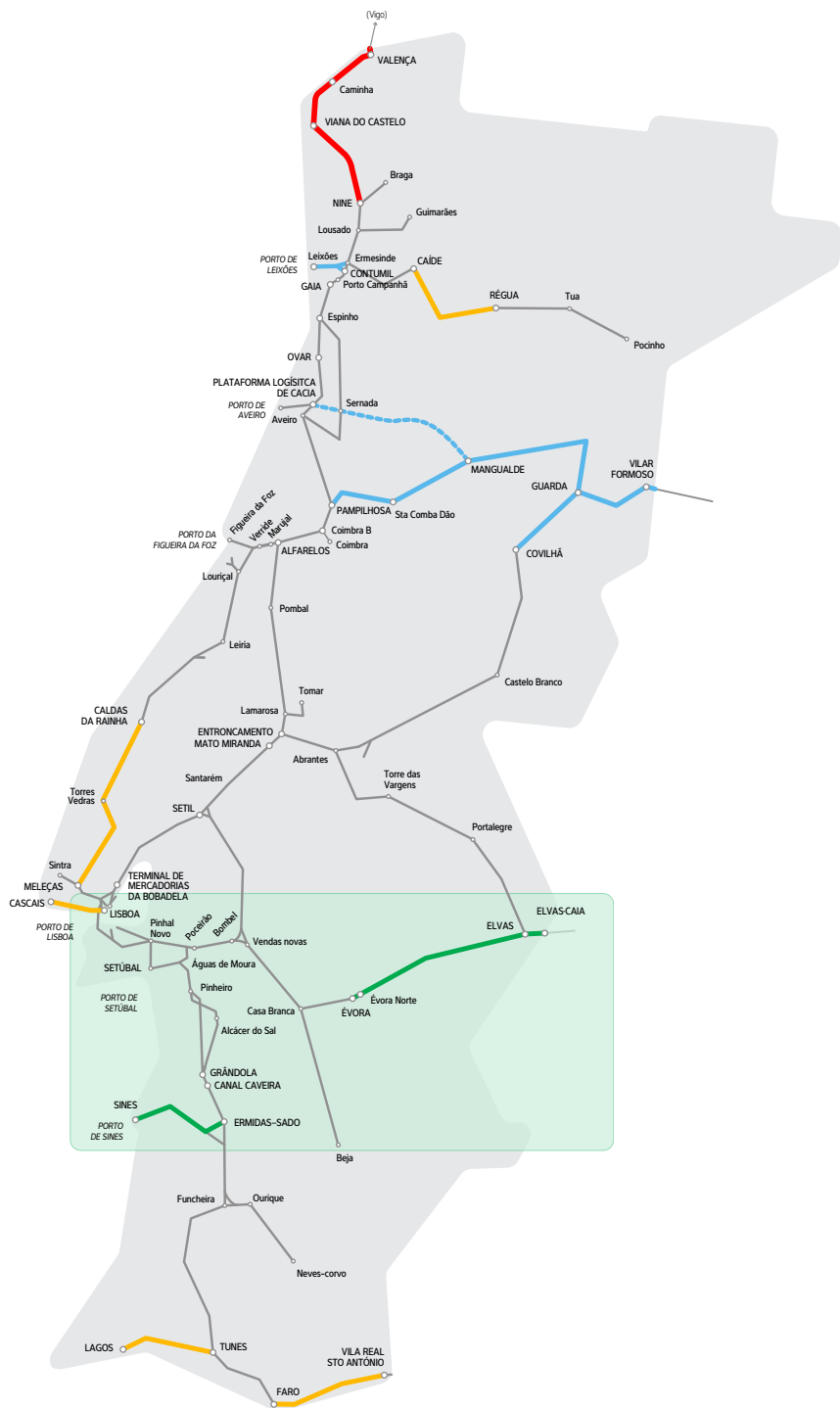
The South International Corridor received investment in the first half of this year of EUR 6.7 million.

The general contract for the modernisation of the East Line on the Elvas (inclusive) - Fronteira section comprises an investment of EUR 5.3 million.

In March 2019, the provision of EC Conformity verification services by a Notified Body of the subsystems associated with the Modernisation between Sines and the South Line during the design and contracting phases began.

In June 2019, the provision of EC Conformity Verification Services by a Notified Body for the Évora-Évora Norte-Elvas-Fronteira developments in the design and contracting phases began. And in May and June there was the acquisition of follow-up services for the general works on the new Évora Norte-Elvas/Caia rail link (excluding railway superstructure, signalling and catenary) to LNEC – National Laboratory of Civil Engineering.

In the first half of 2019, three major projects were also contracted to develop the new link between Évora (North) and Elvas, with a total investment of EUR 252 million. The respective assignments and the subsequent commencement of work is scheduled for the second half of 2019.



North-South Corridor

The investment up to June 2019 in the North-South Corridor was EUR 10.6 million.

The Minho Line Electrification contract between Viana do Castelo and Valença-Fronteira, including technical stations, involves an investment of EUR 3.3 million (includes management and supervision).

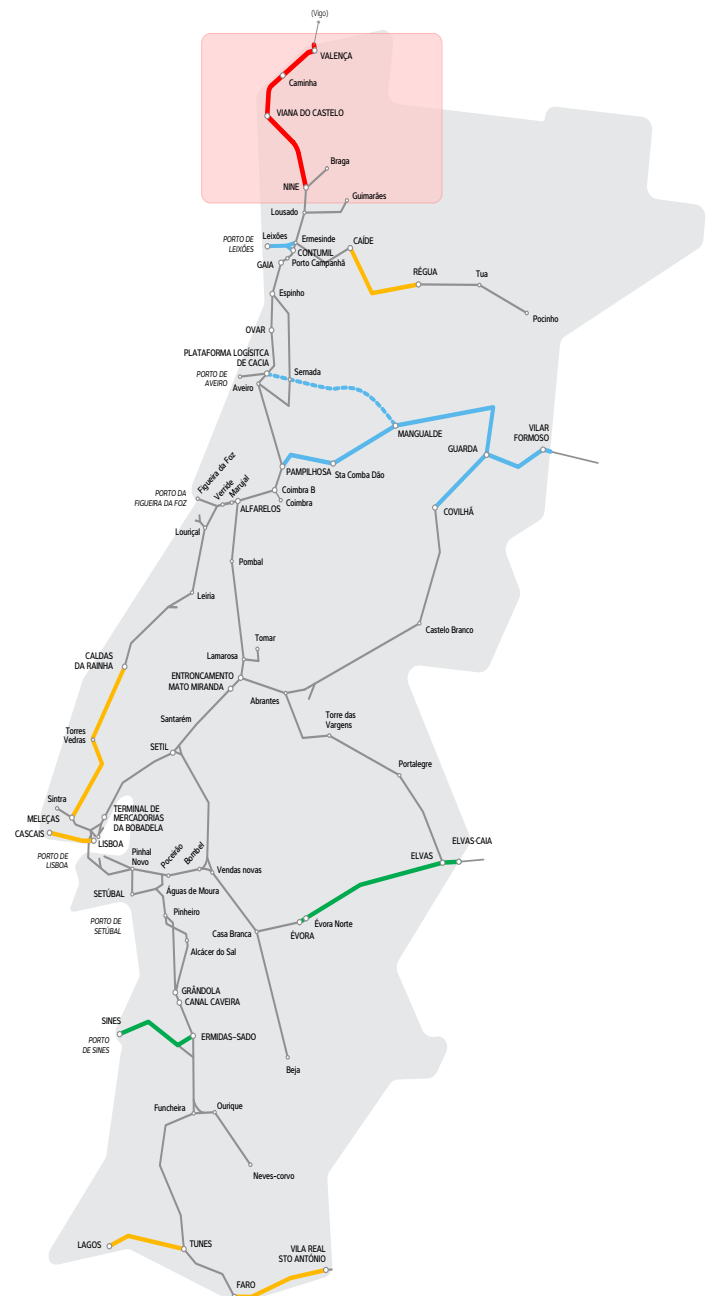
The Nine-Viana do Castelo section electrification contract, also on the Minho Line, was concluded in the 1st half of 2019, comprising an investment of EUR 1.6 million during this period. It entered into service in July 2019.

The Lot A Signalling Contract on the Minho Line received EUR 0.9 million. The Vila Fria Substation received EUR 0.6 million.

The completion of the Ovar-Gaia section corresponded to EUR 1.3 million, in particular the Lot A Signalling Contract (including management and supervision).

The Vale de Santarém-Entroncamento development involved an investment of EUR 1.3 million and is related to Lot A Signalling (includes management and supervision).

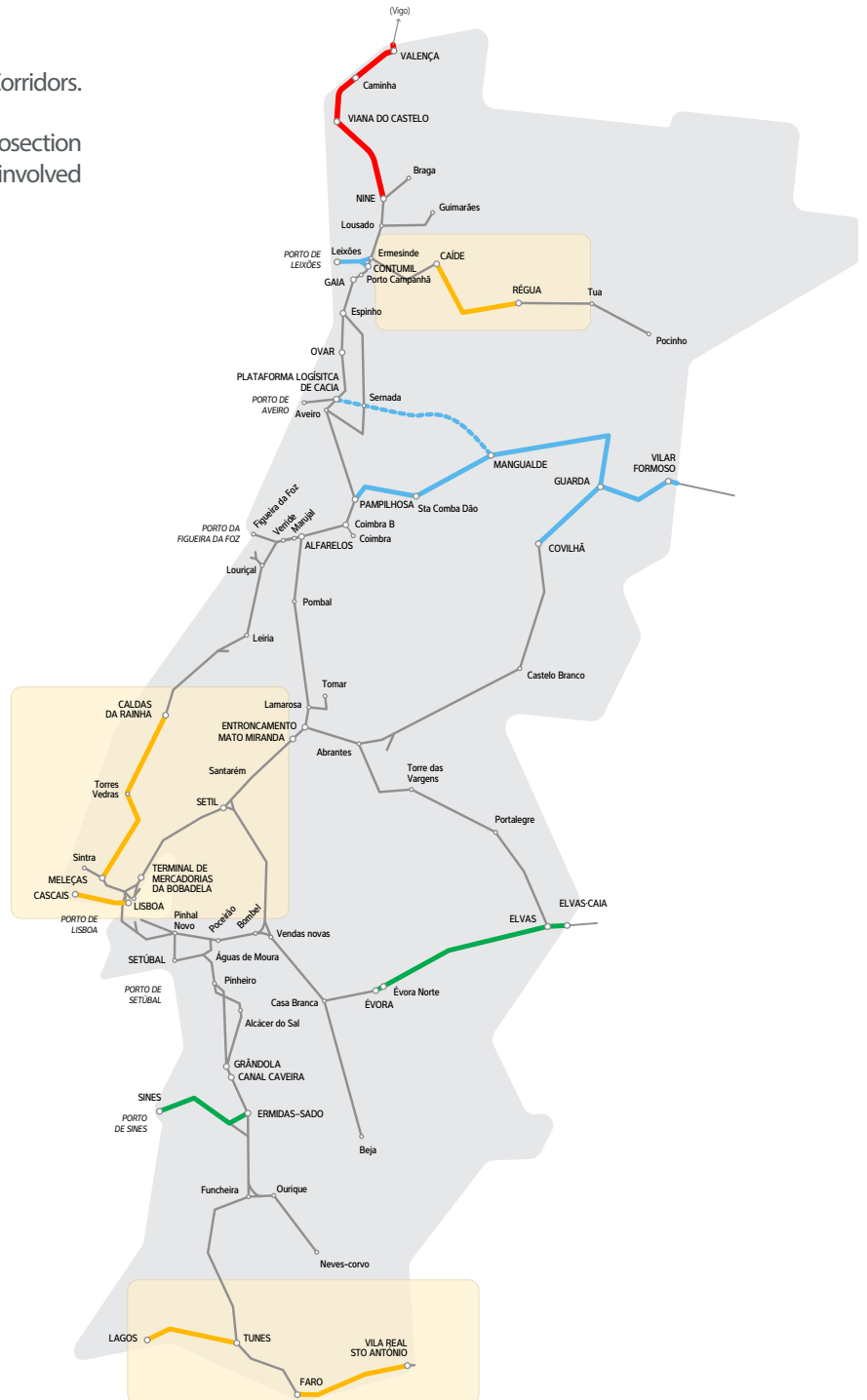
The Alfarelos-Pampilhosa project involved an investment of about EUR 1.3 million, of which EUR 0.9 million refers to Management and Inspection and the Stabilisation Contract for Slopes T1, T2, T4, T5, T6 and T7.



Secondary Corridors

Around EUR 11.6 million was invested in Secondary Corridors.

The contract for the electrification of the Caíde-Marco section of the Douro Line, which was concluded in May 2019, involved an investment of EUR 11.1 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 the first half of 2019, investment in infrastructure renewal and rehabilitation interventions, in line with existing standards and regulations, and in strengthening railway infrastructure service levels totalled EUR 7.9 million. The largest investments were carried out on the North Line (EUR 1.4 million), the Beira Baixa Line (EUR 1.1 million), the Douro Line (EUR 1.2 million) and the Cintura Line (EUR 312,000).

In terms of works, we highlight the renovation and rehabilitation of the North Line, as well as the Beira Baixa Line and the stabilisation of slopes between km 119.540 and 145.800 (lot 4) on the Ferrão-Ferredosa section of the Douro Line.



4.2.2 Investments in the Road Network

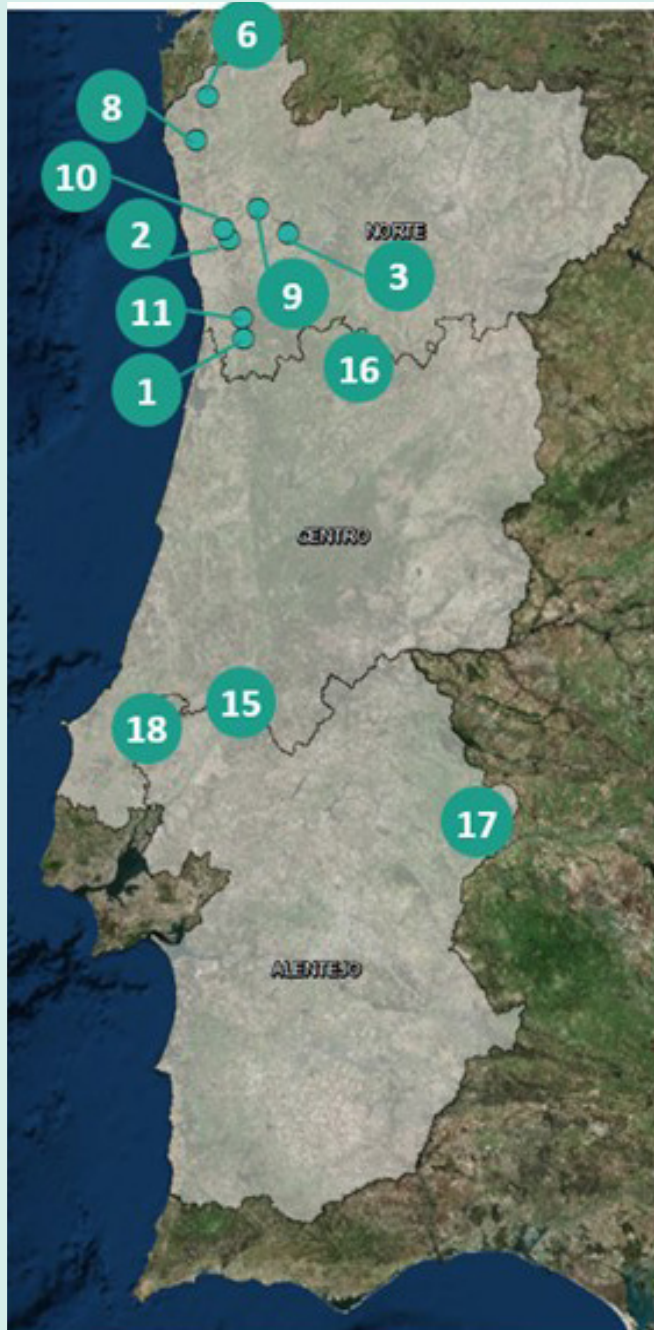
BUSINESS AREAS ENHANCEMENT PROGRAMME (PVAE)

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.



NORTH 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 the 1st half of 2019 was EUR 2.1 million, of which EUR 1.9 million are related to the EN14 Santana/Vitória/Variante de Famalicão Improvement contract and EUR 0.2 million for the Lanheses Business Park Connection to the ER305 Improvement contract. Both works were completed in the first half of 2019.

PETI3+ ROAD

Some of the most important PETI3+ investments are currently underway, including the modernisation and redevelopment of the IP3 between Coimbra and Viseu, with a project already contracted for work between Penacova and the Bridge over the River Dão. The intervention to be carried out on the remaining layout, which will be made into a dual carriageway, is being studied.

The contract for the completion of the IP5/A25 cross-border connection with Spain was awarded in May 2019, with a performance term of 450 days and a planned investment of EUR 13.2 million. In June 2019, the first part worth EUR 0.16 million was begun.

Also to be noted is the EN14 Maia (Jumbo Node)/Via Diagonal, which involved an investment of about EUR 0.3 million in the first half of 2019.

OTHER INVESTMENTS

In the first half of 2019, the amount of other investments in road infrastructure was EUR 6.5 million, especially the contract for the connection of Mondim de Basto to EN210, with an execution investment of EUR 1.2 million, and for the payment of compensation related to the expropriations of the IC17 CRIL Buraca/Pontinha sub-section, in the amount of EUR 4.6 million.

INVESTMENTS IN MANAGEMENT SUPPORT STRUCTURES (IEAG)

Investments in Management Support Structures amounted to EUR 336,000 in the first half of 2019. Noteworthy is the acquisition of machinery and equipment (EUR 142,000) and software (EUR 101,000).



4.3 USE OF THE ROAD AND RAILWAY NETWORK

4.3.1 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 the first half of 2019, a total of 17.9 million train kilometres (TK) were travelled by rail operators, 84% of which related to passenger traffic and 16% to the freight segment.

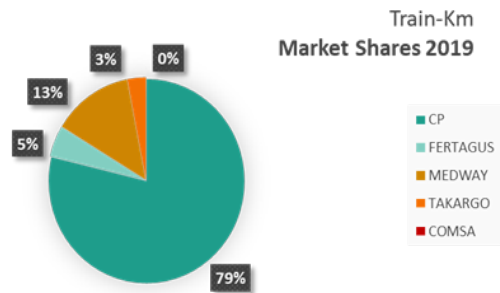
Demand decreased by 0.6%, approximately 102,000 train kilometres (TK), between the identical periods of 2018 and 2019. This reduction in rail infrastructure use was mainly due to the decrease in the freight segment (-2.1%).

The rail operators operating on the National Rail Network are CP and Fertagus for passenger transport and Medway, Takargo and Comsa for freight transport. The latter did not run carry any freight in 2018 and 2019.

CP continues to be the operator with the most impact on IP's activity, accounting for 78.8% of market share.

NETWORK USAGE	1ST HALF		CHANGE 19/18	%
	2018	2019		
Passengers	15,054	15,014	-40	-0.3%
Freight	2,989	2,927	-62	-2.1%
Total	18,043	17,941	-102	-0.6%

unit: thousands of train-km (CK)



4.3.2 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. 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. In the first half of 2019, the following results were obtained:

	Indicator	Annual Target 2019	Result 1st Half 2019	Deviation 1st Half 2019
1	Additional Margins	48	56	16.67%
2	Railway Punctuality	= 89.80%	89.83%	0.03 p.p.
3	Railway Customers' Satisfaction	= 55.00%	59.00%	4.00 p.p.
4	Network Availability	= 87.40%	88.35%	0.95 p.p.
5	Railway Asset Management	= 60.80%	59.78%	-1.02 p.p.
6	Activity Volume	= 37,329,020	18,013,943 TK	-2.59%
7	Safety Levels	= 0.961	1.663	73.02%
8	Environmental Protection	5.00%	0.00%	-5.00 p.p.
9	Rail Revenue	100.00%	97.40%	-2.60 p.p.
10	Other Revenue	5.20%	-4.11%	-9.31 p.p.
11	Maintenance Expenses	3.20%	1.64%	-1.56 p.p.
12	Expenses with other ESS	0.00%	-2.89%	-2.89 p.p.
13	Personnel expenses	-3.00%	5.11%	8.11 p.p.

4.3.3 Traffic on the road network (Half-Yearly Average Daily Traffic - HADT)

In the first half of 2019, traffic on the IP road network grew in comparison to 2018. There was a 3.3% increase on the entire IP network and 3.1% on the motorway network.

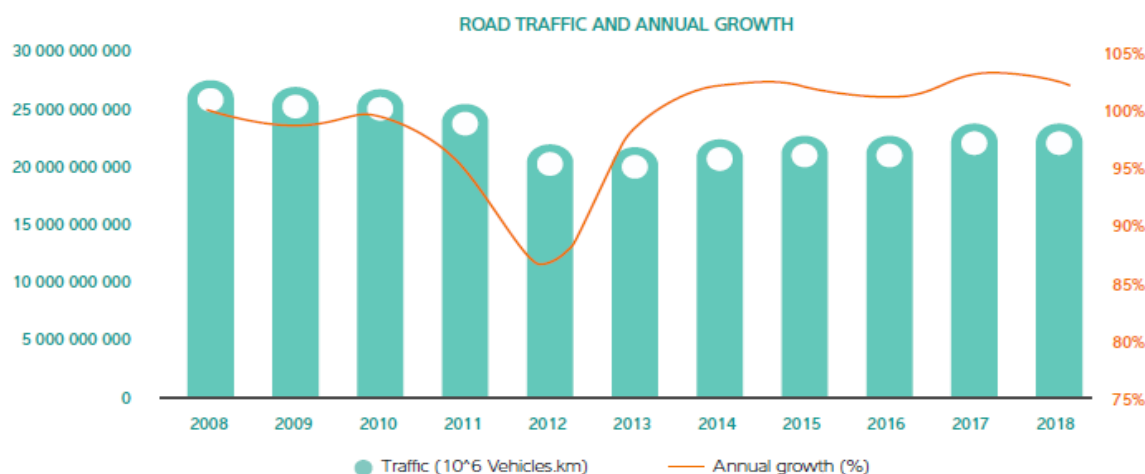
NATIONAL MOTORWAY NETWORK	HALF-YEARLY AVERAGE DAILY TRAFFIC (TMDS)		CHANGE 2019/ 2018
	1st Half 2018	1st half 2019	
National Motorway Network - Sub-concessions	9,742	10,358	6.3%
National Motorway Network - IP	49,011	49,959	1.9%
Total Weighted	23,165	23,894	3.1%

Note: Network traffic with counters and sub-sections with complete information in both analysis periods

IP NETWORK	HALF-YEARLY AVERAGE DAILY TRAFFIC (TMDS)		CHANGE 2019/2018
	1st Half 2018	1st half 2019	
National Road Network (IP and Sub-concessions)	5,749	5,958	3.6%
National Motorway Network (IP and Sub-concessions)	23,165	23,894	3.1%
Total Weighted	10,852	11,213	3.3%

Note: Network traffic with counters and sub-sections with complete information in both analysis periods

Thus, the growth trend that has been observed since 2014 is maintained, as can be seen in the following graph, which shows the evolution of the Annual Average Daily Traffic of the network classified as under IP's jurisdiction.



4.3.4 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.

The most recent figures available are for service level compliance in 2018, which are shown in the following table.

TYPE	COMPLIANCE			LENGTH		EXTENSÃO TOTAL (km)	
	NO RESTRICTIONS (km)	WITH RESTRICTIONS (km)	TOTAL (KM)	TOTAL	VALOR (km)		%
IP	487.2	98.5	585.7	100.0	0	0.0	585.7
EDIP	224.7	47.3	272	100.0	0	0.0	272
IC	951.0	52.0	1,003	100.0	0	0.0	1,003
EDIC	1,051.8	80.3	1,132.1	100.0	0	0.0	1,132.1
EN/ER	7,809.7	428.9	8,238.6	99.1	72.9	0.9	8,311.5
TOTAL	10,524.4	707.0	11,231.4	99.4	72.9	0.6	11,304.3

4.4 PUBLIC-PRIVATE PARTNERSHIPS

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

According to the terms of the Concession Contract established between the Grantor State and the former EP, Infraestruturas de Portugal (IP) 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.

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

4.4.1 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 submitted for consideration by the Court of Auditors (CoA) and were returned with the indication that they are not subject to prior supervision and are therefore in full effect.

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

ALGARVE LITORAL SUB-CONCESSION

The Amended Sub-concession Contract (CSA) of Algarve Litoral, signed on 23 October 2017, was submitted for 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 to grant it approval in its Ruling 29/2018 on 20 June 2018.

The Court of Auditors, through its ruling 13/2019 of 28 May, maintained the initial position of refusal of approval of the Algarve Litoral Sub-concession Contract. As a result, the Board of Directors decided to appeal to the Constitutional Court and resubmitted the Amended Sub-concession Contracts (Baixo Alentejo, Transmontana Motorway and Pinhal Interior subconcessions) for prior supervision by the Court of Auditors.

However, on 17 July 2019, the Sub-concessionaire requested that IP accept its declaration of termination of the concession agreement, under the applicable law. On 4 September 2019, RAL, due to

the disagreement with sub-grantor, brought arbitration proceedings against IP.

From an operational point of view, the Sub-concessionaire suspended from midnight of 6 July 2018 all operations and maintenance activities performed by it. 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, the sub-concessionaire resumed its activities only according to the purpose defined in the Amended Sub-concession Contract, stating that it has been in force since 27/12/17, and refused to intervene on the roads 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.

BAIXO TEJO AND LITORAL OESTE SUB-CONCESSIONS

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.

The two sub-concessionaires agreed that negotiations should not continue. AEBT, sub-concessio-

naire of the Baixo Tejo contract, communicated this fact to IP, also stating 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.

As a result, on 07/02/19 and reiterated on 11/06/19 through Decree-Law 111/2012 of 23 May, IP asked the SEI to establish a negotiation commission, based on the objective necessity of having the contract reflect the impossibility of constructing the ER377-2. This was confirmed by order of the UTAP coordinator on 22 July 2019.

BAIXO ALENTEJO, PINHAL INTERIOR AND TRANSMONTANA MOTORWAY SUB-CONCESSIONS

The Alentejo, Pinhal Interior and Transmontana Motorway Amended Sub-concession Contracts (CSA) have been in force since 3 April 2017, 21 December 2017 and 24 May 2018, respectively.

However, in view of the refusal of approval by the Court of Auditors for the Algarve Litoral CSA, issued on 20 June 2018, IP decided to suspend payments to these three sub-concessionaires at the end of August 2018. In view of the continuing lack of response from the CoA to the appeal, it was decided in November 2018 to partially resume payment of the amounts due to these three sub-concessionaires, a situation which continued in the first half of 2019.

In June 2019, and following the acknowledgment of CoA Judgment 13/2019, IP again submitted to this Court, for the purposes of Preliminary Surveillance, the Baixo Alentejo, Pinhal Interior and Transmontana Motorway CSA.

The CoA ruled, having informed in the case of CSA do Baixo Alentejo that "it decided to judge the dilatory exception of the case as confirmed, not being aware of the merit of the claim to approve the act(s) related to the..." and with respect to the CSAs of The Transmontana Motorway and Pinhal Interior "decided to return the act(s)/contract(s) re-

lated to the process(s) identified above" as "not being subject to prior inspection".

In view of the above, in the 3rd quarter of 2019, with the exception of Pinhal Interior, whose payment on August 2019 was still partial, payments were resumed in accordance with the respective CSA, and the partial payments made were settled by the end of the first half of 2019.

DOURO INTERIOR SUB-CONCESSION

The renegotiation is complete for the Douro Interior Sub-concession, and the respective final minutes were signed on 15 February 2018. The approval process by the government is ongoing.

It should also be noted that the Court of Auditors' refusal to approve the renegotiation process for the Algarve Litoral sub-concession, according to Ruling 29/2018 reiterated in Ruling 13/2019 of 28 May, which was the subject of appeal to the Constitutional Court, and given the doubts raised in those Rulings, has an impact following the process of approval of the Negotiating Committee's report by the Government and subsequent signature of the CSA.

4.4.2 SUB-CONCESSIONED 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 servi-

(km)

SUB-CONCESSIONS	IN OPERA- TION (*)	BEING BUILT		DO NOT BUILD	TOTAL
		NEW CONS- TRUCTION	REDEVELO- PED		
Douro Interior	241			0	241
Transmontana Motorway (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
Total	911	95		35	1,041

ce 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 4.4.1.

4.4.3 2019 CHARGES

Payments made in the first half of 2019 for road concessions and sub-concessions

amounted to EUR 636.5 million (VAT excluded), representing an investment of approximately 93% of the budgeted amount for the period.

Availability payments for State Concessions represent an investment of up to 98% of the budgeted amount for the period. The verified discrepancies are justified, overall, by the following situations:

- Withholding of toll revenue, a contractually established mechanism for an advance on account of availability: impact of EUR +7.8 million;
- Deduction from the application of the tax neutrality clause, with impact on the reduction of payments: impact of EUR -5.9 million.

In the Sub-concessions, the discrepancy of EUR -18.5 million is due to the fact that no payments were made to the Algarve Litoral SC, and the partial payments to the Transmontana Motorway, Pinhal Interior and Baixo Alentejo SCs, for the reasons given above.

Payments for Major Repairs amounted to EUR 2.1 million, representing only 7% of the budgeted amount for the period. The order of magnitude of this lag should be maintained until the end of the year. The execution of major repairs depends on a number of factors not dependent on IP, namely the approval by IMT of the scope and value of the interventions, the development by the concessionaires of their contractual procedures, and the subsequent performance of the interventions, which is also the responsibility of the concessionaires.

With regard to the Reimbursements and Rebalances item, the discrepancy is justified by the Lusoponte concession contract, which establishes a payment in the first semester and a receipt in the second semester and which is expected to be in line with the budget at the end of the year.

Compared to the same period of 2018, charges fell by EUR 89.6 million, of which EUR 39.7 million related to the reimbursements and rebalances heading, due to the payment in the first half of 2018 of compensation to the Douro Litoral Concession, on behalf of the Portuguese State, in the amount of EUR 43 million.

The decrease in charges compared to 2018 is further justified by the reduction in payments to the Beira Interior Concession (EUR -31.7 million), in line with the contracted financial model.

unit: millions of
euros (excluding
VAT)

Concessions and Sub-concessions	Real June 2018	Accumulated June 2019		
		Real	Budget	% Implementation
Concessions - Availability + Availability B	391.4	357.4	363.6	98%
Algarve	26.4	28.0	25.3	111%
Beira Interior	64.4	32.7	34.9	94%
Beira Litoral e Alta	61.0	60.6	63.5	96%
Costa de Prata	28.0	27.2	29.3	93%
Greater Lisbon	15.5	16.1	16.3	99%
Greater Porto	46.7	40.3	43.7	92%
Interior Norte	51.7	45.5	45.7	100%
Norte	67.6	72.8	72.5	101%
Norte Litoral	30.1	34.1	32.6	105%
Sub-concessions - Availability + Service	285.8	269.4	287.8	94%
Transmontana Motorway	28.4	22.4	29.7	75%
Algarve Litoral	0.0	0.0	13.2	0%
Baixo Alentejo	25.7	21.6	25.4	85%
Baixo Tejo	40.8	40.4	33.8	120%
Douro Interior	47.5	48.4	51.2	95%
Litoral Oeste	72.5	75.2	61.3	123%
Pinhal Interior	70.9	61.3	73.2	84%
Contributions and re-equilibrium	47.3	7.6	4.1	187%
Major Repairs	1.6	2.1	32.0	7%
Total	726.1	636.5	687.5	93%

4.5 TELECOMMUNICATIONS AND BUSINESS CLOUD

Within the scope of the IP Group, IP Telecom is responsible for guaranteeing the excess capacity of telecommunications infrastructure and data processing centres (CPD/Data centres), translated into the provision of Information and Communications Systems and Technologies services to the market, in addition to ensuring provision of these basic services to the IP Group.

IP Telecom is a Telecommunications Operator licensed by ANACOM as a provider of publicly available telecommunications services (public networks) and it is specialised in telecommunications infrastructure networks.

Its activity is linked to the main national telecommunications infrastructure, based on fibre optics installed along the national railway network and in the road technical channel installed on the network managed by IP, giving rise to a "net" of unique national coverage high-speed networks. It also offers a wide range of information and cloud computing technology solutions, in particular as a provider of Infrastructure as a Service (IaaS) solutions, provided through its 3 innovative data centres.

IP Telecom maintains a strong presence in the market as a provider of high-speed fibre services to telecom operators and an increasing number of ICT services provided to the private business market and public administration.

In the first half of 2019, IP Telecom invested in strengthening its portfolio of products and services with new business solutions, particularly in the

area of cybersecurity, seeking to deepen the resilience levels required for its customers' information security.

From the standpoint of business growth, in the first half of 2019, we highlight the beginning of a medium-term national impact project and the growth in the increase in the number of corporate and public customers, either through direct development or via implementation partners. This growth represents the result of the effort of continuous technological investments and recognition of the quality of service and dedication of the teams to the customers. The increase in the customer base is transversal to the various market sectors, namely in the economy, healthcare, legal services and transport sectors, especially in the implementation of Virtual Datacentre, Cybersecurity and Disaster Recovery solutions.

As a fundamental aspect of this activity, IP Telecom is focused on ensuring high quality service delivery, having achieved availability standards of over 99.99% in the first half of 2019.

We highlight in the first half of 2019 the achievement of NATO Secret accreditation, the renewal of ISO27001 certification and the positive follow-up audit of ISO9001 for the Enterprise Management System (SGE) within the scope of "development, management and operation of information technology solutions, network and telecommunications infrastructures and their hosting". With a view to increasing internal and external demand levels, the first steps have been taken towards the certification of IT Services (ISO 20000), which is expected to be proposed in 2020.

4.6 ENGINEERING SERVICES

IP Engenharia's mission is to "Draw up studies and projects in transport engineering, managing, coordinating and supervising works in this field and streamlining the IP Group's international business".

In the first half of 2019, the company kept its activity focused on project preparation, project review, as well as the management and technical coordination of the projects, in the scope of the studies and projects activity. It was most important to conclude, as planned, several revisions of projects for the execution of interventions on the Beira-Alta, West and North Lines, as part of the Ferrovias 2020 Investment Plan.

The construction management and supervision activity was guided by the continued development of a set of services carried over from 2018, by the construction management advisory services and the appraisal of public tender proposals, in the context of investments under the responsibility of Infraestruturas de Portugal as part of the Ferrovias 2020 Investment Plan.

The activity of the company resulted from the planning of the investments and respective shareholder orders, promoting close articulation, in order to maximize the production capacity of the available resources. The occupation of the productive team is still greater than expected and the scrupulous fulfillment of the deadlines established and agreed with the shareholder are to be noted.

Within the strategy of approach to the international market, in a strictly institutional and proactive logic, outside the competitive market, the continuation of the work of "Technical Assistance for the Improvement of Strategic and Transport Planning of the Ministry of Transport and Communications in the Republic of Mozambique", which are being developed by IP Engenharia and China Tiesiju Civil Engineering for the Ministry of Transport and Communications of Mozambique (MTC), under the Technical Coordination of IPE.

With regard to new technical-commercial approaches, the signing of a protocol between IPE and the Angolan Road Institute (INEA) is underlined with a view to establishing a cooperative relationship for road projects.

The IP Group's institutional representation was strengthened by its participation in several international conferences/forums.

4.7 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.

The year 2019 continues to show a high level of commercial activity, both in terms of sub-concessions, real estate sales and valuations. In the first half of the year, a total of 207 sub-concession contracts were signed, with an annual value of EUR 1.8 million, 61 of which are new contracts. The disposals, in a total of 19 cases, presented in this period a cash in of EUR 0.45 million.

Among the contracts concluded, we highlight:

- Sub-concession of two plots of land for operation of petrol stations in Alhandra;
- Creation of 2 new stores on the side of the entrance to the Cais do Sodré station, one of which was sub-concessed to the Lisbon Tourism Association (which since October 2018 is also present at Rossio and Santa Apolónia stations) and the other to a marketing company for merchandising articles inspired by the city of Lisbon and Portuguese culture;
- Office sub-concession at the Centro Campanhã Development;
- Sub-concession of a set of dwellings in the designated "Bairro da CP" in Vila Nova de Gaia for rehabilitation and installation of employees of the sub-concessionaire;
- Sub-concession of space at Santa Apolónia Pier for the installation of administrative and commercial services.

5. ECONOMIC AND FINANCIAL PERFORMANCE

Net Profit achieved in the 1st half of 2019 remains positive, reaching EUR 35.0 million.

There is a decrease of EUR 12.4 million compared to 2018. This variation is mainly justified by two factors:

- Increase in expenses with road network maintenance by EUR 11.0 million;
- The increase in provisions by EUR 9.0 million, mainly due to the VAT process, was also as a result of the increase in road maintenance costs.

Financial Statement	IP Group	IP Group	Δ% 19/18
	1st Half 2018	1st Half 2019	
Operating Income	652 178	647 109	-1%
Operating Expenses	- 467 347	- 496 166	6%
Operating Profit	184 831	150 944	-18%
Financial Result	- 115 627	- 101 449	-12%
Profit before tax	69 204	49 495	-28%
Net Profit or Loss	47 401	34 953	-26%

unit: thousands of euros.

Operating Income totalled EUR 647.1 million, a decrease of EUR 5.1 million (1%) over the same period of 2018.

Operating Expenses increased by EUR 28.9 million compared to 2018 to EUR 496.2 million.

The Financial Result was EUR -101.4 million, which represents an improvement of EUR 14.2 million compared to the same period of the previous year.

5.1 OPERATING INCOME

OPERATING INCOME	IP GROUP	IP GROUP	Δ% 19/18
	1st Half 2018	1st Half 2019	
Sales and services	577 257	575 335	0%
Road Service Contribution (RSC)	333 535	331 670	-1%
Tolls	149 476	155 873	4%
Railway Services	41 057	40 198	-2%
Grantor State - LDI Revenue	11 118	12 458	12%
Construction Contracts	24 889	18 094	-27%
Other Services	17 183	17 042	-1%
Compensatory Payments	31 452	29 874	-5%
Other income and gains	43 469	41 900	-4%
Total Operating Income	652 178	647 109	-1%

Valores em milhares de euros.

5.1.1 SALES AND SERVICES RENDERED

Total revenues from Sales and Services were EUR 575.3 million, down EUR 1.9 million from 2018.

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 2019 remained unchanged compared to those set for 2018, standing at EUR 87/1,000 litres for petrol, EUR 111/1,000 litres for diesel and 63 EUR/1,000 litres for LPG.

The RSC, which continues to be IP's main source of income, recorded in the first half of 2019 a value of EUR 331.7 million, which represents a slight negative change (1%) compared to the same period of 2018.

Tolls

Toll revenue increased by EUR 6.4 million (4%) compared to the same period of the previous year, reaching a total of EUR 155.9 million.

The largest share of toll revenues results from the use of the State Concessions network, where IP is the owner of the revenue from toll charges, achieving around EUR 128.9 million, 4% more than in the same period in 2018.

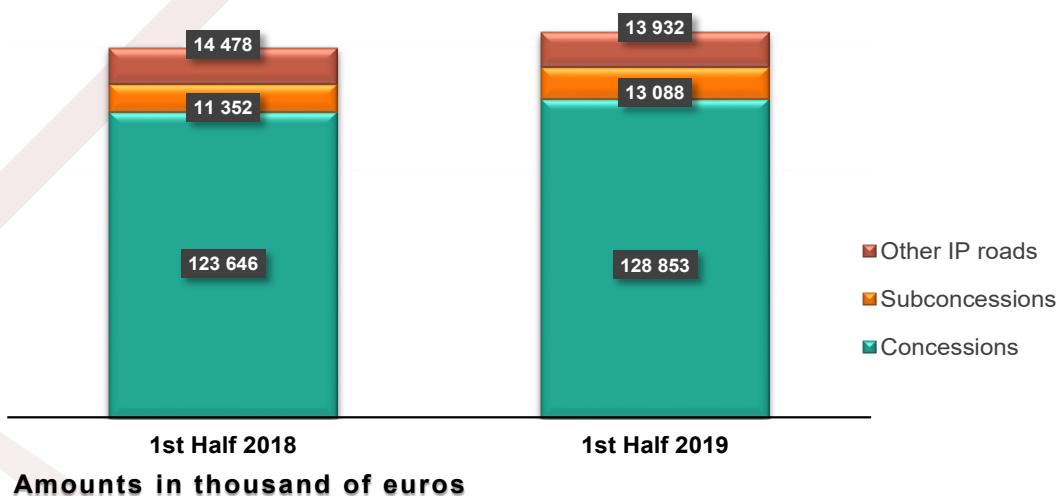
The exceptions are the Beira Litoral and Alta Concession (decrease of 2%), notwithstanding the in-

crease of around 3% in "paying" traffic, highlighting the effect of the new discount schemes implemented in early 2019 for freight transport, and the Algarve Concession (decrease of 2%), which is due to the fact that the benefit sharing of the previous year's toll revenues took place in May 2019 and in an amount of over EUR 500,000, when in 2018 it occurred only in second half of the year.

In the case of Brisa's earnings, the significant variation compared to 2018 is justified by the time lag in the issue of invoices.

In IP sub-concessions, toll revenues amounted to EUR 13.1 million, a 15% increase over 2018. The Baixo Tagus SC showed the most significant increase, of 50%.

Lastly, direct operations in the IP network (A21, A23 and Marão Tunnel) made it possible to earn EUR 14.2 million in the first half of 2019, which is 4% more than in 2018.



Railway Services

Revenue from the Railway Services, which includes the use of channels (minimum access package), the recovery of capacity requested but not used (cancellations by the operator), the use of service facilities, the provision of auxiliary services, totalled EUR 40.2 million in the first half of 2019, 2% less than in 2018 (EUR 41.1 million).

Revenue from the infrastructure charge (minimum access package) amounted to EUR 34.1 million in the first half of 2019, up EUR 467,000 (1.4%) compared to 2018, driven by more passenger trains being run.

Passenger train income increased by 1.6% over the same period of 2018. This segment represents 86% of total revenues from the use of rail infrastructure. Revenue from freight trains fell by 0.5% over the same period of 2018.

Operating income from the appreciation of the penalty associated with the requested and unused capacity amounted to EUR 273,000 in the first half of 2019, a decrease of 65% compared to 2018, due to the reformulation of the respective tariff model, which entered into force with the 1st Network Directory Addendum 2019. The purpose of the reformulation was to encourage timely capacity planning by overriding the preference for cancellation requests made earlier than 14 days and penalising channel requests made less than 4 days in advance, thereby increasing the quality of channels offered to operators.

With the entry into force of the 1st Addendum to the 2018 Network Directory, on 10/12/2017, IP services in Service Facilities emerged in isolation, specifically in Passenger Stations. In this context, the Use of Stations and Stops services emerged, which corresponds to the provision of areas related to passenger support, the visualisation of travel information and the guarantee of passenger access to platforms and equipment installed there. Its gain in value, due to the commercial stop made by the passenger train in a certain dependency, represented an income of EUR 1.2 million between January and June 2019, a positive variation of 1.2% over the same period of 2018.

In the provision by IP in Service Facilities, in addition to the already described Use of Stations and Stops, services are also provided for operating facilities at stations (space occupied and respective consumption of water and energy), the supply of energy to equipment of operators in common areas of the stations (e.g. ticket vending machines and turnstiles) and the dissemination of information to the public of a commercial nature. In aggregate, these services represent, in the period under review, a total income of EUR 1.6 million.

In relation to the provision of Additional Services, this represents revenue of EUR 4.2 million, a decrease of 11% over the same period of 2018. Access to Traction Electricity that IP provides to rail operators represents the largest share of Additional Services, representing in the period EUR 3.2 million, which represents a decrease of EUR 400,000 compared to the first half of 2018.

Tariff Income	IP GROUP		Δ% 19/18
	1st Half 2018	1st Half 2019	
Passengers *	28 859	29 333	1,6%
Freight	3 955	3 941	-0,4%
Manoeuvres	821	829	1%
Total Use Tariff of Infrastructure	33 635	34 102	1,4%
TARIFA TUI / CK	1,86 €	1,90 €	2%
Requested Capacity Not Used	770	273	-65%
Total	34 406	34 375	-0,1%

* The value of Real/18 includes revenues from Dec/17 (amount of EUR 4,454 thousand)
unit: thousands of euros

Rolling stock parking also fell by 11%, representing a return of EUR 0.8 million in this period. As for Manoeuvres, revenues are roughly similar to those recorded in the same period of 2018.

Also with regard to the provision of Auxiliary Services, associated with telematics, telecommunications, research, requests for human resources to supply water and fuel to trains, the commercial treatment of goods and other minor services, we see a negative variation with the application of IP labour, as such services are increasingly being provided directly by the operators' staff.

Grantor State

The amounts recorded in the Grantor State (LDI Revenue) account correspond to the internal work

charged to the investment activity of long duration infrastructure, namely, materials and labour for investment and the respective structure charges, under the terms of IFRIC12.

In the first half of 2019, this income amounted to EUR 12.5 million, which represents a growth of 12% over the same period of the previous year, which is justified by the increase in investment activity.

Construction Contracts

Construction Contracts represent IP's income from its construction activity of the National Road Network as defined in its Concession Contract. This includes all IP's construction activities by direct contracting or sub-concession.

Other Railway Services	IP GROUP		Δ% 19/18
	1st Half 2018	1st Half 2019	
IS-Use of Stations	1 213	1 231	2%
IS-Supply of Power	390	207	- 47%
IS-Water Supply	33	28	- 14%
IS-Information to the Public	157	0	- 100%
IS-Spaces in Stations	0	130	
Subtotal Service Facilities	1 793	1 597	- 11%
Traction Power	3 593	3 194	- 11%
Manoeuvres	75	78	3%
Rolling Stock Parking	971	862	- 11%
Other Services	0	0	0%
Subtotal Additional Services	39	38	-2%
Water/fuel supply rolling stock	4 678	4 172	- 11%
Other Support Services	22	18	- 17%
SAux-Other Telecommunications and Telematics Serv	129	2	- 98%
Subtotal Support Services	0	0	0%
SAux-Out Serv Telecomunicações e Telemática	0	33	
Subtotal Serviços Auxiliares	152	54	- 65%
Total	6 623	5 823	- 12%

unit: thousands of euros

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.

Construction Contracts	GRUPO IP		Δ% 19/18
	1.º S 2018	1.º S 2019	
Construction Contracts of New Infrastructures	13 631	9 302	-32%
Construction Contracts Sub-concessioned Network	818	0	-100%
Capitalisation Financial Charges	10 365	8 792	-15%
Total	24 813	18 094	-27%

unit: thousands of euros

In the first half of 2019, there was a 27% decrease

Other Services

The amount realised in the first half of 2019 was EUR 17.0 million, which represents a decrease of 1% (EUR 141,000) compared to the first half of 2018.

OTHER SERVICES	IP Group		Δ% 19/18
	1st Half 2018	1st Half 2019	
Real Estate and Commercial Real Estate Management	8 232	7 943	-4%
Telecommunications and Cloud solutions	4 051	4 472	10%
Technical road channel	2 157	1 441	-33%
Engineering and Transport Services	69	320	364%
Freight Terminals	1 178	1 281	9%
Licensing	434	364	-16%
Operating Rights Service Areas	675	623	-8%
Other Services	387	598	54%
Total	17 183	17 042	-1%

unit: thousands of euros

Real Estate and Commercial Real Estate Management

This income derives from the leasing of Spaces, Sub-Concessions, Parking Rental, Project Management and Advertising. In the 1st half of 2019, a figure of EUR 7.9 million was recorded, which represents a decrease of 4% compared to the same period of the previous year.

in revenues from New Infrastructure Construction Contracts compared to the same period of 2018.

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. In the first half of 2019, the construction of the sub-concessioned network, as expected, did not progress, so there are no incomes to consider.

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%.

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 reached EUR 4.5 million in the first half of 2019, an increase of 10% over the same period of 2018.

Technical road channel

The Technical road channel's turnover was EUR 1.4 million in the first half of 2019, a decrease of 33% over the first half of 2018.

This decrease is due to the entry into force of the new ORIP tariff (which meant a reduction in prices to operators) and the fact that 2018 still reflects the deferrals of income from the billing issued in 2017.

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 was, in the first half of the year, only EUR 320,000, reflecting the IP Group's strategic orientation of almost fully allocating IP Engenharia's resources to the needs of the IP Network Intervention Plan, and in particular to its Ferrovia 2020 Investment Programme, i.e. to the provision of intra-group services.

However, we highlight the provision of Technical Assistance services to the Ministry of Transport and Communications of the Republic of Mozambique, which partly explains the positive variation in turnover compared to the same period of 2018.

Freight Terminals

The operation of Rail Freight Terminals translated into a revenue in the first half of 2019 of EUR 1.3 million, 9% up on that recorded in 2018.

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, a significant portion of the revenue from road licensing has been lost until the suspension of said ordinance is revoked.

Revenue in the first half of 2019 was EUR 364,000, which represents a decrease of 16% compared to 2018.

Service Areas

In the first half of 2019, revenue from Service Areas was EUR 623,000, 8% less than in the same period of 2018.

5.1.2 COMPENSATORY ALLOWANCES

INCOME	IP GROUP	GRUPO IP	Δ% 19/18
	1st Half 2018	1st Half 2019	
Compensatory Allowances	31 452	29 874	-5%

unit: thousands of euros.

The income corresponding to the compensatory allowances for the first half of 2019 was EUR 29.9 million, 5% lower than the same period of the previous year, which is in line with the provisions of the Programme Contract entered into between IP and the Portuguese State in March 2016 for the provision of the public rail service.

5.1.3 OTHER INCOME AND GAINS

The realised amount of Other Income and Gains was EUR 41.9 million in the first half of 2019, down 4% from the first half of 2018.

OTHER INCOME AND GAINS	IP Group	IP Group	Δ% 19/18
	1.º S 2018	1.º S 2019	
Investment Grants	33 125	31 589	-5%
Asset Sales	16	222	1328%
Sale of waste	1 345	613	-54%
Damage to Assets	1 232	1 338	9%
Other revenue	7 751	8 138	5%
Total	43 469	41 900	-4%

unit: thousands of euros

Investment Grants

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".

The corresponding amount up to the end of the 1st half of 2019 reached EUR 31.6 million, 5% less than the value registered in the same period of 2018.

Asset Sales

Income in the first half of 2019 from the sale of assets was EUR 222,000, EUR 206,000 more than in the first half of 2018.

Sale of waste

Revenues from the sale of waste in the first half of 2019 were EUR 613,000, which represents a 54% decrease compared to the same period of 2018. This negative variation is explained by the delay in the disposal process of 15,000 tons of ferrous was-

te, due to the administrative challenge to the respective procedure, which made this disposal impossible in the first half of 2019. It is expected that it will occur in the second half of 2019, thus recovering the existing discrepancy.

Damage to Assets

In the first half of 2019, the amount of compensation for damage to road assets amounted to EUR 1.3 million, up 9% over the same period of 2018.

5.2 OPERATING EXPENSES

In the first half of 2019, IP Group's operating expenses amounted to EUR 496.2 million, an increase of 6% over the same period of the previous year.

OPERATING EXPENSES	IP GROUP	IP GROUP	Δ% 19/18
	1ST HALF 2018	1ST HALF 2019	
Cost of goods sold and materials consumed	134 753	138 174	3%
Variation in production inventories	117		- 100%
External supplies and services	117 810	130 977	11%
Maintenance, repair and safety of road network	38 238	49 265	29%
Maintenance, repair and safety of railway network	26 740	27 687	4%
Other ESS	52 833	54 025	2%
Personnel expenses	68 032	67 704	0%
Impairment (losses / reversals)	- 957	- 52	- 95%
Depreciation and amortisation expenses / reversals	139 638	142 588	2%
Provisions (increases / reductions)	4 324	13 341	209%
Other costs and losses	3 629	3 433	- 5%
Total Operating Expenses	467 347	496 166	6%

unit: thousands of euros

5.2.1 COST OF GOODS SOLD AND MATERIALS CONSUMED (CGSMC)

In the period under review, overall spending on the CGSMC amounted to EUR 138.2 million, a 3% increase over 2018.

The year-on-year increase of EUR 3.4 million in 2018 is mainly due to the State Tolls Concessions hea-

COST OF GOODS SOLD AND MATERIALS CONSUMED	IP Group	IP Group	Δ% 19/18
	1st Half 2018	1st Half 2019	
Sub-concessioned Network	818	-	-100%
New road infrastructures	13 631	9 302	-32%
Tolls Concessions State	115 288	121 816	6%
Consumption of Materials for Railway Maintenance	2 966	3 587	21%
Consumption of Materials for Railway Investment	2 023	3 409	68%
Other CMV Goods	28	60	113%
Total	134 753	138 174	3%

unit: thousands of euros.

ding, due to the favourable evolution of net toll revenues, as mentioned above

Sub-concessioned Network

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.

New Road infrastructure

The amounts resulting from the construction of New Road Infrastructures refer to 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.

The execution in the 1st half of the year was 32% below the same period of the previous year, which reflects lower implementation of IP's construction and direct management activities, as mentioned above.

Tolls on State Concessions

The amounts received by IP relating to tolls on state concessions (net of collection costs) are deducted from IP's investment in the acquisition of rights over the same Concessioned network. The offsetting entry for this deduction is recorded under this heading, which increased by 6% compared to the same period of 2018, in line with the positive evolution of revenue from tolls.

Materials for Maintenance and Investment in Railway Infrastructure

This item records the consumption of various types of materials that are incorporated into the

maintenance and investment in the National Railway Network (RFN).

In the first half of 2019, there was an increase in the consumption of these materials, both for maintenance and investment, of 21% and 68% respectively.

5.2.2 External Supplies and Services

Road Maintenance, Repair and Safety

Total expenditure on road maintenance, repair and safety in the first half of 2019 was EUR 49.3 million, EUR 11.0 million more (29%) than in the same period of 2018.

MAINTENANCE, REPAIR AND SAFETY OF THE ROAD NETWORK	IP Group	IP Group	Δ% 19/18
	1st Half 2018	1st Half 2019	
Regular Road Maintenance	26 500	26 500	0%
Road Safety	5 467	1 692	-69%
Current Maintenance of Infrastructures	6 271	21 073	236%
Total	38 238	49 265	29%

unit: thousands of euros

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 struc-

tures.

The new Road Safety activities are supported by the Road Safety Plan, which includes interventions regarding vertical and horizontal signs, traffic lights and the placement of new safety barriers, as well as treatment of the area adjacent to the road and quirks of the road, focusing in particular on the analysis of junctions and characteristics of urban crossings, places where there is a higher risk of accidents.

The Road Safety Plan aims to set priorities, which give due consideration to accident indicators (black spots, number of accidents with victims, fatalities, serious and minor injuries and severity indicator), the annual average daily traffic (AADT), pedestrian traffic for urban crossings and the type and function of the road.

This item recorded an expense of EUR 1.7 million in the first half of 2019, EUR 3.8 million (69%) less than in the first half of 2018. This decrease is due to the fact that, in the 1st half of 2018, the Road Marking and Vertical Signalling works started, which started in July and September 2017 respectively.

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 infrastructure and the quality of the service.

The current management model of the current conservation of the national road network under the direct administration of IP is essentially anchored in 18 Multiannual District Contracts, which intervene in the road and adjacent area with the objective of maintaining the conditions of comfort and safety, avoiding the degradation of infrastructure and operating conditions.

These contracts include works such as the repair and improvement of pavements, improvement of road drainage systems, maintenance of bridges and overpasses, the replacement and adequacy of signalling and other road safety and protection equipment, embankment stabilisation and clearing road shoulders and land adjacent to the road. In addition to this set of infrastructure maintenance activities, and having increasing importance, is the intervention on fuel management lanes to fulfil IP's forest-fire protection obligations.

The current maintenance by contract also extends to the high-capacity roads of the Greater Lisbon motorway network, including the provision of customer assistance using its own resources. The Greater Porto motorway network also has its current maintenance needs met through a Contract, in a totally outsourced model for Maintenance and Operation.

Investment in the period under review was EUR 21.1 million (+ 236% compared to the first half of 2018). This high performance is justified by the work still on the portfolio from 2018, including road surface maintenance, which, due to the delay in the beginning of the new multiannual current conservation contracts, assigned during the 2nd half of 2018, were not executed in 2018 as planned.

Railway Maintenance, Repair and Safety

In order to ensure the maintenance and rehabilitation of the National Railway Network (RFN), fulfilling the expected service levels, 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

The increase in expenses observed in the 1st half of 2019 in the Track is due to the need to perform

In the first half of 2019, the total costs of railway maintenance, repair and safety were EUR 27.7 million, i.e. 4% more than in 2018, as can be seen in the table below, broken down by specialised field:

MAINTENANCE, REPAIR AND SAFETY OF THE RAILWAY NETWORK	IP Group	IP Group	Δ% 19/18
	1st Half 2018	1st Half 2019	
Track	9 858	11 955	21%
Signalling	7 425	6 638	- 11%
Telecommunications	1 801	1 553	- 14%
Catenary	2 301	2 644	15%
Low Voltage	974	860	- 12%
Substations	404	327	- 19%
Civil Construction	2 173	1 745	- 20%
Level Crossings	279	278	0%
Material Recovery	133	178	34%
Assistance Train	551	450	-18%
Lifts and Escalators	349	288	- 17%
Railway Services	123	454	270%
Others	370	317	- 14%
Total	26 740	27 687	4%

unit: thousands of euros ros.

essential track maintenance works, already being carried out under the new multiannual contract, which began on 1 May 2019. In contrast, in the first half of 2018, it was only possible to implement short-term Maintenance and Upkeep actions.

In addition to that stated, is the fact that the contract for the provision of vegetation control services up to 5 metres, planned from March to December 2018, only began to be implemented from May 2018.

The Catenary speciality, for the same reasons mentioned for the track speciality, also increased by EUR 343,000 compared to 2018 as it was included in the same contract.

The decrease of expenses in the Signalling field (EUR -787,000) is due to the hiring, in 2018, of two autonomous processes for the acquisition and repair of equipment for SSI and Westlock technologies, respectively for acquisition and repair.

The decrease of EUR 428,000 in the Civil Construction field is due to the hiring, in 2018, of several autonomous processes for the deforestation and control of vegetation in buildings' surroundings. In 2019, deforestation and vegetation control near the buildings is included in the global contract,

classified in the track speciality.

Other External Supplies and Services

Other External Supplies and Services totalled EUR 54.0 million in the first half of 2019, an increase of 2% over the same period of the previous year.

OTHER EXTERNAL SUPPLIES AND SERVICES	IP Group	IP Group	Δ% 19/18
	1st Half 2018	1st Half 2019	
O&M Sub-concessions EP	14 434	15 312	6%
Toll Collection Charges	8 667	9 819	13%
RSC Collection Charges	6 671	6 633	- 1%
Electric Power	5 041	4 645	-8%
Electrical power for traction;	3 413	2 995	-12%
Fees, Consulting and Other Specialised Work	1 246	1 360	9%
Car fleet	3 348	2 581	- 23%
Surveillance	2 676	4 025	50%
IT	1 129	1 121	-1%
Cleaning	1 552	1 411	- 9%
Travel and Accommodation	146	208	43%
Transport of Personnel	442	279	- 37%
Communications	150	116	- 23%
Other ESS	3 919	3 521	- 10%
Total	52 833	54 025	2%

unit: thousands of euros

Operating costs and maintenance of 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 (6%) of this expenditure in the period under analysis, compared to the same period of 2018, reflects the evolution of O&M expenditure foreseen in the financial models of the sub-concession contracts, in line with projections for the period.

Toll Collection Charges

This item incorporates the payment of variable remuneration (fee) and the monthly account reconciliation (compensation of costs) of the tolled road network. In the first half of 2019, there was an increase of 13% over the same period of 2018.

This increase is due to the positive evolution of demand for the toll network, influenced by the new discounts regime for freight vehicles.

Charges for Collecting the Road Service Contribution (RSC)

The RSC collection charges correspond to the value of 2% of the RSC retained by the Tax Authority, in exchange 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 in RSC income.

Electricity

This item covers the value of electricity and traction electricity of rolling stock to be supplied to railway operators. Energy consumption in the period under review amounted to EUR 7.6 million, a decrease of 10% over the same period of the previous year.

This deviation is justified by the change in the energy supplier (service facilities and infrastructure), which occurred in early 2019, resulting in a significant volume of credit notes (in favour of IP) and billing adjustment still related to the previous agreement.

In addition, e-invoicing is being implemented, which has caused some constraints on SLV invoicing. Expenditure at the end of 2019 is expected to be in line with 2018.

As far as traction power is concerned, the justifica-

tion for the deviation is that one month from 2017 was included in 2018. The figures for the first half of 2019, from a consumption analysis perspective, are in line with the figures for the same period of 2018.

Car fleet

Car fleet expenses, in general terms, decreased by EUR 767,000 (-23%) compared to the same period of 2018.

This deviation is mainly justified by the accounting of invoices for vehicle rents under the AOV regime, a situation that will be corrected in the second half of 2019.

In addition, there is a decrease in fuel consumption compared to the same period of 2018, as well as a reduction in toll expenses compared to the same period of 2018.

Surveillance and Security

The item of surveillance and security mainly includes the human surveillance contract for IP, in the components of buildings of administrative services and operational centres, but also other expenses such as maintenance of access control, maintenance of fire extinguishers and reels, as well as occasional surveillance services, among others.

Expenditure on surveillance and security in the first half of 2019 was EUR 4.0 million, a 50% increase from the same period of 2018.

This increase is mainly due to the new human surveillance contract, with contract prices significantly higher than the previous one. It should be noted that the tender initially launched by IP attracted no bids and a new tender had to be launched based on current market prices.

Fees, Consultancies and Other Specialised Work

During the first half of the year, this heading amounted to EUR 1.4 million, which is EUR 114,000 more (9%) than the amount spent in 2018.

IT

In the first half of 2019, EUR 1.1 million was spent on computer services, EUR 8,000 less than in the same period of 2018.

Cleaning

The hygiene and cleaning services heading, in the 1st half of 2019, recorded a decrease of 9% compared to the same period of 2018.

Travel and Accommodation

This item covers national accommodation, international travel, including herein airfares and accommodation abroad. 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 the expenses incurred.

In the first half of 2019, there was an investment of EUR 208,000, which represents an increase of EUR 62,000 compared to the same period of 2018. This increase is justified by the development of the international market approach strategy, notably the ongoing work on "Technical Assistance to Improve Strategic and Transport Planning of the Ministry of Transport and Communications of the Republic of Mozambique", which is being developed by IP Engenharia and China Tiesiju Civil Engineering for the Ministry of Transport and Communications of Mozambique (MTC), under the Technical Coordination of IPE.

Communications

Communication expenses during the first half of 2019 were EUR 116,000, 23% less than the figure for the same period of 2018.

This reduction in expenses is also a result of the new contract for the provision of mobile communications. This contract entered into force in the first half of 2018 and it, therefore, also has an impact on the comparison of 2019 with the same period of 2018.

5.2.3 Personnel Expenses

IP Group's personnel expenses in the first half of 2019 amounted to EUR 67.7 million, a decrease of EUR 328,000 (0.5%) compared to the same period of 2018.

PERSONNEL EXPENSES	IP Group 1st Half 2018	IP Group 1st Half 2019	Change 19/18	Δ% 19/18
Staff remuneration	52 383	53 057	673	1%
Wage Expenses	11 721	11 874	153	1%
Indemnities	358	173	-184	-52%
Others	3 570	2 600	-970	-27%
Total	68 032	67 704	-328	-0.5%

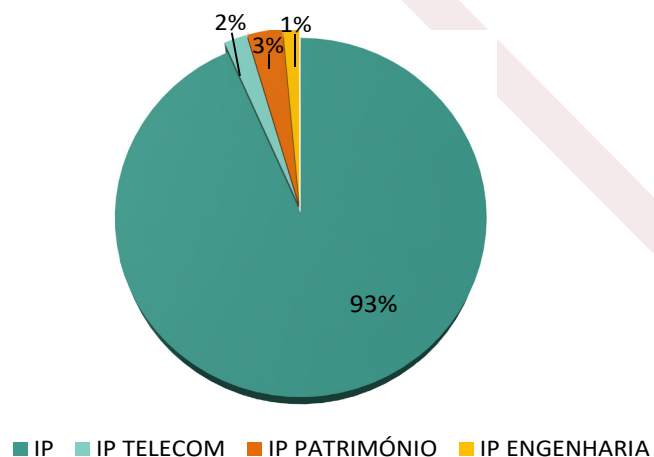
unit: thousands of euros.

The decrease in expenses compared to 2018 is mainly due to the Transportation Concessions, Health Insurance and Uniforms items.

The IP Group's staff decreased from 3,644 employees at 31 December 2018 to 3,603 employees at 30 June 2019.

Although there was also a decrease in the average workforce from 3,678 employees in the first half of 2018 to 3,628 employees in the first half of 2019, there was an increase in remuneration and payroll charges (+1%) due to the salary updates that result from the Collective Labour Regulation Instrument.

The IP Group's staff structure by Group companies is shown in the chart below:



5.2.4 Impairments (Losses / Reversals)

In the first half of 2019, impairment movements were EUR 52,000 overall, EUR 905,000 less than in the same period of the previous year.

5.2.5 Provisions (Increases/Reductions)

Total provision expenses in the period under review amounted to EUR 13.3 million, an increase of EUR 9.0 million over the same period of the previous year.

This increase is mainly explained by the EUR 9.5 million increase in the first half of 2019 of the provision for the VAT process, which is associated with the increase in road network maintenance.

5.2.6 Other Expenses and Losses

Other Expenses and Losses totalled EUR 3.4 million in the first half of 2019, a decrease of EUR 196,000 compared to the same period of 2018.

5.2.7 Depreciation and Amortisation Expenses/Reversals

Depreciation and amortisation expenses totalled EUR 142.6 million in the first half of 2019, an increase of EUR 3.0 million over the same period of the previous year (EUR 139.6 million).

This change is essentially due to the restatement of the total investment projections, already made or to be made in the future, under the concession between IP and the State, amortised according to the best estimate of revenues to be generated during the concession period.

5.3 ASSET STRUCTURE

Total assets amounted to EUR 26,811 million at the end of the first half of 2019, mainly made up of the intangible assets related to the road infrastructure network and the Grantor Account receivable related to the value of the Long-Duration Infrastructure Investment Activity (LDI) on the railway.

Total equity at 30 June 2019 amounted to EUR 7,217 million (27% of Assets) and total liabilities amounted to EUR 19,594 million (73% of Assets).

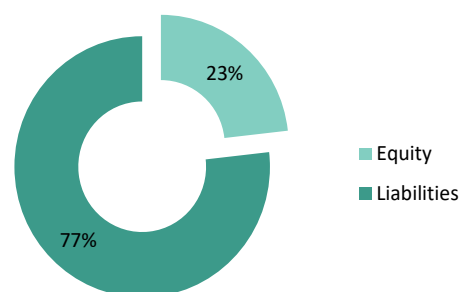
Assets increased by EUR 435 million (2%) in the first half of 2019. Non-Current Assets included the increase of EUR 131 million in intangible assets (mainly related to the right resulting from the Road Concession Contract). In Current Assets, we

highlight the increase of EUR 103 million in the State and Other Public Entities item corresponding to the balance receivable for VAT.

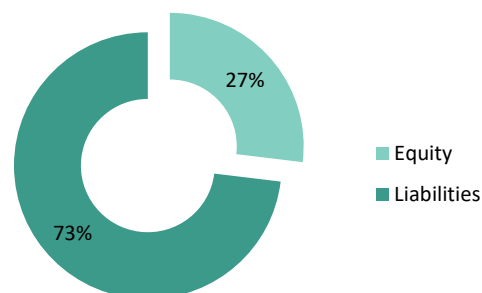
Liabilities at 30 June 2019 recorded a decrease of EUR 661 million compared to 31 December 2018, of which EUR 532 million refer to borrowings (current and non-current).

In the first half of 2019, capital increases amounting to EUR 1,061 million were undertaken, taking the total capital to EUR 6,872.5 million.

Asset Structure- 30.06.2018



Asset Structure- 30.06.2019



6. FINANCIAL MANAGEMENT AND DEBT

6.1 FINANCIAL MANAGEMENT

IP Group

In 2019, 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 322.9 million:

Cash	
IP	305,9
IPE	2,3
IPP	9,6
IPT	5,1
Total	322,9

unit: EUR million

IP

IP's financial management activity has taken into account, since 2012, 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 2019 (SB 2019), approved by Law 71/2018 of 31 December, included IP's global financing needs in the amount of EUR 1,556 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 2019 State Budget as the limits.

In view of the proposed IP Budget for 2019 (submitted to DGO in August 2018), there was a reduction of around EUR 253.6 million on the expenditure side, with a significant impact on the company's core activity. On the revenue side, this component was overstated by EUR 268.2 million and in practice required an additional indirect adjustment to the expenditure budget of around EUR 268.2 million with an impact on the implementation levels of the investment programme and the service levels and safety of the infrastructure that the company manages.

The total amount of bound appropriations applied to IP is EUR 54 million and was concentrated in the Activity Budget. The Project Budget was excluded, although with restrictions on the use of project appropriations, subject to authorisation by the Government.

The application of bound appropriations (EUR 53 million) to certain expenditure items in accordance with the provisions of article 4 of the 2019 State Budget Law and additional bound appropriations (EUR 1 million) as set forth in article 5 of Decree-Law 33/2018 of 28 March restricted IP's business activity.

In order to mitigate the circumstances described above, IP requested authorisation for the anticipation of available funds (level of new commitments that the company may assume within the three-month horizon) of EUR 477 million in February to be able to meet the payments of Public Private Partnerships and for which it obtained partial authorisation of 193 million on 16 May. Notwithstanding the difficulty of committing the total annual PPP expenditure, through Order 703/2019 of the Secretary of State for the Budget, IP was able to fulfil its payment responsibilities until June.

IP manages 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	1 592,4
Capital increase	1 061,0
Road Service Contribution *	244,8
Tolls *	175,7
Compensatory Allowances	30,6
Community Funds	16,7
Dividends (Subsidiaries)	3,4
Others	60,2
* Collection costs deducted	
EXPENSE	1 581,2
PPP Investment Payments	781,5
Other Investment Payments **	47,1
Financial Charges	40,8
Loan Amortisations	537,4
Others	174,4
** Ferrovia 2020, PETI3+ Road and Proximity Plans (road and railway)	

millions of euros

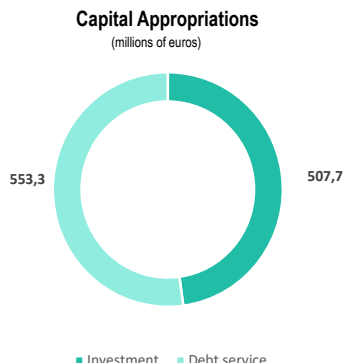
6.2 CAPITAL INCREASE OPERATIONS

The share capital increase operations carried out by IP, by the end of June 2019, totalled EUR 1,061 million. At the end of the first half of the year, the company's share capital amounted to EUR 6,872,510,000:

	DATE	IP
Share Capital (DL91/2015)	2015 JUN 01	2 555 835 000
Increases:	2015	539 540 000
	2016	950 000 000
	2017	880 000 000
	2018	886 135 000
	2019 FEV	945 000 000
	2019 MAIO	116 000 000

Euros.

These transactions aimed to cover the following financing needs. For this review, debt service excludes loans from the Portuguese State:



6.3 FINANCIAL DEBT STRUCTURE

Since late 2017, responsibility for financial debt stock has been concentrated at IP. Despite this, the reference to the IP Group's financial debt will remain in this chapter.

Through letter no. 2785 of 5 July 2019, a new deferral of the debt service payment of loans granted by the Directorate General for Treasury and Finance (DGTF) was granted from 31 May 2019 to 30 November 2019. This deferral is not subject to interest payments. As regards the component for financing the road business, the amount due in November totals EUR 2,213.5 million (EUR

2,098.5 million in amortisation and EUR 115 million in interest). The value of the railway component, due in November, amounted to EUR 150.3 million (EUR 144.8 million in amortisation and EUR 5.5 million in interest).

As in the previous year, the State Budget Law 2019 through article 135, approved by Law 71/2018 of 31 December, maintains the legal framework for settling credits against debts to state-owned companies resulting from investments in long-duration infrastructure. Thus, as in 2018, the formalisation is expected in November of the debt service compensation for State loans originating in the railways by reducing the amount to which IP is entitled as counterparty for investments in LDI.

The Group's financial debt at the end of 2019 stood at EUR 5,208 million, which represents a decrease of EUR 537 million compared to the EUR 5,745 million in December 2018, as shown in the following chart:

The abovementioned debt reduction is broken down as follows:

- EUR 500 million amortisation of Eurobond 09/19;
- EUR 37 million EIB loan repayments.

The following table details the amount of debt by loan type:

The weight of the Group's financial debt which is guaranteed by the Portuguese State is 40% of the total debt. This includes all EIB loans and two bond issues totalling EUR 1.1 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 flat rate.

EIB loans have a repayment plan with equal or different but successive principal instalments, permitting the smoothing 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 bond loans will take place in 2021, 2024, 2026 and 2030, implying refinancing in those years.

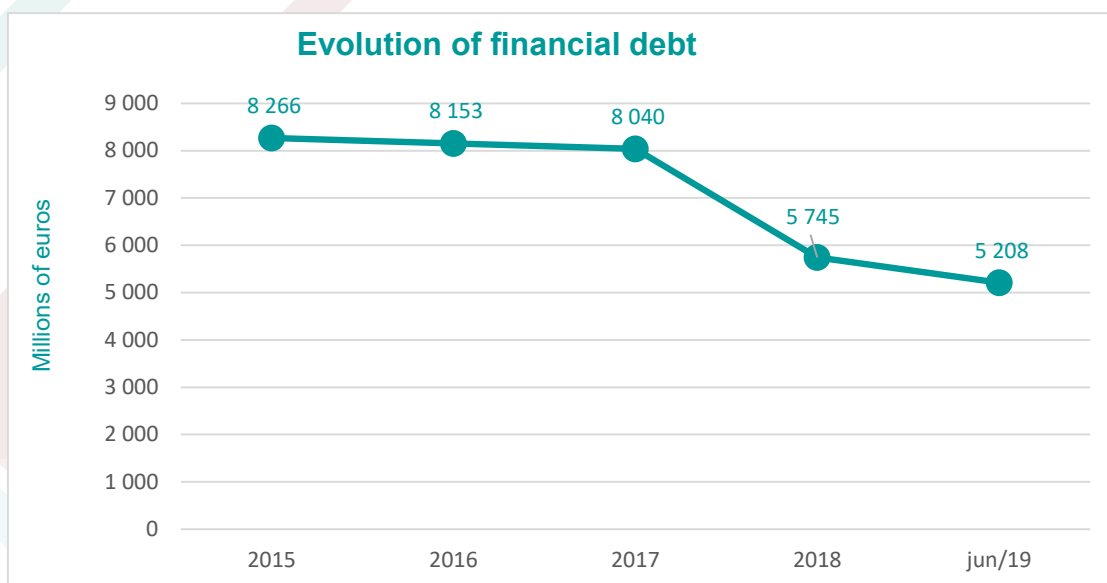
As can be seen from the following chart, the ex-

pected repayments for the second half of 2019 are much higher than the following years, reflecting the expected repayment in November of the debt service of State loans:

On 30 June 2019, 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.

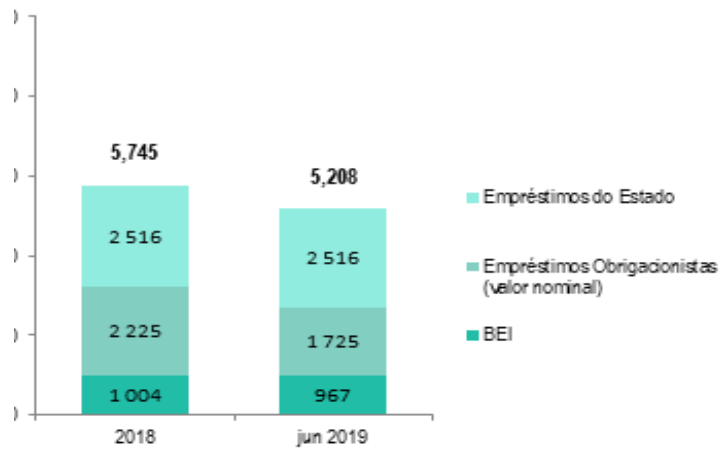
Finally, in August and following the improvement of the Portuguese Republic's rating outlook, the international rating agency Moody's Investors Service also changed the rating outlook of IP from Stable to Positive, maintaining the credit rating at Ba1 as a result of the following factors:

- The critical role that IP plays in the management of the railway and road networks of Portugal;
- Shareholder structure, 100% owned by the Portuguese State;
- 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.



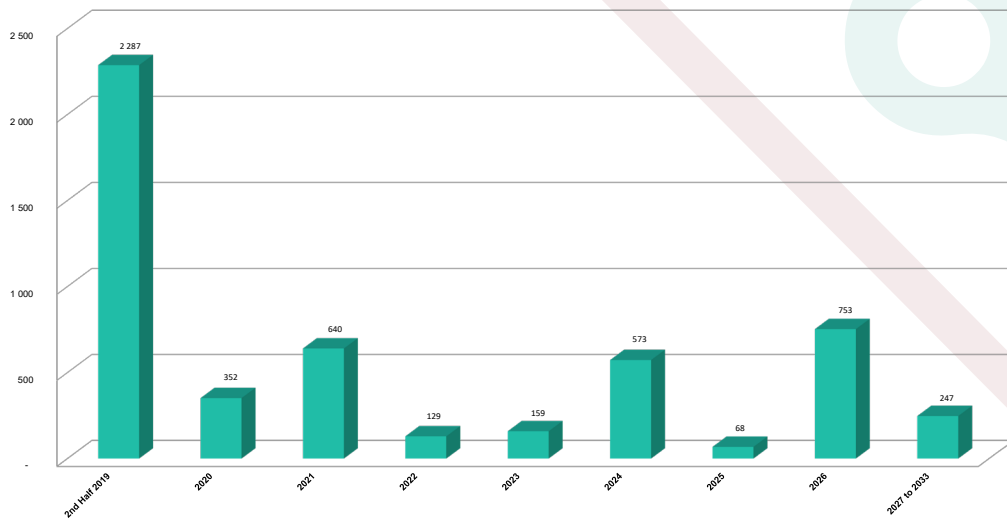
Types of Loan

(millions of euros)



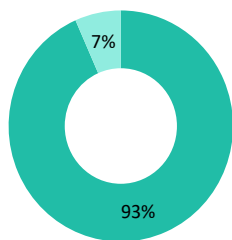
Amortisations

(millions of euros)

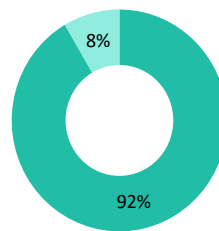


The Group's debt portfolio is distributed as follows in terms of interest rates:

2018



June 2019



■ Fixed Rate
■ Variable Rate

6.4 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 debit of interest to the Grantor (in the railway business case), and 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 IP Group's financial performance at 30 June 2019:

Financial result	June 2019		
	Real 2018	Real 2019	Change 2019/2018
Financial Result of the Investment Activity	-46,9	-34,9	12,0
Financial gains	0,0	0,0	0,0
Financial losses	-46,9	-34,9	12,0
Financial Result of the Infrastructure Management Activity	-15,6	-14,0	1,5
Financial gains	0,0	0,0	0,0
Financial losses	-15,6	-14,0	1,5
High Performance Financial Result	-97,9	-86,5	11,4
Financial gains	0,0	0,0	0,0
Financial losses - Sub-concessions	-88,1	-78,2	9,9
Financial losses - State concessions	-9,8	-8,3	1,5
Financial Result Road Network Management	-2,2	-0,9	1,3
Financial gains	0,0	0,0	0,0
Financial losses	-2,2	-0,9	1,3
Global Financial Result	-162,5	-136,4	26,1
Amount allocated - Grantor State	46,9	34,9	-12,0
Financial Income (Statement of Comprehensive Income)	-115,6	-101,4	14,2

millions of euros

The IP Group's overall financial result, at 30 June 2019, before allocation to the grantor, was EUR -136.4 million, reflecting a reduction of EUR 26.1 million over the previous year.

These developments include the decrease in financial charges allocated to the Rail Infrastructure Investment segment and underlying the sub-concession debt in the High Performance segment.

The decrease in financial losses on the Investment activity of EUR 12 million results from the decrease in the amount of charges attributed to the Grantor arising from the refinancing of the debt service of loans allocated to this activity through capital. The decrease of the financial charges underlying the sub-concessions, amounting to EUR 9.9 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 remunerations using cash available.

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 the ex-EP, then this aggregate would total -EUR 58.2 million as opposed to the - EUR 74.4 million in June 2018, reflecting a recovery of EUR 16.3 million. The main explanatory factors for are as follows:

- Reduction in debt stock (repayment of Eurobond 09/19 loan and EIB loans);
- Moratoria on debt servicing of loans from the State which have exempted interest on their deferrals.

7. SUBSEQUENT EVENTS

By Unanimous Corporate Decision in Writing, dated 7 August 2019, the share capital of IP was increased by EUR 101.655 million through the issue of 20,331 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.

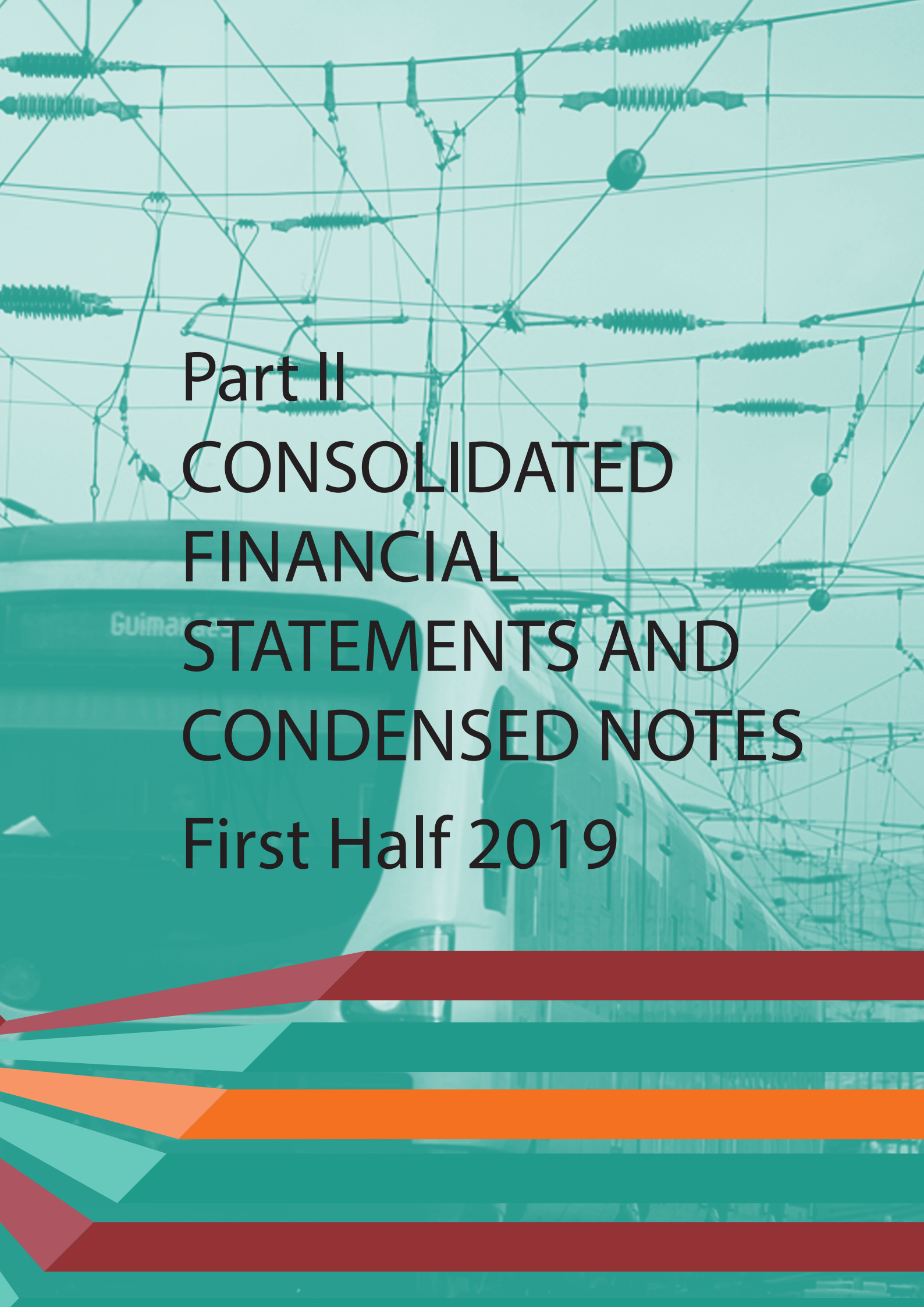
Through letter no. 2785 of 5 July 2019, a new deferral of the debt service payment of loans granted by the Directorate General for Treasury and Finance (DGTF), in the road and railway component, was granted from 31 May 2019 to 30 November 2019, without additional costs. As regards the road component, the amount due in November totals EUR 2,213.5 million (EUR 2,098.5 million in amortisation and EUR 115 million in interest). The value corresponding to the railway component, due in November, amounts to EUR 150.3 million (EUR 144.8 million in amortisation and EUR 5.5 million in interest).

In the 3rd quarter of 2019, the Court of Auditors ruled on the new submission by IP, for the purposes of Prior Inspection, of the Altered Sub-concession Contracts (CSA) of Baixo Alentejo, Pinhal Interior and Transmontana Motorway. In the case of the Baixo Alentejo CSA, it informed that "it decided to judge

the dilatory exception of the case as confirmed, not being aware of the merit of the claim to approve the act(s) related to the case(s)..." and with respect to the CSAs of The Transmontana Motorway and Pinhal Interior "it decided to return the act(s)/contract(s) related to the cases(s) identified above" as "not being subject to prior inspection".

In view of the above, in the 3rd quarter of 2019, with the exception of Pinhal Interior SC, whose payment on August 2019 was still partial, payments were resumed in accordance with the respective CSA, as well as the settlement of the partial payments made by the end of the first half of 2019.



The background of the cover features a high-speed train in motion, with overhead power lines and insulators visible. The train is white with a blue stripe and the word "Guimarães" is partially visible on its side. The entire image is overlaid with a semi-transparent teal color. At the bottom, there are several overlapping geometric shapes in shades of red, orange, and teal.

Part II
CONSOLIDATED
FINANCIAL
STATEMENTS AND
CONDENSED NOTES
First Half 2019

TABLE OF CONTENTS

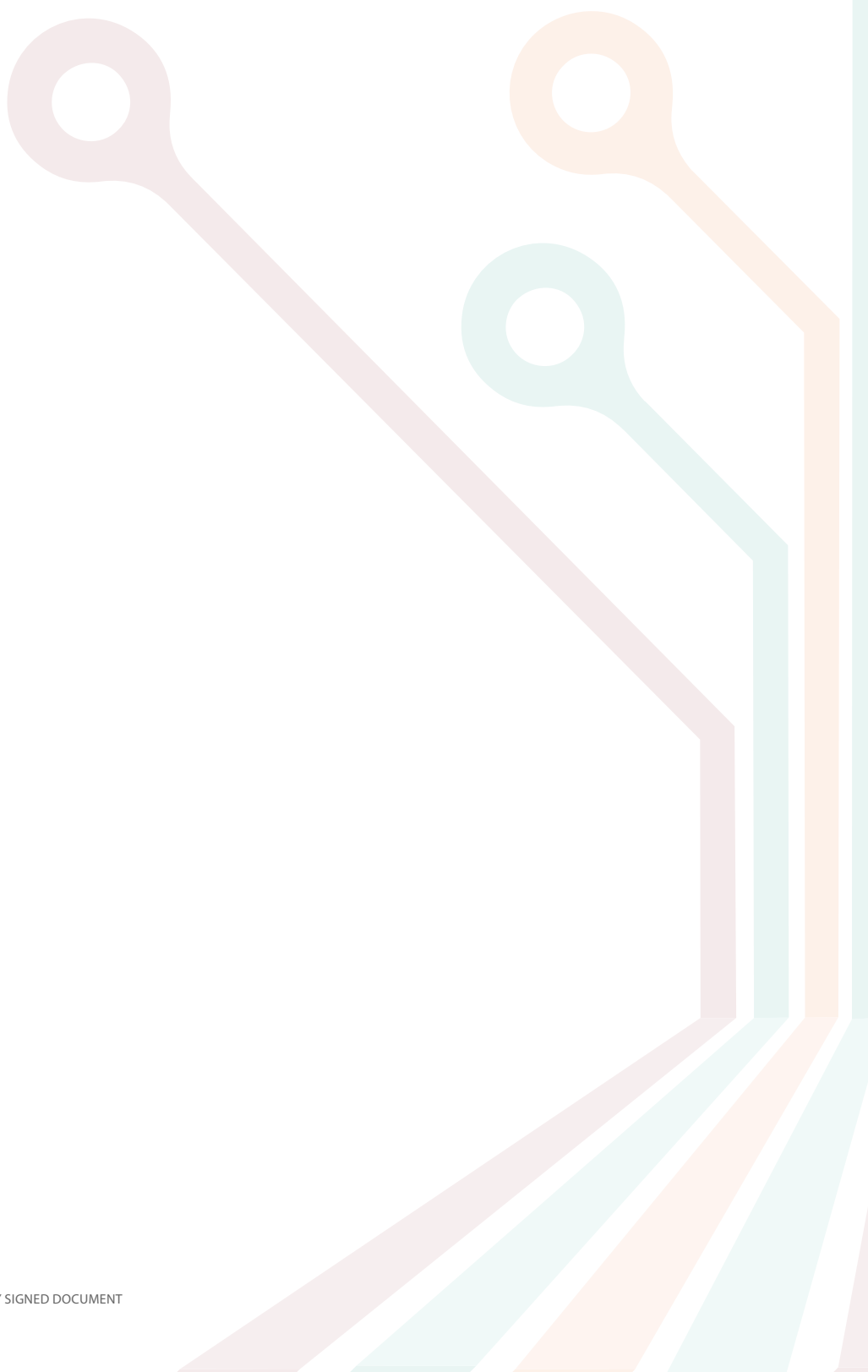
PART II – CONSOLIDATED FINANCIAL STATEMENTS AND CONDENSED NOTES

CONSOLIDATED FINANCIAL STATEMENTS AND CONDENSED NOTES	80
STATEMENT OF COMPLIANCE	81
CONSOLIDATED CONDENSED FINANCIAL STATEMENTS	83
NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2019	89
1. INTRODUCTORY NOTE	90
1.1 PARENT COMPANY ACTIVITY	90
1.2 ACTIVITIES OF THE IP GROUP COMPANIES	90
1.3 OTHER EQUITY HOLDINGS	91
2. BASES OF PRESENTATION AND ACCOUNTING POLICIES	92
2.1 BASES OF PRESENTATION	92
2.2 CONSOLIDATION BASIS AND ACCOUNTING POLICIES	92
2.3 COMPARABILITY	93
2.4 MAIN ESTIMATES USED IN THE FINANCIAL STATEMENTS	95
3. FINANCIAL RISK MANAGEMENT POLICIES	97
4. COMPANIES INCLUDED IN THE CONSOLIDATION	100
5. SEGMENT REPORTING	101
6. TANGIBLE FIXED ASSETS	104
7. INTANGIBLE ASSETS	106
8. DEFERRED TAX ASSETS AND LIABILITIES	108
9. DEFERRALS	111
9.1 INVESTMENT GRANTS - ROAD CONCESSION RIGHT	112
10. TRADE RECEIVABLES (CLIENTS) AND OTHER ACCOUNTS RECEIVABLE	113
10.1 TRADE RECEIVABLES (CLIENTS)	113
10.2 OTHER ACCOUNTS RECEIVABLE	113
11. GRANTOR - STATE - ACCOUNT RECEIVABLE	114
12. GOVERNMENT AND OTHER PUBLIC BODIES	115
13. NON-CURRENT ASSETS HELD FOR SALE	117
14. CASH AND CASH EQUIVALENTS	117
15. SHARE CAPITAL AND RESERVES	118
16. PROVISIONS	119
17. BORROWINGS	120
17.1 BORROWINGS	120
17.2 SHAREHOLDER FUNDING / SHAREHOLDER LOANS	122

18. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITY	126
19. TRADE PAYABLES (SUPPLIERS) AND OTHER ACCOUNTS PAYABLE	127
19.1 TRADE PAYABLES (SUPPLIERS)	127
19.2 OTHER ACCOUNTS PAYABLE	127
20. SALES AND SERVICES	128
21. COMPENSATORY ALLOWANCES	129
22. COST OF GOODS SOLD AND MATERIALS CONSUMED	130
23. EXTERNAL SUPPLIES AND SERVICES	131
24. PERSONNEL EXPENSES	132
25. OTHER INCOME AND GAINS	133
26. FINANCIAL LOSSES AND GAINS	134
27. INCOME TAX	135
28. DISCLOSURES ABOUT RELATED PARTIES	137
28.1 SUMMARY OF RELATED PARTIES	137
28.2 SIGNIFICANT BALANCES AND TRANSACTIONS WITH PUBLIC BODIES	138
28.3 BALANCES AND TRANSACTIONS WITH RAILWAY OPERATORS	140
28.4 JOINT VENTURES	140
28.5 REMUNERATION OF CORPORATE OFFICERS	141
29. RECENTLY ISSUED ACCOUNTING STANDARDS AND INTERPRETATIONS	143
30. GUARANTEES AND SURETIES	145
31. CONTINGENCIES	146
32. COMMITMENTS	147
33. INFORMATION REQUIRED BY LAW	148
34. OTHER RELEVANT EVENTS	148
35. SUBSEQUENT EVENTS	151

CONSOLIDATED FINANCIAL STATEMENTS AND CONDENSED NOTES

(amount in thousand euros - EUR thousand)

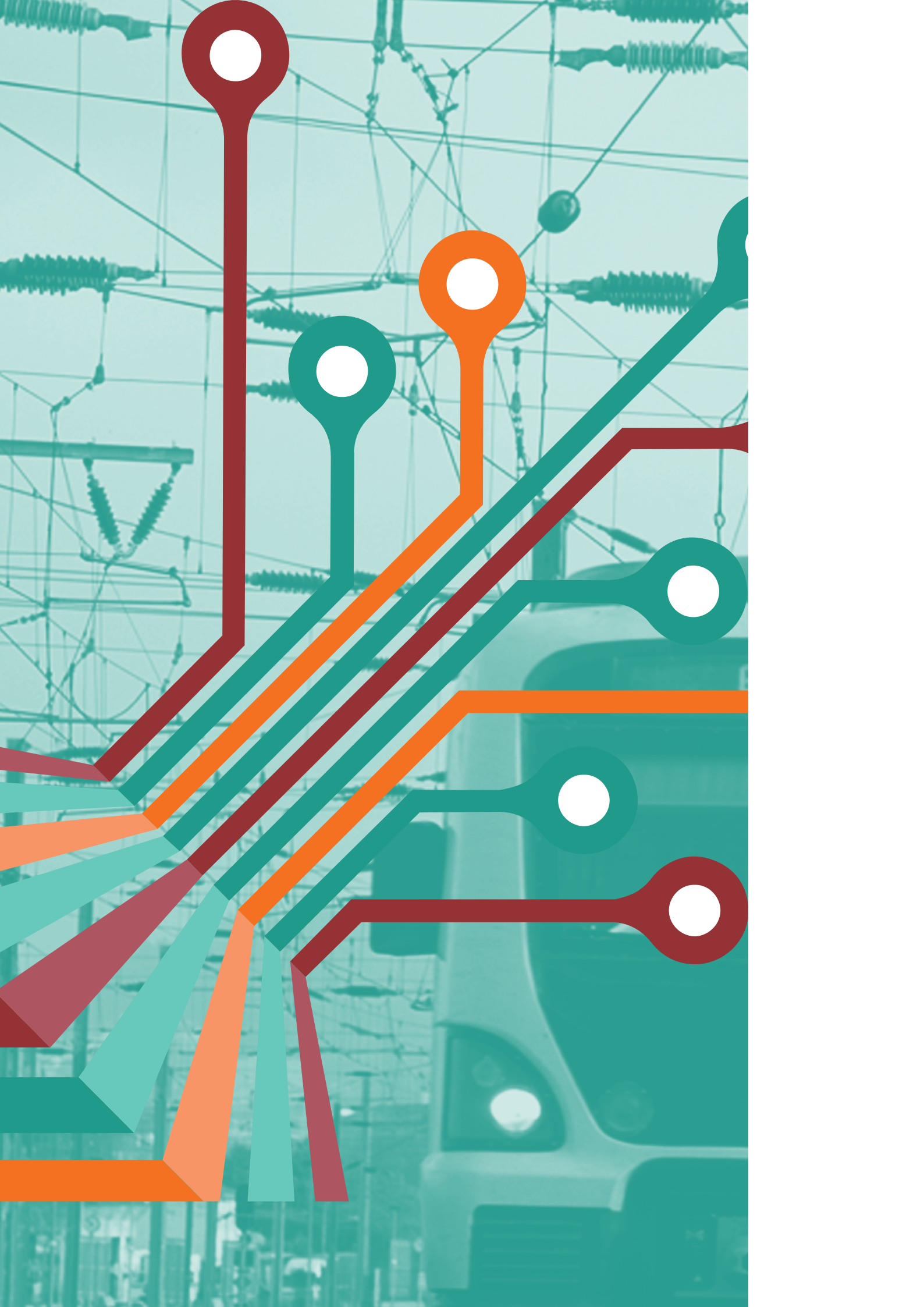


STATEMENT OF COMPLIANCE

Pursuant to and for the purposes of Article 246 (1) (c) of the Portuguese Securities Code, each member of the Executive Board of Directors of Infraestruturas de Portugal, SA has signed the following statement:

"I hereby declare, pursuant to and for the purposes set forth in Article 246 (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 consolidated half-year financial statements have been prepared in accordance 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 or loss of Infraestruturas de Portugal, S.A and the companies included in the consolidation perimeter, and that the management report for the 1st half of 2019 faithfully details the important events that occurred in that period and the impact on the respective financial statements, which also describe the main risks and uncertainties."



CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019 AND 31 DECEMBER 2018

	NOTES	30-06-2019	31-12-2018
Assets			
Non-current			
Goodwill		21,687	21,687
Tangible fixed assets	6	58,586	60,146
Intangible assets	7	20,460,696	20,329,465
Investment properties		3,391	3,430
Deferred tax assets	8	278,604	262,887
Financial investments		32	32
Deferrals	9	104	173
		20 823 100	20 677 820
Current			
Inventories		71,302	65,855
Trade receivables (Clients)	10.1	82,943	73,015
Grantor - State - Account receivable	11	3,840,956	3,767,157
Current tax assets	12	5,247	0
Government and other public bodies	12	1,390,029	1,286,984
Other accounts receivable	10.2	233,087	141,424
Deferrals	9	1,228	1,512
Non-current assets held for sale	13	40,539	40,539
Cash and cash equivalents	14	322,890	321,923
		5 988 221	5 698 409
Total assets		26 811 321	26 376 229
To be read jointly with the notes to the Consolidated Condensed Financial Statements.			

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019
AND 31 DECEMBER 2018 (CONTINUED)

	NOTES	30-06-2019	31-12-2018
Equity			
Capital and reserves attributable to equity holders			
Paid-up capital	15	6,872,510	5,811,510
Reserves	15	39,194	33,730
Cumulative results		270,372	190,130
		7 182 076	6 035 369
Net profit or loss for period		34 953	85 707
Total equity		7 217 030	6 121 076
Liabilities			
Non-current			
Provisions	16	904,771	890,872
Borrowings	17.1	2,604,321	2,641,345
Shareholder funding/Shareholder loans	17.2	141,597	272,528
Other accounts payable	19.2	1,742,840	2,083,284
Deferrals	9	10,347,126	10,383,091
Deferred tax liabilities	8	26	24
		15 740 682	16 271 143
Current			
Trade payables (Suppliers)	19.1	37,705	15,851
Cash advances of trade receivables (clients)		4,214	8,027
Government and other public bodies	12	11,135	8,723
Current tax liabilities	12	30,080	19,878
Borrowings	17.1	138,350	633,531
Shareholder funding/Shareholder loans	17.2	2,491,060	2,354,537
Other accounts payable	19.2	1,128,279	932,835
Deferrals	9	12,785	10,628
		3 853 610	3 984 010
Total Liabilities		19 594 292	20 255 153
Total equity and liabilities		26 811 321	26 376 229
To be read jointly with the notes to the Consolidated Condensed Financial Statements.			

CONSOLIDATED CONDENSED STATEMENT OF INCOME BY NATURE FROM 1 JANUARY 2019 TO 30 JUNE 2019 AND FROM 1 JANUARY 2018 TO 30 JUNE 2018

	NOTES	2019	2018
Sales and services	20	575 335	577 257
Compensatory Allowances	21	29 874	31 452
Cost of goods sold and materials consumed	22	- 138 174	- 134 753
Variation in production inventories		0	- 117
External supplies and services	23	- 130 977	- 117 810
Maintenance, repair and safety of road network	23	- 49 265	- 38 238
Maintenance, repair and safety of railway network	23	- 27 687	- 26 740
Other ESS	23	- 54 025	- 52 833
Personnel expenses	24	- 67 704	- 68 032
Impairment (losses)/reversals		52	957
Provisions (increases) / reductions	16	- 13 341	- 4 324
Other income and gains	25	41 900	43 469
Other costs and losses		- 3 433	- 3 629
Earnings before depreciation, financing expenses and taxes		293 531	324 470
Depreciation and amortisation (expenses) / reversals		- 142 588	- 139 638
Operating profit (before financing and tax expenses)		150 944	184 831
Interest and similar income	26	34,934	46 878
Interest and similar costs	26	- 136,382	- 162 505
Profit before tax		49 495	69 204
Income tax for the period	27	- 14 542	- 21 803
Consolidated net profit or loss of financial year		34 953	47 401
To be read jointly with the notes to the Consolidated Condensed Financial Statements			

CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME FROM 1 JANUARY 2019 TO 30 JUNE 2019 AND FROM 1 JANUARY 2018 TO 30 JUNE 2018

	2019	2018
Consolidated net profit or loss of financial year	34 953	47 401
Other comprehensive income in financial year		
Items not reclassifiable to profit or loss		
Restated IFRS 9 - Trade receivables (Net of tax impact)	-	- 324
Total consolidated comprehensive income for the period	34 953	47 077
To be read jointly with the notes to the Consolidated Condensed Financial Statements.		

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY FROM 1 JANUARY 2019 TO 30 JUNE 2019 AND 1 JANUARY 2018 TO 30 JUNE 2018

	SHARE CAPITAL	RESERVES	CUMULATIVE RESULTS	PROFIT FOR THE YEAR	TOTAL
Balance on 31 December 2018	5 811 510	33 730	190 130	85 707	6 121 076
Appropriation of income of prior years	-	5 464	80 243	- 85 707	0
Share capital increase	1 061 000	-	-	-	1 061 000
Comprehensive income	-	-	-	34 953	34 953
Balance on 30 June 2019	6 872 510	39 194	270 372	34 953	7 217 030
To be read jointly with the notes to the Consolidated Condensed Financial Statements					

	SHARE CAPITAL	RESERVES	CUMULATIVE RESULTS	PROFIT FOR THE YEAR	TOTAL
Balance on 31 December 2017	4 925 375	1 909	116 277	105 993	5 149 554
Balance on 1 January 2018	4 925 375	1 909	116 277	105 993	5 149 554
Restated IFRS 9	-	-	- 324	-	- 324
Balance on 1 January 2018 (Restated)	4 925 375	1 909	115 953	105 993	5 149 230
Appropriation of income of prior years	-	31 816	74 177	- 105 993	0
Share capital increase	740 000	-	-	-	740 000
Comprehensive income	-	-	-	47 401	47 401
Balance on 30 June 2018	5 665 375	33 725	190 130	47 401	5 936 631
To be read jointly with the notes to the Consolidated Condensed Financial Statements					

**CONSOLIDATED CONDENSED CASH FLOW STATEMENT FROM 1 JANUARY 2019 TO 30 JUNE 2019
AND FROM 1 JANUARY 2018 TO 30 JUNE 2018**

	NOTES	2019	2018
Operating Activities			
Cash receipts from clients		493 770	510 396
Cash paid to suppliers		- 442 573	- 424 596
Cash paid to personnel		- 62 324	- 61 514
Flow generated by operations		- 11 128	24 286
Corporation Tax (Payment)/receipt		- 24 157	- 71 991
Other receipts/(payments) related to operating activity		31 524	42 798
Net cash from operating activities (1)		- 3 761	- 4 908
Investing Activities			
Cash receipts relating to:			
Investment grants		16 657	9 647
Tangible assets		404	1 071
Interest and similar income		9	-
		17 069	10 718
Cash payments relating to:			
Investment subsidies		-	- 82
Tangible assets		- 39 864	- 29 053
Intangible assets		- 448 085	- 538 941
		- 487 948	- 568 077
Net cash from investing activities (2)		- 470 879	- 557 359
Financing Activities			
Cash receipts relating to:			
Share capital contribution	15	1 061 000	740 000
		1 061 000	740 000
Cash payments relating to:			
Borrowings	18	- 537 395	- 37 395
Leasing	2.3 / 18	- 151	-
Interest and similar costs	2.3 / 18	- 40 839	- 42 348
		- 578 385	- 79 743
Net cash from financing activities (3)		482 615	660 257
Change in cash and cash equivalents (4)=(1)-(2)+(3)		7 975	97 991
Cash and cash equivalents at end of period	14	322 822	448 181
Cash and cash equivalents at the beginning of the period	14	314 846	350 191
Change in cash and cash equivalents		7 975	97 991
To be read jointly with the notes to the Consolidated Condensed Financial Statements			

Almada, 26 September 2019

The Executive Board of Directors

Chairman, ANTÓNIO CARLOS LARANJO DA SILVA

Financial 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

NOTES TO THE CONSOLIDATED CONDENSED FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2019

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 operates in the area of management and appreciation of the Group's real estate and public road and railway assets of the Group and IP Engenharia, S.A. (IP Engenharia), whose activity is the provision of engineering and transportation services.

IP Group also holds stakes in two joint operations, AVEP – Alta Velocidade de Espanha and Portugal A.E.I.E. (AVEP), in a joint partnership with ADIF – Administrador de Infraestruturas Ferroviárias (Spanish entity), whose activity relates to the preparation of the necessary studies for the Madrid-Lisbon-Porto and Porto-Vigo links and in the Freight Rail Corridor no. 4 EEIG, (CFM4), in partnership with ADIF - Administrador de Infraestruturas Ferroviárias (Spanish entity), SNCF - Réseau (French entity) and DB Netz AG (German entity), whose activity is to promote among its members measures to improve the competitiveness of rail freight transport on the rail 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 PARENT 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 continue its activity, IP assumes the position of infrastructure manager, under the terms of the national road network (RRN) general concession contract and the national rail network (RFN) programme contract, both 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 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 Metropolitano 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

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 Infraestruturas 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 configuration of the Atlantic Corridor also included another connection 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 European Economic Interests Group (EEIG).

The mission of the referred EEIG is to:

- 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, construction 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 30 June 2019, 31 December 2018 and 30 June 2018, forming the consolidated condensed financial statements of the IP Group.

These consolidated condensed financial statements are presented in accordance with IAS 34 - Interim Financial Reporting. Consequently, they do not include all the information required by IFRS and should therefore be read in conjunction with the consolidated financial statements for the period ended 31 December 2018.

These financial statements were approved by the Executive Board of Directors at its meeting on 26 September 2019. 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 financial Statements of the IP Group were prepared according to ongoing operations in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), issued and in force on 30 June 2019.

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 that require a higher degree of judgement or complexity, or for which 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 condensed consolidated financial statements include, with reference to 30 June 2019 and 31 December 2018 and 30 June 2018, the assets, liabilities, results and cash flows of the Group companies.

The accounting policies adopted are consistent with those used in the preparation of the Group's financial statements for the year ended 31 December 2018 and are described in the respective notes thereto, except for the standards and interpretations with effective dates corresponding to years beginning on or after 1 January 2019, in particular:

The Group has implemented the new standard, the amendments and the new interpretation, with no significant impact on its Consolidated Condensed Financial Statements, except as reported.

EU REGULATION	STANDARDS OR INTERPRETATIONS	EFFECTIVE DATE
Regulation 1986/2017	IFRS 16 Leases (new)	1 January 2019
Regulation 498/2018	IFRS 9 Financial instruments: Prepayment features with negative compensation (amendments)	1 January 2019
Regulation 1595/2018	IFRIC 23 — Uncertainty over income tax treatments (new)	1 January 2019

LEASING

A IFRS 16 estabelece os princípios para o reconhecimento, medição e apresentação de arrendamentos nos estados financeiros das partes arrendadoras e arrendatárias, substituindo a IAS 17 - Leases e as respectivas interpretações.

Under this standard, the Group has inventoried existing lease agreements and recognised in the condensed consolidated statement of financial position an asset by right of use and a liability corresponding to the obligation to make lease payments on 1 January 2019.

The Group does not recognise, as a practical matter, any right of use or liability for lease agreements of less than 12 months' duration and, as provided for in IFRS 16, since it chooses to recognise a lease expense on a straight-line basis as rents in the external supplies and services heading (Note 23) until the end of the contract.

The Group's operating leases relate essentially to car rental contracts.

ASSETS UNDER RIGHT OF USE

The right to use the asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made on or before the commencement date, plus any initial direct costs incurred, less any incentive granted.

Lease liability is initially recognised at the present value of rents not yet paid at the date of the lease, less interest at the interest rate implicit in the lease.

Depreciation of assets under right of use is calculated using the straight-line method over the lease term.

The Group has chosen to present in the condensed consolidated statement of financial position the right of use duly segregated under the heading Tangible Fixed Assets (note 6) and the liabilities for leases under Other Accounts Payable (note 19.2).

INCOME TAX

Income tax for the period includes current and deferred taxes. Income taxes are recorded in the condensed consolidated income statement unless they relate to items that are recognised directly in other comprehensive income. 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:

- deductible temporary differences which are expected to be reversed in the future, or
- 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 periodically reviewed in order to recognise or adjust them according to their expected future recovery, taking into account the tax legislation in force and considering any uncertainties regarding tax treatment, as recommended in IFRIC 23 (note 12).

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 29.

2.3 COMPARABILITY

As indicated in note 2.2, the IP Group first adopted IFRS 16 on 1 January 2019.

The Group applied the modified retrospective transition model provided for in IFRS 16, so the Group did not restate comparative financial information

and there was no impact on equity at the time of transition.

Until 31 December 2018, the Group recognised, through the application of IAS 17 and its Interpretations, the operating lease income on a constant basis over the term of the lease agreement.

As of 1 January previously assumed lease commitments have been assumed as right of use and lease liabilities.

The impact of applying the new standard is as follows:

	31-12-2018	IFRS 16	01-01-2019
Assets			
Non-current			
Goodwill	21 687	-	21 687
Tangible fixed assets	60 146	824	60 969
Intangible assets	20 329 465	-	20 329 465
Other Non-Current Assets	266 522	-	266 522
	20 677 820	824	20 678 643
Current			
Grantor - State - Account receivable	3 767 157	-	3 767 157
Government and other public bodies	1 286 984	-	1 286 984
Cash and cash equivalents	321 923	-	321 923
Other Current Assets	322 345	-	322 345
	5 698 409	-	5 698 409
Total assets	26 376 229	824	26 377 052
Equity			
Capital and reserves attributable to equity holders			
Paid-up capital	5 811 510	-	5 811 510
Reserves	33 730	-	33 730
Cumulative results	190 130	-	190 130
Net profit or loss for period	85 707	-	85 707
Total Equity	6 121 076	0	6 121 076
Liabilities			
Non-current			
Borrowings	2 913 873	-	2 913 873
Other accounts payable	2 083 284	518	2 083 802
Deferrals	10 383 091	-	10 383 091
Other Non-Current Liabilities	890 896	-	890 896
	16 271 143	518	16 271 661
Current			
Borrowings	633 531	-	633 531
Shareholder funding/Shareholder loans	2 354 537	-	2 354 537
Other accounts payable	932 835	306	933 141
Other Current Liabilities	63 107	-	63 107
	3 984 010	306	3 984 315
Total Liabilities	20 255 153	824	20 255 976
Total Equity and Liabilities	26 376 229	824	26 377 052

Cash flows associated with leases were previously included in operating activity under other receivables/(payments) and are now included in financing activity under the lease payment item with respect to lease liabilities and the interest and similar costs item for the interest concerned (note 18).

2.4 MAIN ESTIMATES USED IN THE FINANCIAL STATEMENTS

In preparing the consolidated condensed 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 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 consolidated condensed 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 condensed financial Statements are:

INTANGIBLE ASSETS

The IP Group amortises its Road Concession Right by the equivalent production units method. This amortisation is based on the estimate of total income generated by the concession until its end and in 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 multiannual financial model.

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:

- a) 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 2019 and 2020 and after 2021 it would be 0%, with growth remaining in line with the CPI.
- b) 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 2019 and 2020, and after 2021 it would be 0.5%, with growth remaining in line with the CPI.
- c) 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 2019 and 2020 and after 2021 it would be 1%, with growth remaining in line with the CPI.

The results of the different scenarios in the first half

of 2019 are presented in the following table:

SENSITIVITY ANALYSIS OF GROWTH OF RSC AND TOLL REVENUE	SCENARIO A)	SCENARIO B)	SCENARIO C)
Amortisation of the Year	140	126	101
Amortisation of Grants	- 32	- 29	- 24
	108	97	76
Difference		- 11	- 31

For the purpose of preparing its consolidated condensed financial statements, the Group adopted scenario a), in accordance with its multiannual financial model.

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.

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 company by the Tax Authority (TA) and the toll revenues which have a diversified customer base and comprises low-value transactions paid upfront, which therefore 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 creditworthiness of IP Group deposits at 30 June 2019:

RATING	30-06-2019	31-12-2018
>= A-	130	111
< = BBB+	321 522	321 402
No rating	1 105	292
Total	322 757	321 805

Note: 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. IP remains within the state's fiscal consolidation perimeter and is funded directly by the Portuguese State, so the liquidity risk is considered low.

The table below shows the IP Group's liabilities by intervals of contracted maturity. The amounts presented represent the undiscounted estimated cash flows at 30 June 2019.

	LESS THAN 1 YEAR	1 TO 5 YEARS	+ 5 YEARS
Borrowings			
Amortisation of borrowings	81,065	1,565,107	1,045,795
Interest on borrowings	89,549	368,880	114,450
Amortisation of shareholder funding/shareholder loans	2,374,161	141,597	-
Interest on shareholder funding/shareholder loans	123,629	1,747	-
Surety	4,111	17,201	3,987
Trade payables and accounts payable	1 117 628	2 052 359	350 770
	3 790 142	4 146 890	1 515 002

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:

- As of 30 June 2019, the IP Group had not recognised any loans 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, as at 30 June 2019, a 0.5% increase or decrease in the euro interest rate curve 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	82 280	- 77 885
Net effect on results		
	-0,50%	0,50%
EUR	- 82 280	77 885

CAPITAL RISK MANAGEMENT

The IP Group's goal of managing capital risk, which is a broader concept than the capital disclosed in the condensed statement of consolidated financial position, is to safeguard the ongoing nature of the company'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 30 June 2019, the share capital of IP amounted to EUR 6,872,510,000 represented by 1,374,502 shares, each with a nominal value of EUR 5,000.

In 2019, there were cash capital increases in the amount of EUR 1,061,000,000 (note 15) to cover financing needs, as shown below:

	30-06-2019	31-12-2018
Share capital increases	1 061 000	886 135
Investment	507 731	660 257
Debt service	553 269	225 878

4. COMPANIES INCLUDED IN THE CONSOLIDATION

The companies included in the consolidation, their registered offices, shareholdings in the same and core activities at 30 June 2019 and 31 December 2018 are as follows:

COMPANY	REGISTE-RED OFFICE	PERCENTAGE OF CAPITAL HELD		MAIN ACTIVITY
			31-12-2018	
PARENT COMPANY				
IP Infraestruturas de Portugal, S.A.	Almada	-	-	Design, planning, 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.
SUBSIDIARIES				
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, S.A.	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, S.A.	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.
JOINT VENTURES				
AVEP - Alta Velocidade de Espanha e Portugal, A.E.I.E. (a)	Madrid	50,00%	50,00%	Conducting studies required for the Madrid-Lisbon-Porto and Porto-Vigo connections.
AEIE - CMF4 (b)	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>a) Entity jointly controlled by IP with ADIF in the form of a European Economic Interest Grouping (EEIG).</p> <p>b) Entity jointly controlled by IP, ADIF and SNCF - Réseau, and DB NETZ in the form of the European Economic Interest Group (EEIG).</p>				

5. SEGMENT REPORTING

IP 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
-TRANSPORT ENGINEERING 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 financing required for the investments made, as described above, is contracted by the Group and involves obtaining 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 RFN (provided for in the Programme Contract signed with the Portuguese State) and the RRN that promotes efficiency in the Group.

The information relating to the results from 1 January 2019 to 30 June 2019 and from 1 January 2018 to 30 June 2018, assets and liabilities for the periods ended 30 June 2019 and 31 December 2018 of the identified segments is as follows:

2019	TELECOMMUNICATIONS	COMMERCIAL REAL ESTATE MANAGEMENT	TRANSPORT ENGINEERING SERVICES	RAILWAY INFRASTRUCTURE INVESTMENT ACTIVITY	RAILWAY INFRASTRUCTURE MANAGEMENT ACTIVITY	HIGH PERFORMANCE	ROAD INFRASTRUCTURE MANAGEMENT ACTIVITY	TOTAL
Revenue from sales and services rendered	5 911	7 943	320	10 350	43 934	164 802	342 074	575 335
Impairment	11	52	0	-	- 21	-	10	52
Provisions	- 68	7	5	-	- 405	--	- 11 174	- 13 341
Other revenue	1	978	-	-	30 686	4 466	35 644	71 774
Other expenses	- 2 947	- 3 260	- 292	- 9 830	- 91 028	- 149 152	- 83 780	- 340 288
EBITDA	2 908	5 707	33	521	- 16 834	18 424	282 773	293 531
Amortisation and depreciation	- 562	- 43	-	- 521	- 1 575	- 139 888		- 142 588
EBIT	2 346	5 664	33	0	- 18 409	161 309		150 944
Financial expenses	-	-	-	- 34 922	- 14 043	- 87 418		- 136 382
Financial income	-	-	-	34 922	-	12		34 934
EBT	2 346	5 664	33	0	- 32 451	73 903		49 495
Income tax				- 14 542				- 14 542
Net Profit or Loss				34 953				34 953

2018	TELECOMMUNICATIONS	COMMERCIAL REAL ESTATE MANAGEMENT	TRANSPORT ENGINEERING SERVICES	RAILWAY INFRASTRUCTURE INVESTMENT ACTIVITY	RAILWAY INFRASTRUCTURE MANAGEMENT ACTIVITY	HIGH PERFORMANCE	ROAD INFRASTRUCTURE MANAGEMENT ACTIVITY	TOTAL
Revenue from sales and services rendered	6 160	8 203	68	8 656	44 802	160 826	348 542	577 257
Impairment	-	11	-	-	233	-	713	957
Provisions	- 38	-	-	-	2 192	-	- 6 479	- 4 324
Other Revenue	-	186	-	-	33 128	4 462	37 146	74 921
Other expenses	- 2 020	- 3 412	- 88	- 8 133	- 91 455	- 141 957	- 77 275	- 324 342
EBITDA	4 102	4 987	- 20	523	- 11 100	23 331	302 647	324 470
Amortisation and depreciation	- 410	- 50	-	- 523	- 1 383	- 137 273		- 139 638
EBIT	3 692	4 937	- 20	0	- 12 483	188 705		184 831
Financial expenses	-	-	-	- 46 878	- 15 551	- 100 077		- 162 505
Financial income	-	-	-	46 878	-	-		46 878
EBT	3 692	4 937	- 20	0	- 28 033	88 628		69 204
Income tax				- 21 803				- 21 803
Net Profit or Loss				47 401				47 401

OTHER INFORMATION 30-06-2019	TELECOMMUNICATIONS	COMMERCIAL REAL ESTATE MANAGEMENT	TRANSPORT ENGINEERING SERVICES	RAILWAY INFRASTRUC- TURE INVESTMENT ACTIVITY	RAILWAY INFRASTRUC- TURE MANAGEMENT ACTIVITY	HIGH PERFOR- MANCE	ROAD INFRASTRUC- TURE MANAGEMENT ACTIVITY	TOTAL
Assets								
Concession Right	-	-	-	-	-	20 457 764		20 457 764
Grantor	-	-	-	3 840 956	-	-	-	3 840 956
Other assets	16 389	23 281	5 561	75 351	183 085	52 845	2 156 091	2 512 602
Total Assets	16 389	23 281	5 561	3 916 307	183 085	22 666 699		26 811 321
Liabilities								
Borrowings	-	-	-	1 931 498	852 026	2 591 805	-	5 375 329
Grants	-	-	-	-	-	10 063 469		10 063 469
Other liabilities	5 961	4 053	1 393	1 778	95 064	2 781 902	1 265 341	4 155 494
Total Liabilities	5 961	4 053	1 393	1 933 277	947 090	16 702 518		19 594 292

OTHER INFORMATION 31-12-2018	TELECOMMUNICATIONS	COMMERCIAL REAL ESTATE MANAGEMENT	TRANSPORT ENGINEERING SERVICES	RAILWAY INFRASTRUC- TURE INVESTMENT ACTIVITY	RAILWAY INFRASTRUC- TURE MANAGEMENT ACTIVITY	HIGH PERFOR- MANCE	ROAD INFRASTRUC- TURE MANAGEMENT ACTIVITY	TOTAL
Assets								
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
Total Assets	16 166	27 238	11 826	3 832 345	160 322	22 328 333		26 376 229
Liabilities								
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
Total Liabilities	4 130	3 979	1 643	2 463 660	926 621	16 855 120		20 255 153

6. TANGIBLE FIXED ASSETS

In the half-year ended 30 June 2019 and in the year ended 31 December 2018, the movement in the value of Tangible Fixed Assets, as well as the respective depreciation, was as follows:

	LAND AND NATURAL RESOURCES	BUILDINGS AND OTHER CONSTRUCTIONS	BASIC EQUIPMENT	TRANSPORT EQUIPMENT	ADMINISTRATIVE EQUIPMENT	OTHER TANGIBLE FIXED ASSETS	RIGHT OF USE	ASSETS IN PROGRESS	TOTAL
31 December 2018									
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
Net value	7 042	37 397	10 882	239	1 214	450	0	2 920	60 146
Accounting policy change IFRS 16	-	-	-	-	-	-	824	-	824
1 January 2019	7 042	37 397	10 882	239	1 214	450	824	2 920	60 969
Increases	-	-	446	-	17	20	-	85	568
Transfers	-	-	16	-	-	-	-	- 156	- 140
Write-offs/Corrections	-	-	(0)	-	- 65	-	-	-	- 66
Depreciation – Financial year	-	- 862	- 1 407	- 30	- 288	- 64	-	-	- 2 651
Depreciation - Transfers	-	-	0	-	1	-	-	-	2
Depreciation - Change in accounting policy	-	-	-	-	-	-	- 160	-	- 160
Depreciation - Write-offs/Corrections	-	0	-	-	64	-	-	-	64
Net value	7 042	36 535	9 937	209	944	406	663	2 849	58 586
30 June 2019									
Acquisition cost	7 042	82 437	61 942	11 522	22 065	7 691	824	2 849	196 371
Accumulated depreciation	-	(45 901)	(52 005)	(11 313)	(21 121)	(7 285)	(160)	-	- 137 785
Net value	7 042	36 535	9 937	209	944	406	663	2 849	58 586

	LAND AND NATURAL RESOURCES	BUILDINGS AND OTHER CONSTRUCTIONS	BASIC EQUIPMENT	TRANSPORT EQUIPMENT	ADMINISTRATIVE EQUIPMENT	OTHER TANGIBLE FIXED ASSETS	WORK IN PROGRESS	TOTAL
31 December 2017								
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
Net value	7 042	104 282	10 164	306	445	540	1 888	124 666
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
Net value	7 042	37 397	10 882	239	1 214	450	2 920	60 146
31 December 2018								
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
Net value	7 042	37 397	10 882	239	1 214	450	2 920	60 146

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.

As part of the adoption of IFRS 16, IP Group chose to disclose the assets identified as a right of use under Tangible Fixed Assets.

Based on the practical expedient provided for in the transition to IFRS 16, contracts previously

identified as leases under IAS 17 and IFRIC 4 on 1 January 2019 were reviewed.

The lease agreements covered by this standard relate to vehicles.

As mentioned in note 2.3, the Group opted for the modified retrospective transition model, without restating comparative information.

7. INTANGIBLE ASSETS

In the half-year ended 30 June 2019 and in the year ended 31 December 2018, the movement in the value of intangible assets, as well as the respective depreciation, was as follows:

	CONCESSION RIGHT	SOFTWARE	OTHERS	TOTAL
31 December 2018				
Acquisition cost	22 912 580	31 039	2 197	22 945 816
Accumulated amortisation	- 2 587 206	- 27 813	- 1 333	- 2 616 351
Net value	20 325 374	3 226	865	20 329 465
Increases	270 715	104	18	270 837
Transfers	-	140	-	140
Amortisation - Financial year	- 139 517	- 229	-	- 139 746
Net value	20 456 572	3 241	883	20 460 696
30 June 2019				
Acquisition cost	23 183 295	31 283	2 215	23 216 793
Accumulated amortisation	- 2 726 722	- 28 042	- 1 333	- 2 756 097
Net value	20 456 572	3 241	883	20 460 696

	CONCESSION RIGHT	SOFTWARE	OTHERS	TOTAL
31 December 2017				
Acquisition cost	22 381 852	30 240	2 170	22 414 263
Accumulated amortisation	- 2 313 514	- 27 489	- 1 333	- 2 342 335
Net value	20 068 339	2 751	838	20 071 928
Increases	530 727	506	27	531 260
Transfers	-	293	-	293
Amortisation - Financial year	- 273 692	- 324	-	- 274 016
Net value	20 325 374	3 226	865	20 329 465
31 December 2018				
Acquisition cost	22 912 580	31 039	2 197	22 945 816
Accumulated amortisation	- 2 587 206	- 27 813	- 1 333	- 2 616 351
Net value	20 325 374	3 226	865	20 329 465

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.

The asset is constituted by the percentage of completion of each work, regardless of whether the construction is carried out directly by the IP Group or under Public-Private Partnerships (PPP).

Of the EUR 271 million invested in the first half of 2019, around EUR 258 million corresponded to payments net of receivables of concessions from the State and EUR 9 million for the Group's own works.

These included capitalised financial charges amounting to EUR 8.8 million in 2019.

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 are based on IP's multiannual financial model.

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 2020, takes the best management estimate for these years. From 2021, 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 2019, 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 2019 amounted to EUR 140 million.

8. DEFERRED TAX ASSETS AND LIABILITIES

The balances recognised on deferred taxes are presented in the Consolidated Condensed Statement of Financial Position at their gross value, at 30 June 2019 and 31 December 2018.

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.

Deferred tax is calculated based on all temporary differences, since by its nature there is no doubt about its future tax acceptance.

The impact on the results of movements in deferred tax items in the half-years presented was as follows:

	NOTES	2019	2018
Impact on the consolidated condensed statement of income by nature			
Deferred tax assets		15 717	15 018
Deferred tax liabilities		- 2	- 22
	27	15 714	14 996
Impact on other consolidated comprehensive income			
Deferred tax assets		-	94
Deferred tax liabilities		-	-
		0	94
		15 714	15 090

The movements in deferred tax assets and liabilities in the six-month period ended 30 June 2019 and in the year ended 31 December 2018 are as follows:

DEFERRED TAX ASSETS

	NOTES	CLIENT ADJUSTMENTS	FINANCING EXPENSES	EMPLOYMENT BENEFITS	PROVISION FOR DECLASSIFIED ROADS	VAT PROVISION	REGULAR MAINTENANCE	EMPLOYEE BENEFITS	INVENTORIES	INVESTMENT PROPERTIES	AMORTISATION OF CONCESSION RIGHT	OTHER ADJUSTMENTS	TOTAL
Balance at 31 December 2018		90	17 618	108	1 951	70 442	94 086	331	728	236	76 507	790	262 887
Set up / (reversals)		-10	-	-41	-	2 689	3 741	-42	-	-3	7 324	14	13 672
Review of estimate	27	-	2 045	-	-	-	-	-	-	-	-	-	2 045
Balance at 30 June 2019		80	19 663	67	1 951	73 131	97 827	289	728	232	83 831	804	278 604

	TRADE RECEIVABLES ADJUSTMENTS	FINANCING EXPENSES	EMPLOYMENT BENEFITS	PROVISION FOR DECLASSIFIED ROADS	TAX LOSSES	VAT PROVISION	REGULAR MAINTENANCE	EMPLOYEE BENEFITS	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



	OTHERS
Balance at 31 December 2018	24
Set up / (reversals)	2
Balance at 30 June 2019	26



	OTHERS
Balance at 31 December 2017	25
Set up / (reversals)	- 1
Balance at 31 December 2018	24

9. DEFERRALS

At 30 June 2019 and 31 December 2018, the Group has recorded the following balances under deferrals:

	NOTES	30-06-2019	31-12-2018
Non-current expenses to be recognised			
Other Services		104	173
		104	173
Current expenses to be recognised			
Other services		1 228	1 512
		1 228	1 512
Non-current income to be recognised			
Investment grants - Road Concession Right	9.1	10 063 469	10 094 906
Long-term Concession Brisa		152 300	152 300
Douro Litoral Concession Signature Fee		111 468	115 312
Greater Lisbon Concession Signature Fee		19 250	19 833
Optical fibre contracts		640	740
		10 347 126	10 383 091
Current income to be recognised			
Douro Litoral Concession Signature Fee		7 687	7 687
Optical fibre contracts		2 127	803
Greater Lisbon Concession Signature Fee		1 167	1 167
Technical road channel		1 155	259
Other revenue		649	712
		12 785	10 628

The expenses to be recognised relate to payments of services contracted and not yet provided.

The income to be recognised essentially resulted from investment grants of EUR 10,063 million (see note 9.1) and prepayments from concessions amounting to EUR 292 million to be recognised in profit or loss over the period of the respective concession.

9.1 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 30 June 2019 and 31 December 2018 are as follows:

31 December 2018	10 094 906
Increases	152
Allocation to income	- 31 589
30 June 2019	10 063 469

31 December 2017	10 158 468
Increases	-
Allocation to income	- 63 562
31 December 2018	10 094 906

10. TRADE RECEIVABLES (CLIENTS) AND OTHER ACCOUNTS RECEIVABLE

At 30 June 2019 and 31 December 2018 this item is broken down as follows:

	NOTES	30-06-2019	31-12-2018
Current			
Trade receivables (Clients)	10.1	82 943	73 015
Other accounts receivable	10.2	233 087	141 424
		233 087	141 424

Trade receivables (Clients) and other accounts receivable are current balances and are therefore close to their fair value.

10.1 TRADE RECEIVABLES (CLIENTS)

At 30 June 2019 and 31 December 2018 this item is broken down as follows:

	NOTES	30-06-2019	31-12-2018
Current			
Other related parties	28.3	17 278	10 242
Sundry		46 573	45 263
Tolls		22 426	21 272
		86 276	76 776
Accumulated impairment		- 3 333	- 3 761
		82 943	73 015

The debits charged to other related parties (CP) and Sundry – (the railway operators Fertagus, Targargo 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.

10.2 OTHER ACCOUNTS RECEIVABLE

The balance of other accounts receivable at 30 June 2019 and 31 December 2018 is broken down as follows:

	NOTES	30-06-2019	31-12-2018
Accrued Income - Road Service Contribution	28.2	155 933	74 076
Railway Operators	28.3	1 291	1 206
Sundry		82 485	72 764
Accumulated impairment		- 6 623	- 6 623
		233 087	141 424

- The variation in Other receivables is mainly explained by an increase in the amount of Accrued Income - Road Service Contribution of around EUR 82 M, which corresponds to the recognition of revenue collected by the TA and not yet delivered to the Group.
- Other Accounts Receivable - Miscellaneous includes, 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 11.942 million (EUR 12.107 million in 2018).

11. GRANTOR - STATE - ACCOUNT RECEIVABLE

The breakdown of the financial asset underlying the rail concession at 30 June 2019 and 31 December 2018 is as follows:

	30-06-2019	31-12-2018
Concessed assets (LDI)	9 346 957	9 291 768
Interest charged	1 671 355	1 636 433
Grants	- 4 549 724	- 4 533 476
Impairment	- 305 200	- 305 200
Return on assets	- 7 046	- 6 981
Receipts	- 2 315 387	- 2 315 387
	3 840 956	3 767 157

12. GOVERNMENT AND OTHER PUBLIC BODIES

At 30 June 2019 and 31 December 2018 this item is detailed as follows:

	30-06-2019		31-12-2018	
	PAYABLE	RECEIVABLE	PAYABLE	RECEIVABLE
CORPORATE INCOME TAX	5 247	30 080	-	19 878
Total current tax assets and liabilities	5 247	30 080	0	19 878
Personal income tax - Withholding tax	-	2 241	-	1 744
VAT	1 389 544	666	1 286 907	235
Contributions to Social Security, CGA pension and ADSE health systems	485	8 217	-	6 733
Other taxes and charges	-	12	77	12
Total Government and other public bodies	1 390 029	11 135	1 286 984	8 723

Income tax – Withholdings and Contributions to SS, CGA and ADSE balances are those corresponding to the processing of wages of June 2019, already settled in July 2019.

The balance of VAT receivable essentially corresponds to the amount of EUR 1,389,369,000 receivable by IP, from which refund requests were made in the amount of EUR 227,562,000, refunds submitted in 2009 and referring to 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 that it is entitled to this deduction since the State collected VAT on part of IP's revenue - 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 four ongoing legal proceedings, the first relating to the VAT refund claim up to June 2009 and the second relating to the VAT refund claim from July to September and deduction from 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. About this Ruling:

- The Treasury claimed 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:

As a result of the described evolution of the VAT case, the IP Group increased the provision in the first half of 2019 by EUR 9.462 million, taking its cumulative value at 30 December 2019 to EUR 375.941 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 16).

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 concessioned 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.

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	Hierarchical Appeal	26-04-2019	248 308	12 475
2015 (January to May)a)	Rejection of Preliminary Hearing Administrative Claim	31-07-2019	121 043	4 164
2015 (June to December)b)	Tax Inspection Report	13-08-2019	139 415	9 484

a) Regarding the period prior to the merger (NIF, formerly EP)
b) Post-merger period

13. NON-CURRENT ASSETS HELD FOR SALE

On 27 June 2018, the IP Group underwent an internal reorganisation (merger by incorporation of the subsidiary GIL – Gare Intermodal de Lisboa, S.A, hereafter ex-GIL, into IP Património), effective on 1 January 2018.

Former GIL's assets included, inter alia, the construction investment of Gare Intermodal de Lisboa and its grants directly allocated for this purpose.

Within the scope of the referred reorganisation of the Group and taking into consideration the characteristics of this asset and its specifics, it was concluded from the outset that they constitute assets of the Public Railway Domain, and the intention of the Executive Board of Directors is to transfer them to the Grantor.

More than one year after the previous decision, the Management remains committed to its plan to transfer these assets to the Public Railway Domain and the operation in question is pending authorisation from the Government.

It should be noted that this operation is included in IP and IPP's Activity and Budget Plans.

14. CASH AND CASH EQUIVALENTS

The cash and cash equivalents shown in the cash flow statement for the financial years ending on 30 June 2019 and 31 December 2018 are reconciled with the amounts shown in the consolidated statement of financial position, as follows:

	NOTES	30-06-2019	31-12-2018
Bank deposits		322 757	121 805
Other investments		-	200 000
Cash		133	118
Cash and Cash equivalents in the Statement of Financial Position		322 890	321 923
Accounting overdrafts	17.1	- 68	- 7 077
Cash and Cash equivalents in the Cash Flow Statement		322 822	314 846

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 2018, the share capital was EUR 5,811,510,000 fully subscribed and paid up by its shareholder, corresponding to 1,162,302 shares with a nominal value of EUR 5,000 each.

During the first half of 2019, the share capital was reinforced in the months of February and May in the amount of EUR 945,000,000 and EUR 116,000,000 by issuing 189,000 and 23,200 new shares respectively, to make up the amount of EUR 6,872,510,000 corresponding to 1,374,502 fully subscribed and paid-up shares.

The basic/diluted earnings per share from 1 January 2019 to 30 June 2019 and from 1 January 2018 to 30 June 2018 are as follows:

	30-06-2019	30-06-2018
Profits allocated to shareholders (in euros)	34 953 214	47 700 799
Average number of shares during the period	1 327 535	1 079 408
Average number of diluted shares during the period	1 327 535	1 079 408
Basic earnings per share (in euros)	26,33	43,91
Diluted earnings per share (in euros)	26,33	43,91

Since there are no dilution factors, there is equivalence between the basic and diluted results.

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 2019	1 162 302
February 2019	1 351 302
May 2019	1 374 502
Weighted average of shares in circulation	1 327 535

ii) RESERVES

Reserves can be broken down as follows:

	30-06-2019	31-12-2018
Legal reserve	39 285	33 821
Other variations	- 95	- 95
Donations	4	4
	39 194	33 730

With regard to the legal reserve, commercial law provides that at least 5% of annual net income must be allocated to 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.

It should be noted that the Financial Statements for the year ended 31 December 2018 have not yet been approved by the Shareholder. Therefore, despite the proposal by the Executive Board of Directors to apply all of the net profit for the year to the Legal Reserve, only the amount corresponding to the legal limit was considered on this date.

16. PROVISIONS

The evolution of provisions for other risks and charges for the half-year period ended 30 June 2019 and for the year ended 31 December 2018 was as follows:

	GENERAL RISKS	EXPROPRIATIONS	CONTRACTS	EMPLOYEE BENEFITS	DECLASSIFIED ROADS	VAT PROCEEDING	TOTAL
At 31 December 2018	39 830	21 945	52 805	1 061	408 752	366 479	890 872
Increase/Reinforcement	6 024	-	325	-	-	9 462	15 811
Reduction/Use	- 1 287	- 141	-	- 134	- 350	-	- 1 912
At 30 June 2019	44 568	21 804	53 130	926	408 402	375 941	904 771
Non-current balance	44 568	21 804	53 130	926	408 402	375 941	904 771
	44 568	21 804	53 130	926	408 402	375 941	904 771

	GENERAL RISKS	EXPROPRIATIONS	CONTRACTS	EMPLOYEE BENEFITS	DECLASSIFIED 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
	39 830	21 945	52 805	1 061	408 752	0	366 479	890 872

17. BORROWINGS

17.1 BORROWINGS

The following breakdown of current and non-current loans at 30 June 2019 and 31 December 2018 is presented below:

	30-06-2019	31-12-2018
Non-current loans		
Borrowings	2 604 321	2 641 345
Current loans		
Borrowings	138 350	633 531
	2 742 671	3 274 876

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	FREQ			
Railway	CP III North Line-B	14-07-1997	49,880	9,976	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	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	Algarve -A connection	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	65,000	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/set 15/dez
Railway	- Suburban	28-10-2004	100,000	47,619	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
	to carry forward		725 673	421 765						

ACTIVITY	NAME	DATE OF SIGNATURE	AMOUNT CONTRACTED	OUTSTANDING CAPITAL	AMORTISATION			INTEREST RATE SCHEME	INTEREST RATE	FREQUENCY
					START DATE	END DATE	FREQ			
	carried forward		725 673	421 765						
Railway	- Suburban C	12-10-2006	55,000	31,429	15-03-2011	15-03-2026	Annual	Fixedadjustable	4,247%	15/Mar
Railway	Connection to Algarve-B	02-10-2002	30,000	16,000	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	85,000	15-06-2017	15-06-2026	Annual	Fixedadjustable	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	133,773	15-06-2014	15-06-2029	Half-yearly	Fixed	2,189%	15/Jun 15/Dec
Railway	Refer V	04-08-2008	160,000	112,000	15-03-2014	15-03-2033	Annual	Fixedadjustable	2,653%	15/Mar
Railway	Refer VI	10-09-2009	110,000	77,000	15-09-2013	15-09-2032	Annual	Fixedadjustable	2,271%	15/Sept
Railway	Eurobonds 06/26	10-11-2006	600,000	599,381	16-11-2026		Bullet	Fixed	4,047%	16/Nov
Railway	Eurobonds 09/24	16-10-2009	500,000	498,923	16-10-2024		Bullet	Fixed	4,675%	18/Oct
Railway	Eurobonds 06/21	11-12-2006	500,000	498,980	13-12-2021		Bullet	Fixed	4,25%	13/Dec
Road	Eurobonds 10/30	09-07-2010	125,000	121,135	13-07-2030		Bullet	Fixed	6,450%	13/Jul
External Financing		TOTAL	3 206 332	2 685 386						
Accrued interest				57 217						
Accounting overdrafts (note 14)				68						
TOTAL				2 742 671						

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).

Loans guaranteed by the State at 30 June 2019 totalled a nominal value of EUR 2,067 million.

17.2 SHAREHOLDER FUNDING / SHAREHOLDER LOANS

At 30 December 2019 and 31 December 2018, the shareholder funding/loan item is broken down as follows:

	NOTES	30-06-2019	31-12-2018
Non-current loans			
State Loan		141 597	272 528
Current loans			
State Loan	28.2	2 491 060	2 354 537
		2 632 658	2 627 065

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 the first half of 2019, as the shareholder guaranteed the financing needs through share capital increases (note 15).

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	2.100%	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
	to carry forward		819 542	275 681						

ACTIVITY	NAME	DATE OF SIGNATURE	AMOUNT CONTRACTED	OUTSTANDING CAPITAL	AMORTISATION			INTEREST RATE SCHEME	INTEREST RATE	FREQUENCY
					START DATE	END DATE	FREQUENCY			
	carried forward		819 542	275 681						
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	3.690%	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
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	2.180%	31/May 30/Nov
	to carry forward		4 063 443	2 422 432						

ACTIVITY	NAME	DATE OF SIGNATURE	AMOUNT CONTRACTED	OUTSTANDING CAPITAL	AMORTISATION			INTEREST RATE SCHEME	INTEREST RATE	FREQUENCY
					START DATE	END DATE	FREQUENCY			
	carried forward		4 063 443	2 422 432						
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
Total shareholder funding			4 156 770	2 515 759						
Accrued interest				116 899						
TOTAL				2 632 658						

Through letter no. 2785 of 5 July 2019, a new deferral of the debt service payment of loans granted by the Directorate General for Treasury and Finance (DGTF), in the road and railway component, was granted from 31 May 2019 to 30 November 2019, without additional costs. As regards the road component, the amount due in November totals EUR 2,213.5 million (EUR 2,098.5 million in amortisation and EUR 115 million in interest). The value corresponding to the railway component, due in November, amounts to EUR 150.3 million (EUR 144.8 million in amortisation and EUR 5.5 million in interest).

FLAT-RATE FINANCING

The fair value of flat-rate financing at 30 June 2019 is presented below:

NAME	NOMINAL VALUE	OUTSTANDING CAPITAL	FAIR VALUE	INTEREST RATE
EIB - Suburban B	100 000	57 143	60 229	3,615%
EIB - suburban C	55 000	31 429	37 837	4,247%
EIB - REFER V	160 000	112 000	132 466	2,653%
EIB - REFER VI	110 000	77 000	88 241	2,271%
EIB - CP112 North Line C	100 000	85 000	88 391	1,887%
EIB- Roads 2009-2019	200 659	133 773	149 421	2,189%
Eurobonds 06/26	600 000	600 000	756 493	4,047%
Eurobonds 09/24	500 000	500 000	618 385	4,675%
Eurobonds 06/21	500 000	500 000	547 207	4,250%
Eurobonds 10/30	125 000	125 000	139 900	6,750%
to carry forward	2 450 659	2 221 345	2 618 570	

NAME	NOMINAL VALUE	OUTSTANDING CAPITAL	FAIR VALUE	INTEREST RATE
carried forward:	2 450 659	2 221 345	2 618 570	
Portuguese State Loan	282 937	94 312	97 183	2,100%
Portuguese State Loan	21 723	7 241	7 477	2,270%
Portuguese State Loan	23 394	7 798	8 060	2,350%
Portuguese State Loan	102 488	34 163	35 350	2,440%
Portuguese State Loan	20 000	6 667	6 874	2,150%
Portuguese State Loan	37 000	12 333	12 671	1,860%
Portuguese State Loan	293 000	97 667	100 366	1,880%
Portuguese State Loan	24 000	8 000	8 229	1,960%
Portuguese State Loan	15 000	7 500	7 861	2,430%
Portuguese State Loan	15 000	7 500	7 847	2,330%
Portuguese State Loan	20 000	10 000	10 443	2,220%
Portuguese State Loan	14 000	7 000	7 379	2,010%
Portuguese State Loan	1 705 000	852 500	884 162	2,770%
Portuguese State Loan	204 000	153 000	163 346	3,690%
Portuguese State Loan	230 000	172 500	183 398	3,440%
Portuguese State Loan	75 000	56 250	59 293	2,930%
Portuguese State Loan	28 000	21 000	21 903	2,690%
Portuguese State Loan	44 000	33 000	34 645	2,690%
Portuguese State Loan	80 000	60 000	63 001	2,700%
Portuguese State Loan	33 500	25 125	26 060	1,980%
Portuguese State Loan	156 800	117 600	121 619	1,810%
Portuguese State Loan	16 000	12 000	12 389	1,710%
Portuguese State Loan	13 300	9 975	10 277	1,590%
Portuguese State Loan	85 000	85 000	93 442	2,750%
Portuguese State Loan	135 600	135 600	147 492	2,420%
Portuguese State Loan	17 400	17 400	18 761	2,150%
Portuguese State Loan	25 654	25 654	27 660	2,150%
Portuguese State Loan	266 405	266 405	287 519	2,180%
Portuguese State Loan	28 042	28 042	30 689	2,610%
Portuguese State Loan	26 202	26 202	28 287	2,190%
Portuguese State Loan	25 000	25 000	26 981	2,180%
Portuguese State Loan	17 943	17 943	19 295	2,070%
Portuguese State Loan	3 688	3 688	3 970	2,100%
Portuguese State Loan	21 805	21 805	23 295	1,870%
Portuguese State Loan	49 891	49 891	53 477	1,970%
TOTAL	6 607 429	4 737 103	5 269 271	

18. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITY

The reconciliation of liabilities whose flows affect financing activities are indicated below:

	FINANCING	SHAREHOLDER LOANS	FINANCE LEASES	TOTAL
Balance at 31 December 2018 (1)	3 274 876	2 627 065	824	5 901 941
Cash				
Interest and similar costs	- 40 818	-	- 21	- 40 839
Amortisations (2)	- 537 395	-	- 151	- 537 546
Non-Cash				
Effective rate (3)	434	-	-	434
Accrued interest (4)	11 652	5 593	-	17 245
Other financial expenses (5)	112	-	-	112
Other variations (6)	- 7 008	-	-	- 7 008
Balance at 30 June 2019 (1) + (2) + (3) + (4) + (5) + (6)	2 742 671	2 632 658	673	5 375 178

	FINANCING	SHAREHOLDER LOANS	TOTAL
Balance at 31 December 2017 (1)	3 362 946	4 926 872	8 289 818
Cash			
Interest and similar costs	- 42 348	-	- 42 348
Amortisations (2)	- 37 395	-	- 37 395
Non-Cash			
Effective rate (3)	504	-	504
Accrued interest (4)	22 605	8 447	22 605
Other financial expenses (5)	483	-	483
Other variations (6)	- 144	-	- 144
Balance at 30 June 2018 (1) + (2) + (3) + (4) + (5) + (6)	3 349 000	4 935 319	8 275 872

19. TRADE PAYABLES (SUPPLIERS) AND OTHER ACCOUNTS PAYABLE

19.1 TRADE PAYABLES (SUPPLIERS)

At 30 June 2019 and 31 December 2018 this item is broken down as follows:

	NOTES	30-06-2019	31-12-2018
General trade payables (suppliers)		37 508	15 556
Trade payables (Suppliers) - other related parties	28.3	197	295
		37 705	15 851

19.2 OTHER ACCOUNTS PAYABLE

At 30 June 2019 and 31 December 2018, the details of this item are as follows:

	NOTES	30-06-2019	31-12-2018
Non-current			
Accrued expenses - Sub-concessions		1 742 733	2 083 284
Leasing	2.2	108	-
		1 742 840	2 083 284
Current			
Accrued expenses - Sub-concessions		660 288	515 840
Regular Road Maintenance		313 046	301 074
Increased Expenses		42 646	39 554
Investment Suppliers		61 005	28 614
Advances on Sales Account		20 363	20 378
Remuneration to be paid		19 346	17 347
Leasing	2.2	566	-
Sundry Creditors		11 020	10 027
		1 128 279	932 835
		2 871 120	3 016 118

The Accrued expenses 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 2,403,021,000, bearing interest in the accounting at rates between 5% and 9%, of which EUR 660,288,000 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 Accruals 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 Railway Infrastructure Regulation Fee (TRIF) for the years between 2013 and 2018, a total of EUR 10 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.

20. SALES AND SERVICES

From 1 January 2019 to 30 June 2019 and from 1 January 2018 to 30 June 2018, sales and services are detailed as follows:

	NOTES	2019	2018
Road Service Contribution	28.2	331 670	333 535
Tolls		155 873	149 476
Use of channels (tariffs)		34 375	34 433
Construction contracts and capitalised financial charges		18 161	24 889
Concession grantor - LDI Revenue	28.2	12 458	11 118
Rental/leasing of spaces		7 943	6 899
Optical fibre		2 626	2 985
Others		12 228	13 921
Total sales and services		575 335	577 257

The unit values of the Road Service Contribution (fee paid by users for use of the road network) for 2019 remained in line with those established for the 2018 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 details of construction contracts for the periods reported are as follows:

	30-06-2019	30-06-2018
Construction of New Infrastructure	9 302	13 631
Capitalised financial charges	8 792	10 441
Sub-concessioned Network - Construction	0	818
Construction contracts	18 094	24 889

The change recorded in the Capitalised Financial Charges item reflects the decrease recorded in the interest expenses item (note 26).

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 received for the first half of 2019 under the Programme Contract was EUR 29,874,000.

At 30 June 2019, 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 2019 to 30 June 2019 and in the same period of 2018, the detail of this item is as follows:

	2019	2018
Capitalisation Tolls of Concessions	121 816	115 288
Construction of New Infrastructure	9 302	13 631
Railway Materials	7 056	5 017
Sub-concessioned Network - Construction	-	818
	138 174	134 753

23. EXTERNAL SUPPLIES AND SERVICES

From 1 January 2019 to 30 June 2019 and from 1 January 2018 to 30 June 2018, supplies and services are broken down as follows:

	NOTES	2019	2018
Railway Maintenance		27 687	26 740
Regular Road Maintenance		26 500	26 500
Current Maintenance and Road Safety		22 765	11 738
Sub-concessions Operation and Maintenance		15 312	14 434
Toll Collection Expenses		9 819	8 667
Electricity		7 640	8 454
RSC Collection Expenses	28.2	6 633	6 671
Surveillance and Security		4 025	2 676
Specialised work		1 725	1 384
Cleaning, Hygiene and Comfort		1 418	1 554
Maintenance and Repairs		1 300	1 556
Rent	2.2	1 031	1 947
Fuel		1 008	1 163
Others less than EUR 1 million		4 114	4 326
		130 977	117 810

The significant increase in current maintenance and road safety in the first half of 2019 compared to the same period of the previous year is justified by the execution of road-surface repair and improvement works.

24. PERSONNEL EXPENSES

From 1 January 2019 to 30 June 2019 and from 1 January 2018 to 30 June 2018, expenditure on staff is broken down as follows:

	2019	2018
Wages	52.720	52.019
Wage Expenses	11.874	11.721
Other Personnel Expenses	1.611	2.624
Occupational Accident Insurance	788	733
Remuneration of members of Governing Bodies	347	382
Social Security Expenses	191	196
Indemnities	173	358
	67 704	68 032

In the first half of 2019, IP Group's personnel expenses (EUR 67.7 million) are in line with the same period of 2018 (EUR 68 million). The decrease of EUR 0.3 M represents a variation of 0.5%.

Despite the decrease in the Group's average workforce, from 3,678 in the first half of 2018 to 3,628 in 2019, the effects of the replacement of acquired rights and the conclusion of a new Collective Bargaining Agreement (CBA) in all Group companies have countered the result of staff exits. In the case of the CBA, its application to all workers with an individual contract and the full impact of the new rules on work and payment is to be highlighted, together with their integration into the new career hierarchy system.

25. OTHER INCOME AND GAINS

Other income and gains from 1 January 2019 to 30 June 2019 and from 1 January 2018 to 30 June 2018 are broken down as follows:

	2019	2018
Allocation of investment grants	31 589	33 125
Income from Concession Signature Fees	4 427	4 427
Accidents	1 338	1 232
Concessions for use and licences	1 210	1 184
Gains from the sale of waste/spent materials	613	1 345
Others	2 723	2 156
	41 900	43 469

The income recognised in the allocation of non-repayable Investment Grants corresponds to the income from road investment grants recognised in Liabilities under Deferrals (note 9.1).

The Concession Signature Fees heading refers to the income recognised in 2019 from the Fee attributed upon the signing of the Greater Lisbon and Douro Litoral Concessions. (note 9).

26. FINANCIAL LOSSES AND GAINS

The breakdown of the financial losses and gains item from 1 January 2019 to 30 June 2019 and in the same period in 2018 is as follows:

	NOTA	2019	2018
Financial Losses		136 382	162 505
Interest Incurred:			
Loans		54 485	68 909
Sub-concessions		78 223	88 107
Leasing		21	0
Other interest incurred		0	44
Other financial losses		3 653	5 445
Financial Gains		34 934	46 878
Interest Earned			
Other interest earned		12	0
Interest earned - State grantor	28.2	34 922	46 878
Financial Results		- 101 449	- 115 627

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 over 2018 resulted essentially from the decrease in interest borne on borrowings and interest borne underlying the sub-concessions debt.

As regards interest paid on loans, the easing from June 2018 resulted from the decrease in the debt stock (EIB loans, Eurobond 09/19 and the Portuguese State loans allocated to the railway) 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 IP'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 2,403 million (indirectly managed debt), which bears interest in the 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.

Interest income includes interest charged to the grantor State (note 11), which is calculated on the basis of the same financing conditions as the long-duration infrastructure investment activity. The decrease in interest attributed to the Grantor State results from refinancing through debt servicing capital of loans allocated to the investment activity.

27. INCOME TAX

The breakdown of the tax amount for the year recognised in the consolidated condensed statement of income by nature for the first half of 2019 and its 2018 counterpart is as follows:

	NOTES	2019	2018
Current income tax		- 30 256	- 36 799
Deferred income tax	8	15 714	14 996
		- 14 542	- 21 803

The tax rate adopted in determining the tax amount for the year in the consolidated condensed financial statements is as follows:

INCOME TAX	2019	2018
Nominal tax rate	21,00%	21,00%
Municipal surcharge	1,25%	1,25%
State surcharge (1)	9,00%	9,00%
Current income tax	31,25%	31,25%
Taxable temporary differences (2)	26,71%	22,50%
Deductible temporary differences other than tax losses (2)	31,20%	31,19%
Tax rate applicable to tax losses	21,00%	21,00%

- (1) 3% on taxable profit between EUR 1.5 million and EUR 7.5 million/5% on taxable profits between EUR 7.5 million and EUR 35 million/9% on taxable profit exceeding EUR 35 million.
- (2) The rate applied to temporary differences corresponds to the average rate that the Group expects to reverse these differences in view of their specifics. Temporary differences arise from reconciliation movements between the various Group companies.

The change in the effective rate from the nominal tax rate in the first half of 2019 and its 2018 counterpart is shown in the following reconciliation:

	NOTES	%	2019	%	2018
Profit before tax			49 495		69 204
Nominal tax rate		31,25%	15 467	31,25%	21 626
State Surcharge - Amount to be deducted / added		- 3,73%	- 1 845	- 2,51%	- 1 736
Permanent Tax differences (i)		1,13%	559	2,39%	1 656
Temporary differences - Revisions of estimates (ii)	8	- 4,13%	- 2 045	0,00%	-
Temporary differences - Other (iii)		4,17%	2 062	0,00%	-
Tax losses and tax benefits		0,03%	17	- 0,11%	- 73
Excess / (Insufficient estimate)		- 0,03%	- 15	0,01%	8
Separate taxation		0,69%	342	0,46%	321
Tax Expenses/(Income) in the year		29,38%	14 542	31,51%	21 803
Current tax Expenses/(Income)		- 61,13%	- 30 256	- 53,17%	- 36 799
Deferred tax Expenses/(Income)		31,75%	15 714	21,67%	14 996

- i. Includes mainly expenses related to social utility realisations in the amount of EUR 468,000 (EUR 508,000 in the first half of 2018);
- ii. It results from the impact of the review of the tax base on financing expenditures arising from the 2020-2022 Activities Plan and Budget;
- iii. Refers to financing expenses not accepted as expenses in the first half of 2019, but which are expected to be recovered as tax in future periods.

28. DISCLOSURES ABOUT RELATED PARTIES

28.1 SUMMARY OF RELATED PARTIES

The entities identified as related parties of the IP Group at 30 June 2019 and 31 December 2018, under the provisions of IAS 24 - Related Parties, are as follows:

30 JUNE 2019	RELATIONSHIP
Joint ventures	
AVEP	Joint venture (The Group holds 50.00% of the capital)
AEIE, CFM4	Joint venture (The Group holds 25.00% of the venture)
Other related parties	
AMT	Regulator
Portuguese State	Shareholder /Grantor
CP	Control relationship – State (Railway Operator)

31 DECEMBER 2018	RELATIONSHIP
Joint ventures	
AVEP	Joint venture (The Group holds 50.00% of the capital)
AEIE, CFM4	Joint venture (The Group holds 25.00% of the venture)
Other related parties	
AMT	Regulator
Portuguese State	Shareholder /Grantor
CP	Control relationship – State (Railway Operator)

28.2 SIGNIFICANT BALANCES AND TRANSACTIONS WITH PUBLIC BODIES

The IP Group is wholly owned by the Portuguese State, the shareholder function being performed by the Directorate General of the Treasury and Finance and jointly supervised by the Ministry of Infrastructure and Housing and the Ministry of Finance.

The following table shows the main balances (at 30 June 2019 and 31 December 2018) and transactions (referring to the first half of 2019 and 2018 respectively) between the IP Group and the State and other Public Entities:

30 JUNE 2019		NOTES	ASSETS		LIABILITIES		INVESTMENT	INCOME	EXPENSES
NATURE	ACCOUNTING ITEM		CURRENT	NON-CURRENT	CURRENT	NON-CURRENT			
Fee - Rail transport operators	Trade receivables/Trade payables (Clients/Suppliers)	10.1 19.1	17 278	-	197	-	68	32 782	2 713
Fee - Rail transport operators	Other accounts receivable/payable	10.2	1 291	-	1 291	-	-	-	-
Compensatory allowance	Compensatory allowance	21	-	-	-	-	-	29 874	-
Grantor - Account receivable	Grantor State Account receivable	11	3 840 956	-	-	-	-	-	-
Grantor - State - LDI Revenue	Sales and Services	20	-	-	-	-	-	12 458	-
Grantor	Interest earned - State grantor	26	-	-	-	-	-	34 922	-
TRIR/F	Other expenses and losses		-	-	-	-	-	-	2 146
RSC	Sales and Services	20	-	-	-	-	-	331 670	-
Accrued RSC income	Other accounts receivable	10.2	155 933	-	-	-	-	-	-
RSC collection costs	EXTERNAL SUPPLIES AND SERVICES	23	-	-	-	-	-	-	6 633
Increased RSC expenses	Other accounts payable		-	-	3 119	-	-	-	-
Shareholder loans	Shareholder funding / Shareholder loans	17.2	-	-	2 491 060	141 597	-	-	-
Financial expenses - Shareholder loans	Interest incurred - Loans		-	-	-	-	-	-	5 593
			4 015 457	0	2 495 667	141 597	68	441 706	17 086

			31 DECEMBER 2018				30 JUNE 2018		
			ASSETS		LIABILITIES		INVEST- MENT	YIELDS	EXPEN- SES
NATURE	ACCOUNTING ITEM	NOTES	CURRENT	NON-CUR- RENT	CURRENT	NON- CUR- RENT			
Fee - Rail transport operators	Trade receivables/Trade payables (Clients/Suppliers)	10.1 19.1	10 242	-	295	-	-	32 828	1 268
Fee - Rail transport operators	Other accounts receivable/payable	10.2	1 206	-	103	-	-	-	-
Compensatory allowance	Compensatory allowance		-	-	-	-	-	31 452	-
Grantor - Account receivable	Grantor State Account receivable	11	3 767 157	-	-	-	-	-	-
Grantor - State - LDI Revenue	Sales and Services	20	-	-	-	-	-	11 118	-
Grantor	Interest earned - State grantor	26	-	-	-	-	-	46 878	-
TRIR/F	Other expenses and losses		-	-	-	-	-	-	2 153
RSC	Sales and Services	20	-	-	-	-	-	333 535	-
Increased RSC income	Other accounts receivable	10.2	74 076	-	-	-	-	-	-
RSC collection costs	EXTERNAL SUPPLIES AND SERVICES	23	-	-	-	-	-	-	6 671
Increased RSC expenses	Other accounts payable		-	-	1 482	-	-	-	-
Shareholder loans	Shareholder funding / Shareholder loans	17.2	-	-	2 354 537	272 528	-	-	-
Financial expenses - Shareholder loans	Interest incurred - Loans		-	-	-	-	-	-	8 447
			3 852 681	0	2 356 416	272 528	0	455 811	18 539

28.3 BALANCES AND TRANSACTIONS WITH RAILWAY OPERATORS

The details of the balances with railway operators on 30 June 2019 and 31 December 2018 are detailed below:

BALANCES	NOTES	30-06-2019	31-12-2018
Balances receivable			
Trade receivables (Clients)	10.1	17 278	10 242
Other accounts receivable	10.2	1 291	1 206
Balances payable			
Trade payables (Suppliers)	19.1	197	295
Other accounts payable		1 291	103

The following is a breakdown of transactions in the first half of 2019 and 2018 with rail operators:

TRANSACTIONS	2019	2018
Investment	68	-
External supplies and services	- 1 980	320
Other expenses	26	19
Personnel expenses	708	930
Services rendered	32 737	33 098
Other revenue	45	- 270

28.4 JOINT VENTURES

The following are the impacts of jointly controlled operations on the consolidated condensed financial statements of the IP Group in the periods under analysis:

BALANCES	30-06-2019	31-12-2018
Assets	614	376
Liabilities	198	198

TRANSACTIONS	2019	2018
Revenue	273	0
Profit for the year	75	0

28.5 REMUNERATION OF CORPORATE OFFICERS

INFRAESTRUTURAS DE PORTUGAL, S.A.

EXECUTIVE BOARD OF DIRECTORS

Chairman: António Carlos Laranjo da Silva

Vice-Chairman: José Saturnino Sul Serrano Gordo and Carlos Alberto João Fernandes

Directors: Vanda Cristina Loureiro Soares Nogueira, Alberto Manuel de Almeida Diogo and Alexandra Sofia Vieira Nogueira Barbosa

The terms of the mandate and the remuneration statute associated with the exercise of the positions were established at the general meeting held on 29 March 2018.

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 27 (1) of Law 71/2018 of 31 December were also complied with, and no variable remuneration was paid to its managers.

The remuneration of the members of the Executive Board of Directors from 1 January 2019 to 30 June 2019 and from 1 January 2018 to 30 June 2018 was as follows:

EXECUTIVE BOARD OF DIRECTORS	2019		EXECUTIVE BOARD OF DIRECTORS	2018	
	REMUNERATION	EMPLOYER'S WELFARE CONTRIBUTIONS		REMUNERATION	EMPLOYER'S WELFARE CONTRIBUTIONS
António Carlos Laranjo da Silva	51 104	12 137	António Carlos Laranjo da Silva	51 818	12 137
Carlos Alberto João Fernandes	45 994	10 924	Carlos Alberto João Fernandes	46 773	10 924
José Saturnino Sul Serrano Gordo	45 994	10 924	José Saturnino Sul Serrano Gordo	46 822	10 924
Alberto Manuel de Almeida Diogo	40 883	9 710	Alberto Manuel de Almeida Diogo	41 719	9 710
Vanda Cristina Loureiro Soares Nogueira	40 883	9 710	Vanda Cristina Loureiro Soares Nogueira	41 649	9 710
Alexandra Sofia Vieira Nogueira Barbosa	40 883	9 819	Alexandra Sofia Vieira Nogueira Barbosa (i)	18 965	4 435
	265 742	63 222		247 746	57 839
(amounts in euros)			(amounts in euros)		

(i). For the period from 29 March 2018 to 30 June 2018

GENERAL AND SUPERVISORY BOARD

The remuneration of the members of this body were set at the general meeting on 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 remuneration paid to the remunerated members:

GENERAL AND SUPERVISORY BOARD	2019	
	REMUNERATION	EMPLOYER'S WELFARE CONTRIBUTIONS
Issuf Ahmad	10 682	2 169
	10 682	2 169
amounts in euros		

GENERAL AND SUPERVISORY BOARD	2018	
	REMUNERATION	EMPLOYER'S WELFARE CONTRIBUTIONS
Issuf Ahmad	10 682	2 169
	10 682	2 169
amounts in euros		

STATUTORY AUDITOR

ENTITY	2019	2018
Vitor Almeida & Associados, SROC, Lda.	15 218	11 498
amounts in euros		

29. RECENTLY ISSUED ACCOUNTING STANDARDS AND INTERPRETATIONS

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS THAT BECAME EFFECTIVE ON 1 JANUARY 2019 AND THAT THE GROUP ADOPTED IN PREPARING ITS FINANCIAL STATEMENTS

IFRS 16 – Leases. 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.

The adoption of this standard had the impact presented in note 2.3.

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.

The adoption of this standard had no significant impact on the Group's financial statements.

IAS 19 (amendment): Amendment, Curtailment or Settlement of plan: These amendments were issued in February 2018 and adopted by Commission Regulation (EU) 2019/402 of 13 March, with application no later than the date of commencement of the first financial year beginning on or after 1 January 2019. If an amendment, curtailment or settlement of the plan occurs, it becomes manda-

tory that the current service cost and net interest for the period after the remeasurement are determined based on the assumptions used for remeasurement. Modifications are also included to clarify the effect of a change, reduction or liquidation of the plan on the asset ceiling requirements.

The adoption of this standard had no significant impact on the Group's financial statements

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.

The adoption of this standard had no significant impact on the Group's financial statements.

IMPROVEMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

These improvements were issued in December 2016 and were adopted by Commission Regulation (EU) 2019/412 of 14 March. 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 2019:

IFRS 3 – Business combinations: requires re-measurement of interests previously held when an entity obtains control over a subsidiary over which it has joint control;

IFRS 11 – Joint Arrangements: clarifies that there should be no re-measurement of previously held interests when an entity obtains joint control over a joint transaction;

IAS – 12 Income Taxes: clarifies that all tax consequences of dividends should be recorded in profit or loss;

IAS 23 – Borrowing Costs: Clarifies that the portion of the loan that is directly related to the acquisition or construction of an asset owed after the corresponding asset is ready for its intended use is, for purposes of determining the capitalisation rate, considered an integral part of the entity's generic financing.

There are no impacts on the Group arising from the adoption of these improvements.

IFRIC 23 – Uncertainties over income tax treatments (new): It was issued in June 2017 and adopted by Commission Regulation (EU) 2018/1595 of 23 October, with effect from the date of commencement of the first financial year beginning on 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 adoption of this interpretation has no impact on the Group.

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BY THE IASB AND IFRIC BUT NOT YET ADOPTED BY THE EUROPEAN UNION

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 Group.

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 material impact on the Group's financial statements.

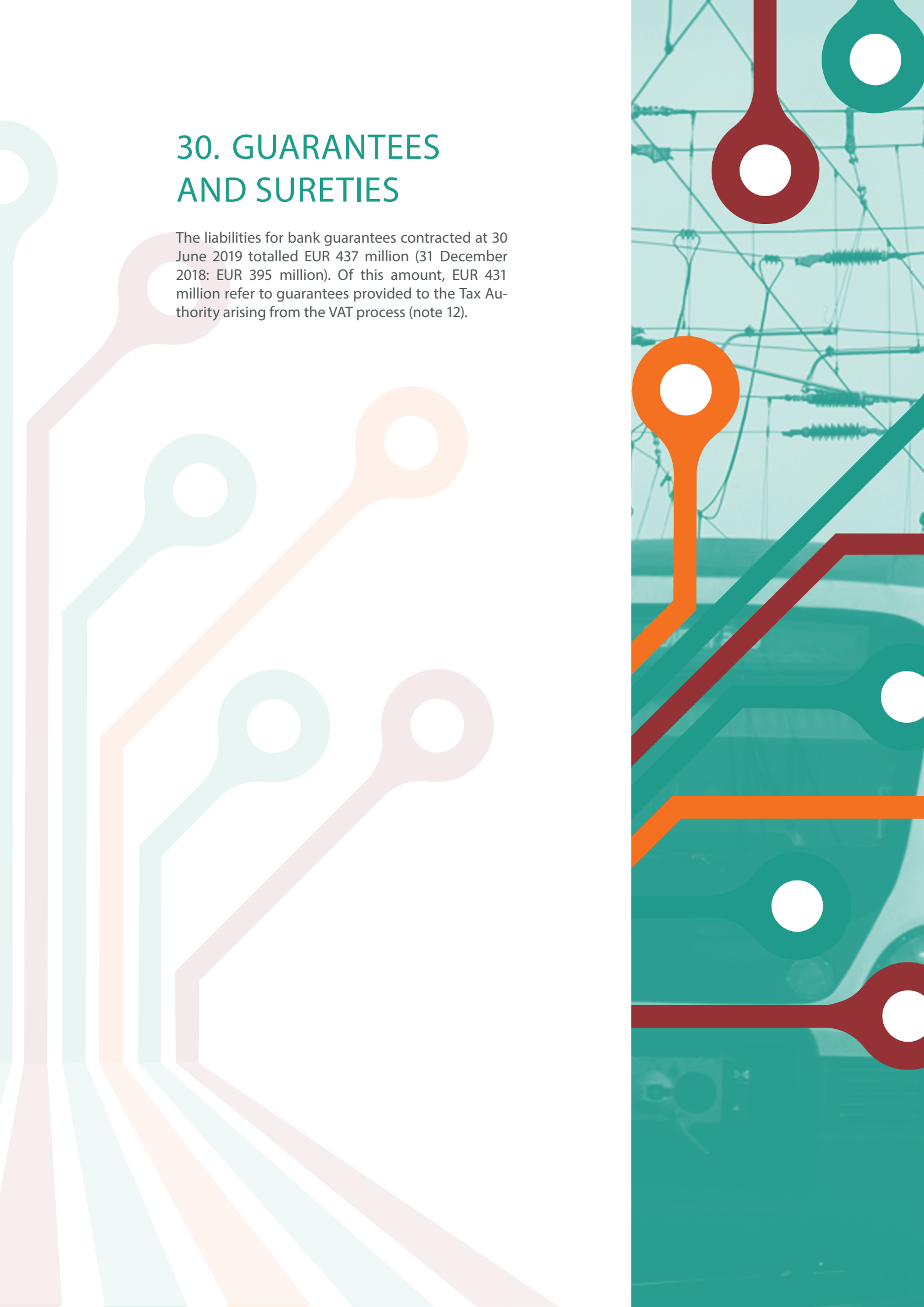
Amendments to references to the Framework in the IFRS: Corresponds to amendments in several standards (IFRS 2; IFRS 3; IFRS 6; IFRS 14; IAS 1; IAS 8; IAS 34; IAS 37; IAS 38; IFRIC 12; IFRIC 19; IFRIC 20; IFRIC 22 and SIC 32), with reference to the Framework revised in March 2018. This revision includes the updated definitions of assets and liabilities and new guidelines on measurement, de-recognition, presentation and disclosure thereof.

These amendments were issued in March 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.

30. GUARANTEES AND SURETIES

The liabilities for bank guarantees contracted at 30 June 2019 totalled EUR 437 million (31 December 2018: EUR 395 million). Of this amount, EUR 431 million refer to guarantees provided to the Tax Authority arising from the VAT process (note 12).



31. 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 at 30 June 2019, taking into account the provisions set up and expectations that existed on that date, including the situation concerning the legal challenge in the VAT case, as per note 12.

PENDING LAWSUITS

At 30 June 2019, the lawsuits in progress, related to railway expropriations, maintained the reported value at 31 December 2018 (EUR 3.897 million), and this amount is not reflected in the condensed consolidated 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 16.

VAT PROCEEDINGS

In addition to that described in note 12, the IP Group has the following ongoing VAT cases 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. 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. At the extreme, if the case is not won, the amount already deposited and payable to the Tax Authority, 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.

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.

32. 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 Group's net charges for State Road Concessions and Subconcessions, in accordance with its Concession Contract, at constant prices and with VAT, according to the amounts sent to the Directo-

rate General of Treasury and Finance, which were the basis of the values presented in the corresponding table in the State Budget Report for 2019, are those summarised in the following table:

EXPENSES OF CONCESSIONS AND SUB-CONCESSIONS (EUR MILLION)	2020	2021	2022	2023	2024	2025	2026	2027	2028
Gross Expenses	1 444	1 435	1 446	1 275	1 223	1 089	963	872	804
Revenue	- 347	- 354	- 391	- 423	- 430	- 437	- 470	- 460	-468
Net Expenses	1 097	1 081	1 055	852	794	653	493	412	336

EXPENSES OF CONCESSIONS AND SUB-CONCESSIONS (EUR MILLION)	2029	2030	2031	2032	2033	2034	2035	2036	2037
Gross Expenses	714	623	537	365	293	281	220	178	162
Revenue	-475	- 341	-221	-156	-132	-136	-140	-88	-74
Net Expenses	239	281	316	209	161	145	80	90	88

EXPENSES OF CONCESSIONS AND SUB-CONCESSIONS (EUR MILLION)	2038	2039	2040	2041	2042
Gross Expenses	168	43	10	-	-
Revenue	-75	-29	-6	-	-
Net Expenses	93	14	4	0	0

33. 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 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 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 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 part of the set of Reclassified Public Entities, having been included in the Public Administrations sector and considered equivalent to Au-

tonomous Services and Funds, thus forming an integral part of the State Budget universe.

34. 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 30 June 2019:

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's EBD suspended payments, at least until the CoA ruling on the AL CSA appeal; payments were resumed following a decision of the Court of Auditors (not to be subject to that decision following resubmission)
Baixo Alentejo	Interest on late payment of remuneration	Interest on arrears due to late payment of remuneration	IP's EBD suspended payments, at least until the CoA ruling on the AL CSA appeal; payments were resumed following a decision of the Court of Auditors (not to be subject to that decision following resubmission)
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 on 7 February 2019 (see article 21 of Decree-Law 111/2012 of May 23); NC set up
Baixo Tejo (AEBT)	Reinstatement of financial equilibrium	Failure to pay remuneration due	IP requested that SEI set up a negotiation commission on 7 February 2019 (see article 21 of Decree-Law 111/2012 of May 23); NC; deadline to contest is running
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)	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.
Algarve Litoral	Action for damages	Action brought by the Financing Banks	The deadline to contest is running (ends on 30/09/2019)
Algarve Litoral	Termination of the Reformed Subconcession Contract	Termination of the Reformed Subconcession Contract for reason attributable to IP	Deadline to contest is running (ends on 04/11/2019)

It should be noted that following the Court of Auditors' refusal to approve the renegotiation process for the Algarve Litoral sub-concession in accordance with Ruling no. 29/2018, the ongoing negotiations, especially those concerning the Baixo Tejo and Litoral Oeste sub-concessions, were suspended, although they were at a stage when agreement had already been reached on the reduction of future payments to be made by the IP Group, and the renegotiated version of the Ascendi Douro Interior, Estradas do Douro Interior, S.A. sub-concession contract was not signed.

The reason for the suspension of the negotiation process and the non-signature of the already renegotiated Douro Interior contract, the report of which by the Negotiation Commission awaits approval by the Government, are the doubts raised by Ruling no. 29/2018, which was the subject of an appeal, decided by Group's Executive 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 of the so-called "contingent remuneration payments" in future payments to be made to sub-concessionaires, which the Court had previously ruled, following an audit in 2011, would not be payable to the sub-concessionaires. This 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 sub-concession contracts already renegotiated, namely the sub-concession contracts for the Pinhal Interior, Transmontana Motorway, Baixo Alentejo sub-concessions, or those under renegotiation.

The Court of Auditors, through its ruling 13/2019 of 28 May, maintained the initial position of refusal of approval of the Algarve Litoral Subconcession Contract. As a result, the Executive Board of Directors decided to appeal to the Constitutional Court and resubmitted the Amended Subconcession Contracts (Baixo Alentejo, Transmontana Motorway and Pinhal Interior subconcessions) for the prior approval of the Court of Auditors.

The Court of Auditors considered these contracts and concluded that the Altered Subconcession Contracts of the Baixo Alentejo and Transmontana

Motorway sub-concessions are not subject to Prior Supervision. The decision regarding the Pinhal Interior sub-concession contract is still pending publication.

COMPENSATION, RESERVES OF RIGHTS AND REQUESTS FOR REINSTATEMENT OF FINANCIAL EQUILIBRIUM (REF) IN STATE CONCESSIONS

These are State concessions, negotiated by the Portuguese State with the Concessionaires, and the Group, not being a counterparty, is unaware of any reservation of rights and/or request for rebalancing. As part of its Concession Contract with the State, the Group may possibly be called upon to pay these REF if the Grantor so decides.

In the first half of 2019, the Group recorded charges in the amount of EUR 8.48 million of co-payments, compensation and rebalances, of which we highlight:

- i) Payment of compensation to the concessionaire AEDL – Auto-estradas do Douro Litoral, in the amount of EUR 4.65 million, according to Arbitral Award of 17/02/2017.
- ii) Implementation of the Financial Rebalancing Agreement IX with Lusoponte, resulting in a balance of EUR 3.97 million in favour of Lusoponte.
- iii) Payment of the amount of EUR 0.26 million relative to the reimbursement of the TRIR (Road Infrastructure Regulation Charge) and SIEV, to various concessionaires.
- iv) Receipt of EUR 0.39 million related to the return of expropriation amounts from the Northern and Greater Porto concessions.

APPROVAL OF THE ACCOUNTS FOR THE 2018 PERIOD

At the date of approval of these financial statements, the separate and consolidated financial statements and the report of the Executive Board of Directors for 2018 had not yet been approved by the shareholder.

35. SUBSEQUENT EVENTS

By Unanimous Corporate Decision in Writing, dated 7 August 2019, the share capital of IP was increased by EUR 101.655 million through the issue of 20,331 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.

In August and following the improvement of the Portuguese Republic's rating outlook, the international rating agency Moody's Investors Service also changed the rating outlook of IP from Stable to Positive, maintaining the credit rating at Ba1.

Through letter no. 2785 of 5 July 2019, a new deferral of the debt service payment of loans granted by the Directorate General for Treasury and Finance (DGTF), in the road and railway component, was granted from 31 May 2019 to 30 November 2019, without additional costs. As regards the road component, the amount due in November totals EUR 2,213.5 million (EUR 2,098.5 million in amortisation and EUR 115 million in interest). The value corresponding to the railway component, due in November, amounts to EUR 150.3 million (EUR 144.8 million in amortisation and EUR 5.5 million in interest).



The background of the cover page is a teal-tinted photograph of railway tracks. In the upper left, there are road signs: a circular sign with the number '50' and a rectangular sign below it showing two cars. The tracks run diagonally from the bottom left towards the top right. At the bottom of the page, there are three overlapping geometric shapes: a red triangle pointing right, a teal rectangle, and an orange rectangle.

Part III AUDITOR REPORT

INFRAESTRUTURAS DE PORTUGAL, S.A.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS

30 JUNE 2019

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**(Free translation from a report originally issued in Portuguese language.
In case of doubt the Portuguese version will always prevail)**

Introduction

We have reviewed the accompanying condensed consolidated financial statements of INFRAESTRUTURAS DE PORTUGAL, S.A. (the Group), which comprise the condensed consolidated statement of financial position as of 30 June 2019 (that presents a total of 26.811.321 thousand euros and a total net equity of 7.217.030 thousand euros, including a net profit of 34.953 thousand euros), the condensed consolidated of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for six month period then ended, and the accompanying explanatory notes to these condensed consolidated financial statements.

Executive Board of Directors' responsibilities

The Executive Board of Directors is responsible for the preparation of these condensed consolidated financial statements in accordance with International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union, and for the implementation and maintenance of an appropriate internal control system to enable the preparation of condensed consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express a conclusion on the accompanying condensed consolidated financial statements. Our work was performed in accordance with ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity and further technical and ethical standards and guidelines issued by the Portuguese Institute of Statutory Auditors (“Ordem dos Revisores Oficiais de Contas”). These standards require that we conduct the review to conclude whether something has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared in all material respects in accordance with the International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

A limited review of condensed consolidated financial statements is a limited assurance engagement. The procedures that we performed consist mainly of making inquiries and applying analytical procedures and subsequent assessment of the evidence obtained.

The procedures performed in a limited review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (ISA). Accordingly, we do not express an audit opinion on these condensed consolidated financial statements.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements of INFRAESTRUTURAS DE

PORTUGAL, S.A., as at 30 June 2019, are not prepared in all material respects, in accordance with the International Accounting Standard 34 – Interim Financial Reporting as adopted by the European Union.

Emphases

Without modifying our conclusion, we draw your attention for the following matters:

As disclosed in paragraph 4.4.1 of the Management Report and in note 34 to the condensed consolidated financial statements, the State Court of Accounts, by judicial decision no. 29/2018, refused to grant approval (Visa) to the Amended Subconcession Agreement of Algarve Litoral, agreed with the Subconcessionaire in the context of a renegotiation process, and this refusal of Visa was confirmed by judgment decision no. 13/2019 of May 31, 2019, following the appeal filed. The Entity appealed the decision to the Constitutional Court, awaiting its outcome. However, on July 17, 2019, and pursuant to applicable law, the Subconcessionaire submitted a request for the declaration of termination of the subconcession agreement, which was not accepted by the Entity, which led the Subconcessionaire's to initiate in early September an arbitration proceeding against IP. On the other hand, the financing entities have filed a legal action for damages, and in both cases deadlines for contestation are underway.

As disclosed in the same paragraph and note above, as a result of the understanding expressed in the first decision of the State Court of Accounts, the ongoing negotiation proceedings regarding the Baixo Tejo and Litoral Oeste subconcessions were suspended and the amended subconcession contracts were resumed. Consequently, the Baixo Tejo Subconcessionaire invokes the existence of financial imbalances resulting from the obligations provided for in the respective amended contract, due to the impossibility of construction and operation of ER 377-2, requiring the constitution of a Trade Commission. As regards the amended subconcession contracts for Baixo Alentejo, Pinhal Interior and Transmontana, they were again submitted by the Entity to the State Court of Accounts following judgment decision 13/2019 for the purposes of preliminary examination and was notified that such amended contracts are not subject to such requirement.

As disclosed in note 12 and to the condensed consolidated financial statements, current assets recorded under the heading 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, totaling 1.389.369 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 is 1.405.879 thousand euros plus interest up to the same date, amounting to 84.162 thousand euros, which were subject to judicial claim (years 2019 (two), 2011 and 2012) and administrative complaint (years 2013 and 2014) or are in the process of complaint (year 2015). As also disclosed in note 12, the holding company was notified in October 2017 of the judicial decision that revokes the sentence appealed of one of the judicial proceedings (tax amounting to 64.506 thousand euros), deciding entirely in favor of EP, and cancelling the additional liquidations issued by the Tax Authority, that appealed to the Supreme Administrative Court. As disclosed in notes 12 and 16, the Group has booked annually provisions corresponding to the total VAT deducted in activities financed by CSR, which as at 30 June 2019 shows a total amount of 375.941 thousand euros. It is emphasized that any risk associated with VAT deducted but not provided for, has essentially an accounting impact on the cost of the concession right of the national road network.

According to the information disclosed in note 17.2 to the referred financial statements, a significant part of the Group's financing has been provided by the shareholder State, with a total financing, as

of June 30, 2019 amounting to 2.632.658 thousand euros, including interest. The amount disclosed under current liabilities (2.491.060 thousand euros) includes 2.039.921 thousand euros that already reached maturity in respect of which a moratorium has been granted with interest suspension. Also, and as mentioned in note 11, current assets include 3.840.956 thousand euros of investments made by the Group on behalf of the State, in long term railway infrastructures.

As disclosed in notes 2.4 and 7 to the condensed 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.

As disclosed in note 34 the financial statements for the year ended December 31, 2018, are still pending of approval by the shareholder State.

Lisbon, 27th September 2019

SIGNED ON THE ORIGINAL

RCA – Rosa, Correia & Associados, SROC, S.A.
Represented by Gabriel Correia Alves, ROC



**Infraestruturas
de Portugal**

Infraestruturas de Portugal, SA

Campus do Pragal · Praça da Portagem
2809-013 ALMADA · Portugal

Phone +(351) 212 879 000
e-mail ip@infraestruturasdeportugal.pt
Capital Stock 6 974 165 000,00 €
TIN 503 933 813

www.infraestruturasdeportugal.pt



IP Engenharia

IP Engenharia, SA

Rua José da Costa Pedreira, 11
1750-130 LISBOA · Portugal

Phone +(351) 217 511 700
Fax +(351) 217 540 600
e-mail info@ipengenharia.pt
Capital Stock 1 500 000,00 €
TIN 500 440 131
www.ipengenharia.pt



IP Património

IP Património, SA

Avenida de Ceuta
Estação de Alcântara-Terra
1300-254 LISBOA · Portugal

Phone +(351) 212 879 656
e-mail geral@ippatrimonio.pt
Capital Stock 5 500 000,00 €
TIN 502 613 092
www.ippatrimonio.pt



IP Telecom

IP Telecom, SA

Rua Passeio do Báltico, 4
1990-036 LISBOA · Portugal

Phone +(351) 211 024 000
e-mail info@iptelecom.pt
Capital Stock 10 000 000,00 €
TIN 505 065 630

www.iptelecom.pt