



**MANAGEMENT
REPORT** 2020

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PART IV – LEGAL CERTIFICATION OF ACCOUNTS 2020





Part I
Management Report
2020



1. ABOUT THE REPORT

Infraestruturas de Portugal, SA publishes the Integrated Report for the year 2020 providing financial and non-financial information, according to the latest reporting guidelines published by the International Integrated Reporting Council (IIRC), and the legal guidelines for the State-owned Enterprises Sector, adjusted as needed to the company's reality.

In recent years IP Group increased its focus on the expansion of multi modal mobility, whilst managing the vast infrastructure network placed under its responsibility. The Company plays a relevant role in the country's economic and social development under the motto **WE CONNECT PLACES**.

This integrated report describes the activity and performance of the different business areas and capitals (human, intellectual, social, natural and financial), not to mention IP Group's greatest current challenge, i.e., the modernisation of the National Railway Network in line with the 2020 Ferrovias Investment Programme.

This report will provide a better understanding of our business strategy, and the transfer of value to our stakeholders (employees, shareholders, customers, regulators, suppliers, partners, etc.) to whom this Report is addressed.

All of these aspects, which form part of the Management Report (Part I), are presented and developed from IP Group's perspective, focused on IP's operation as the largest company within the Group, and remaining companies, which operate under a common corporate strategy.

Parts II and III of this report present the individual and consolidated financial statements and respective notes to the accounts; Part IV comprises IP's Corporate Governance Report, and Part V includes the Global Reporting Initiative (GRI) table.

The financial statements of IP and IP Group were prepared on the basis of ongoing operations, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), issued and in force on 31 December 2020.

IP's 2020 Corporate Governance Report was prepared in accordance with the manual provided by the Technical Unit for Monitoring and Supervision of the State-owned Enterprises Sector (UTAM).

The disclosure of non-financial information follows the guiding principles of the Global Reporting Initiative (GRI) and complies with mandatory disclosure provisions in Decree-Law 89/2017 of 28 July, and art. 66(B) and 508(G) of the Companies Code relating to consolidated non financial information.

This document is digitally signed (Part VI).

The Management Report and the Financial Statements were approved by the General Supervisory Board, certified by the statutory auditor Vitor Almeida e Associados, SROC, Lda, and audited by the external entity BDO - Rosa, Correia & Associados, SROC, SA (Part VII).

For further information on the data published in this report or if you wish to send us your comments, please write to us to the following email address: ip@infraestruturasdeportugal.pt; or postal address: Campus do Pragal - Praça da Portagem, 2809-013 ALMADA · Portugal.

Inclusive Language

Due to the length of the text, we did not use gender-inclusive language. The only reason for this decision is to make the report easier to read; this does not jeopardize our fight against all forms of sexist communication.

2. FOREWORD FROM THE CHAIRMAN

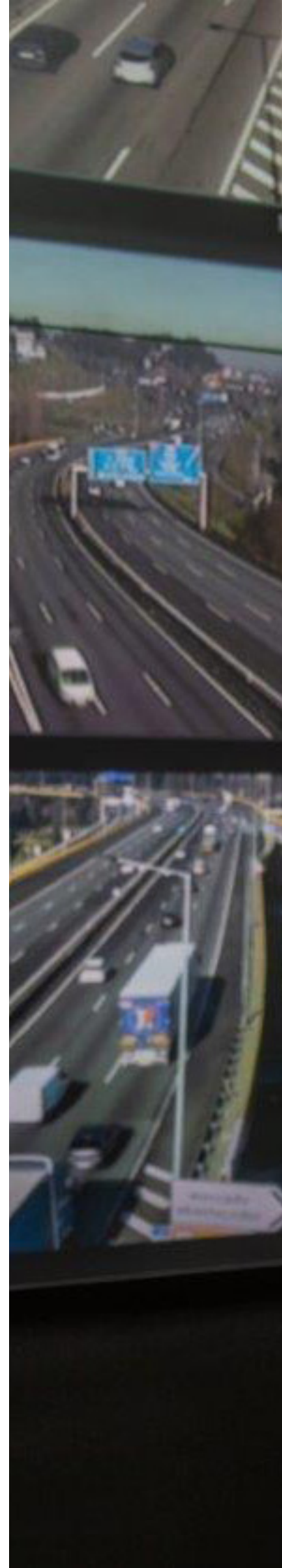
2020 brought many challenges and changes into the world. It brought an unwanted and uncertain reality that changed our way of life at personal and family levels, including the way we work and socialize. The COVID-19 pandemic had a major impact across society, including IP.

Despite the adverse background, we managed to overcome the challenges, introducing the necessary measures to prevent and fight the pandemic, and also thanks to the commitment, dedication and professionalism of our employees, with the continuous support of our Shareholder.

The importance of our performance throughout this difficult period surpasses the dimension of the company itself. As I said one year ago during the presentation of 2019 results, it is in times like these that we see the relevant role of IP in the country's economic development, being responsible for over 15,000 kilometres of roads and over 3,600 kilometres of railway lines and branches (2500 km in operation).

Our successful performance against such backdrop is clearly shown in the following indicators:

- i) Road and railway infrastructures remained in service and with the same performance levels at all times, despite the pandemic background.
- ii) Current road and railway maintenance plans recorded implementation levels of 96% and 94%, respectively;
- iii) The fiscal implementation of the Investment Plan vis-à-vis 2019 increased by 29%, totalling € 204.8 million, the highest implementation level since 2011;
- iv) The programme laid down for 2020 regarding new investment, namely those relating to the 2020 Investment (Rail) Programme was maintained.





ANTÓNIO LARANJO
Chairman
Infraestruturas de Portugal, SA

In this respect, it is worth noting that the Company's going concern and Mission were duly safeguarded as was the health of our employees, 60% of whom continued to perform on-site work to ensure the operation of critical services.

Several measures were taken to prevent and mitigate risk, complemented by a new work organisation model.

As far as risk prevention and mitigations measures are concerned, we followed clear and well-adjusted procedures in situations of suspected and positive infection cases; we acquired the necessary equipment and material; we hired additional cleaning and disinfection services, and we periodically tested workers performing critical railway traffic command and control functions.

In terms of work organisation, we temporarily decentralised workers from Railway Control Operational Control Centres, in order to reduce concentration and infection risks, and we adopted a mixed remote / in-place regime, where possible.

Such measures provided objective conditions to reduce the risk of COVID-19 infection spreading. Accordingly, the company continued to pursue its mission with minimum disruption, and a reduced number of infected personnel; the majority of infection cases occurred outside the company, with employees doing remote work.

The impact of the pandemic at economic and financial levels, however, was huge.

The direct impact of the pandemic situation on the IP Group pre-tax results as compared to 2019 reflected losses of € 139 million, mainly as a result of losses in core revenues, specifically, Road Service Contribution and toll revenues, as people movement was severely restricted throughout the year. The loss of revenues from railway services was less significant, totalling approximately € 8 million, due to the suspension of passenger train traffic in March and April 2020.

The COVID-19 pandemic situation was responsible for the Group's first losses in its history, in the amount of € 57.2 million,

Notwithstanding the impact of the COVID-19 pandemic, Operating Results were positive, reaching

€ 208.5 million, falling short by € 98.9 million in relation to the previous year.

Expenses with supplies and services totalled € 305.9 million, in line with the previous year (-0.9%). Personnel expenses amounted to € 137.6 million, also in line with 2019 (-0.6%).

As already mentioned above, the financial implementation of the investment plan increased by 29% in 2020, totalling € 204,8 million, and reaching levels last seen in 2011.

Particularly worth noting is the 2020 Railway Programme with a financial implementation of € 137.3 million in 2020. This investment plan is in full swing as 81% of the programmed investment is either completed, under way or in contract phase.

Despite the constraints motivated by the COVID-19 pandemic, the public tender programme foreseen for 2020 was fully met; we may, therefore, anticipate high implementation rates already in 2021, and in 2022 and 2023, with works on the main lines of the National Railway Network, from the Northern border down to the Algarve.

Investments in the road network also rose significantly in 2020, reaching € 28.1 million, including € 10 million invested in the Business Areas Enhancement Plan. Prospects for 2021 and following years in the road sector are for considerable growth in the volume of investment, in line with the work developed in 2020 and previous years; in this field, it is worth noting the awarding in 2020 of the contract works for the Escariz Business Area link to A32, in the amount of € 30.4 million.

The Mondego Mobility System is another structural investment started in 2020, with the construction of Alto de São João-Serpins section, which is presently under way.

The year under review saw the laying of the foundations of the 2030 National Investment Plan (PNI2030), which contemplates an overall expenditure of € 10.5 thousand million in the railway infrastructure and € 2 thousand million in the road infrastructure. In line with these plans, IP has already launched design projects in the amount of € 12 million, out of an estimated total of € 60 to 70 million.

Additionally, the Group will be focused on the Resilience and Recovery Programme, a relevant part of which will be allocated to the road sector, specifically in three major areas: a) missing links, i.e. road bottlenecks that must be solved, border links and links to business areas, the latter complementing the 1st business areas accesses improvement plan launched in 2017 and currently in full swing.

In view of the above it is clear that the increase in activity recorded in 2020 will continue in 2021 and the following years.

The strengthening and rejuvenation of our staff gains, therefore, particular relevance. We are currently undertaking the largest recruitment programme IP has ever seen, as we plan to recruit around 220 workers, adding to the 170 hired since 2017.

This recruitment plan was approved by the Secretary of State for the Treasury and the Secretary of State for Infrastructures in July 2020, in response to the ongoing investment in infrastructures that will stretch across the next 10 years, recovering and surpassing public investment levels prior to 2011.

Our role in society goes beyond the management of infrastructures. Taking into account the underlying public interest in our activity, the IP Group is committed to sustainability policies at economic, social, environmental, and cultural levels, and to the best social responsibility practices.

During the year under review several initiatives were developed in this scope, as will be detailed further down in this report, in line with the work started in previous years, to be continued in the future.

As regards sustainable mobility, in 2020 the IP Group renewed its car fleet, purchasing 42 100%-electric vehicles and 32 hybrid vehicles. Moreover, 38 charging stations were deployed across 20 different facilities throughout the country. This initiative is in line with IP's commitments in terms of sustainability and mobility, since it will allow a significant reduction of direct emissions of greenhouse gases generated by its fleet.

Finally, I would like to thank all employees for their dedication and professionalism, and Shareholder, the Supervisory Bodies and other Stakeholders for the collaboration and confidence shown.

Thank you all...



3. ABOUT US

IP GROUP is the largest group in the management of transport infrastructure in Portugal; its major aim is to provide a safe, efficient and sustainable multimodal mobility service.

Infraestruturas de Portugal, SA (IP) is the state-owned company that resulted from the merger of Rede Ferroviária Nacional – REFER, EPE (REFER) and EP - Estradas de Portugal, SA (EP). The merger entered into force on 1 June 2015, as provided in Decree-law 91/2015 of 29 May.

IP is responsible for the management of road infrastructures, as provided in the General Concession Contract for the national road network entered into with the State. IP also provides public services as manager 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.

Road Concession Contract:

The State entered a concession contract with EP, SA (now integrated in IP), the bases of which were approved in annex to Decree-Law 380/2007 of 13 November, amended by Law 13/2008 of 29 February, Decree-Law 110/2009 of 18 May, and Decree-Law 44-A/2010 of 5 May.

One of the more relevant changes concerned the introduction of the concept of availability, which consists of assessing the quality of the service provided to users and measuring road accident levels, and levels of externalities generated therefrom, translated in performance indicators.

The National Road Network gets its financing from tolls charged in tolled roads, in addition to other operating income and the Road Service Contribution (RSC), as defined in Law no. 55/2007, of 31 August.

Railway Framework Contract:

On 11 March 2016 the State and IP signed a 5-year Framework Contract for the National Railway Network, as provided in Decree-Law no. 217/2015, of 7 October.

This Framework Contract was extended by six months until June 2021; a new contract is being prepared to regulate the public management service of the National Railway Network infrastructure for the 2021-2025 period.

The State's main obligation is to finance the management of the infrastructures, whilst IP is required to meet user-oriented performance targets, specifically quality indicators and criteria, covering such aspects as network availability, quality of the infrastructure, performance measured by line speed and reliability, and customer satisfaction, safety levels, and environmental protection. The contract also establishes financial efficiency objectives for IP in the form of revenue and expenditure indicators.

The National Railway Network is financed through the tariff revenues charged to railway operators; surpluses resulting from ancillary activities associated with the operation of the railway infrastructure; and compensatory allowances to cover the costs of fulfilling public service obligations that are not covered by such revenues.

We are, therefore, the largest Portuguese group in the management of transport infrastructure; our aim is to provide safe, efficient and sustainable multimodal mobility services.

IP is, moreover, a reference company at national and international levels, combining unique know-how from the experience and skills of its staff with a keen appetite for and openness to innovation, which are decisive factors against a context of fast evolving mobility services.



3.1 The IP Group

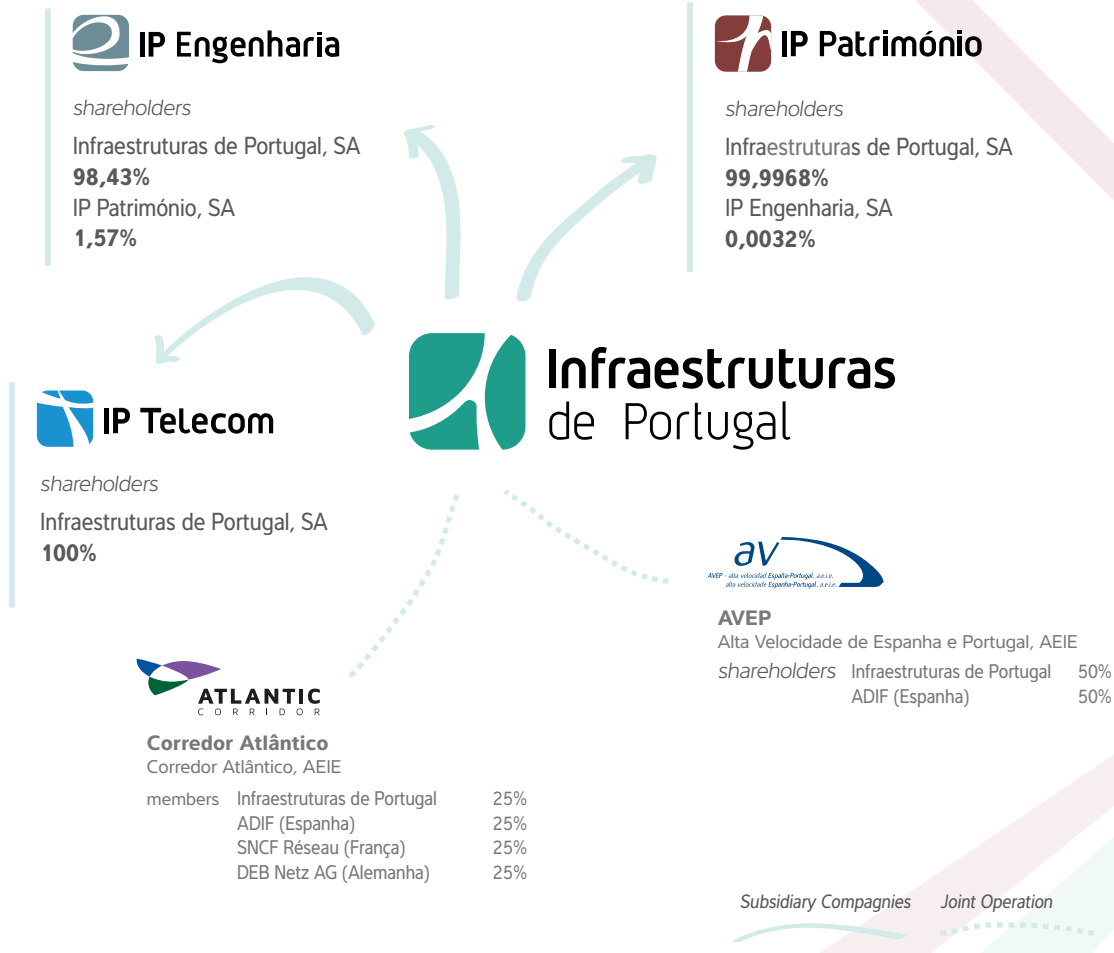
IP Group gathers the technical know-how required for the good performance of road and rail infrastructures, in the areas of design, construction, financing, maintenance, operation, redevelopment, extension and modernisation of the national road and rail networks, which includes, in relation to the latter,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

IP currently holds stakes in the share capital of three companies: **IP Engenharia**, **IP Património** and **IP Telecom**.

These subsidiaries are profit centres aimed to optimise the non-core revenue of the Group, making the best possible use of existing surplus capacity in assets not used in main activities.

IP Engenharia, on the other hand, focuses most of its activity in the achievement of the 2020 Ferrovia Programme.

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



3.2 Mission, Vision and Values

MISSION

IP's corporate object is the planning, design, construction, financing, maintenance, operation, renovation, expansion and modernisation of the national road and railway networks, including the command and control of train movements in the railway domain.

VISION

Position Infraestruturas de Portugal as 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.

VALORES

ETHICS

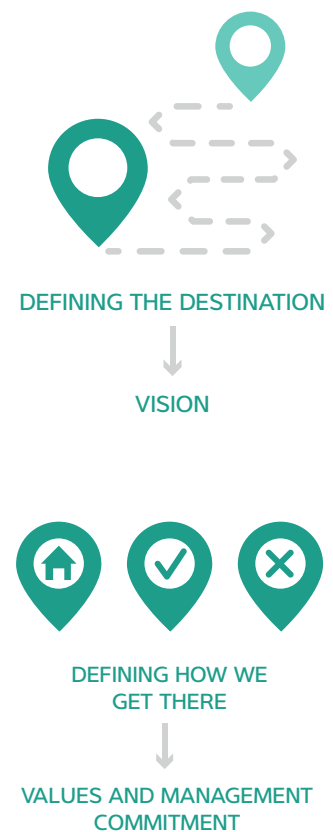
Act with respect for ethical principles, namely transparency, good faith and honesty.

SAFETY

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

SUSTAINABILITY

Act oriented towards economic, social and environmental sustainability.



3.3 Our Networks

3.3.1 Road Network

The total length of the network operated by IP is currently 15,049 km, of which 14,036 km are directly managed, and 1,013 km are under concession.

The 14,036 km network under direct management of IP is distributed as follows:

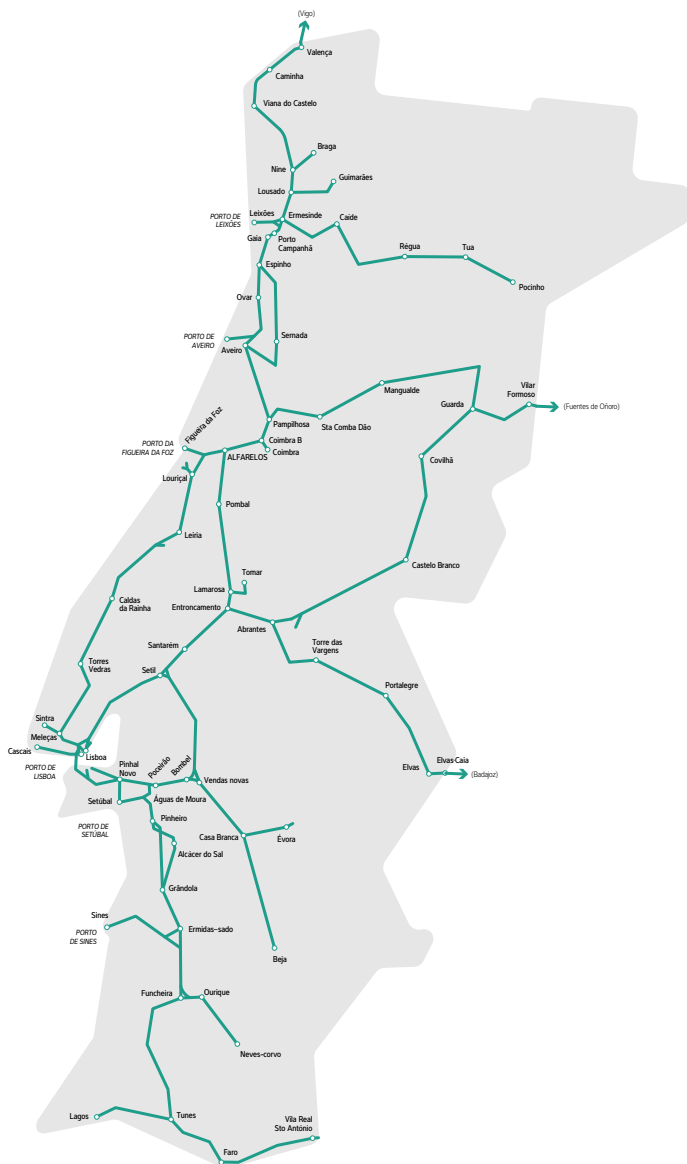
- IP (Main Itinerary) = 322 km;
- EDIP (Declassified Roads ensuring IP corridors) = 157 km;
- IC (Complementary Itinerary) = 610 km;
- EDIC (Declassified Roads ensuring IC corridors) = 1,182 km;
- EN (National Road) = 4,680 km;
- ER (Regional Road) = 3,345 km;
- ED (Declassified Road) = 3,740 km.

As regards changes in the classification of road sections not included in the National Road Plan, 43,492 km were placed under the control of five municipalities in 2020.

New roads opened to traffic in 2020 were the Mondim de Basto link to EN210 and the by-pass to EN14 between Jumbo section and the Diagonal Road, with total length of approximately 5.4 km.

Section of A26/IP8 - Grândola Sul (A2) - Santa Margarida do Sado, with 12 km in length, also became operational in 2020.





3.3.2 Railway Network

The national railway network lines and branches (whether operating or idle) total 3,620 km in length.

No changes in the length of the National Railway Network (including lines in operation and not in operation) have occurred during the year under review, which stands at 3 621 km. Seventy per cent of the network is in operation, corresponding to 526 km, of which 916 km is single track and 610 km multitrack.

The length of the electrified network (696 km) accounts for 67% of the overall network in operation.

The Convel speed control system associated with electrical or electronic signalling systems is installed on approximately 67% of the network in operation (695 km). The Solo-Train Radio supplementary safety system is implemented on 60% of the network in operation (510 km).

The GSM-R (Global System for Mobile Communications – Railways) digital system according to European Interoperability Directives, is deployed over 25 km of network, whilst 116 km use GSM-P (“P” means that communications are made over the Public Network).

In 2020, there were 465 railway stations in operation, of which 429 were exclusively for passenger service, 8 exclusively for freight service and 28 for combined services.



3.3.3 Trans-European Transport Network

Part of the national road and rail network is integrated in the Trans-European Transport Network, with the aim of strengthening the social, economic and territorial cohesion of the Union and create an efficient and sustainable single European transport area.

The European Union's goal is to provide more benefits to users and ensure inclusive growth, focused on modal integration, interoperability and coordinated infrastructure development, especially for cross-border sections and at bottlenecks.

The network comprises 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 goals of TEN-T.

The national railway network comprises 1800 km, of which 900 km form the main network. The national road network comprises 800 km of main network.



Global and Main Road Network

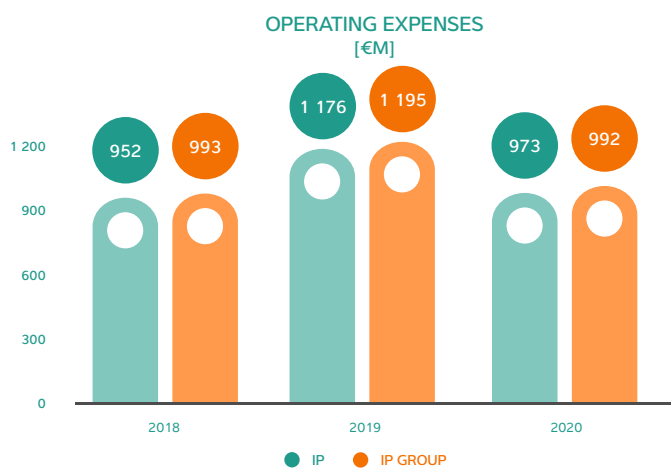
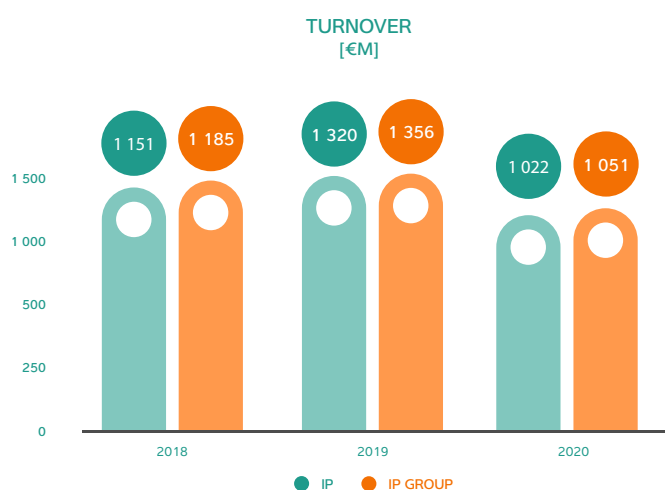


Global and Main Railway Network

3.4 Key Indicators

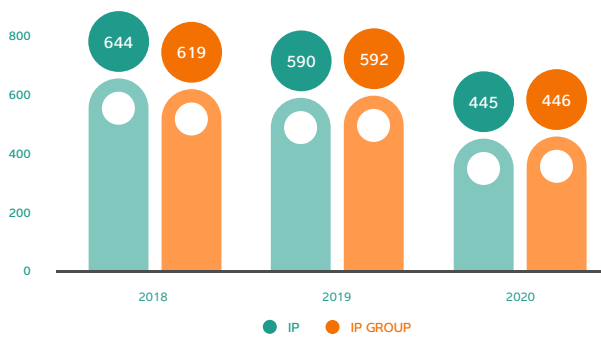
3.4.1 Financial Capital

IP Group's turnover in 2019 reached €M 1,051.

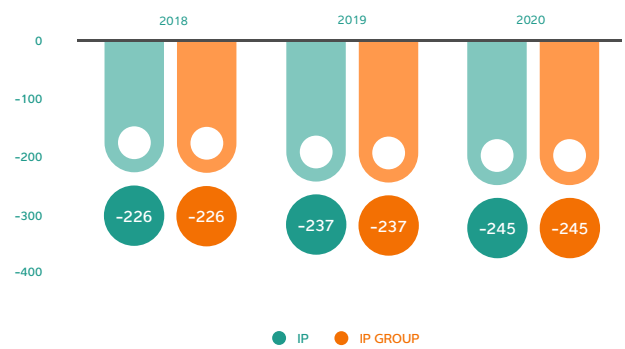




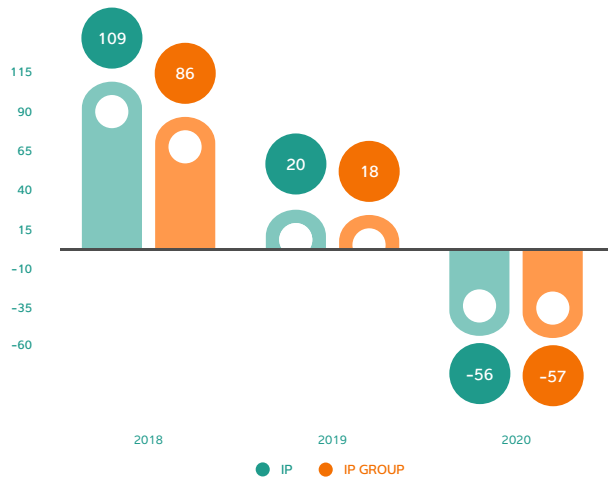
EBITDA [€M]



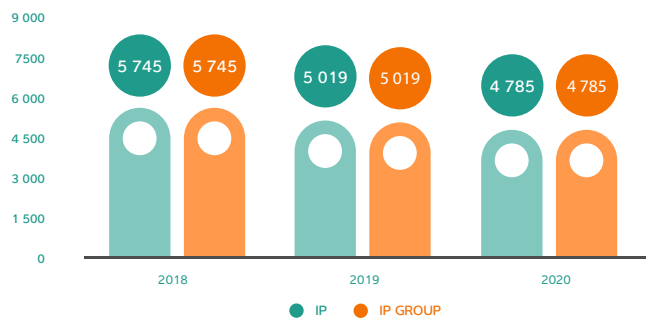
FINANCIAL RESULTS [€M]



NET PROFIT [€M]

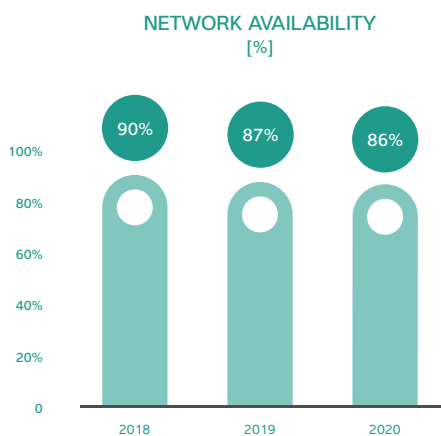
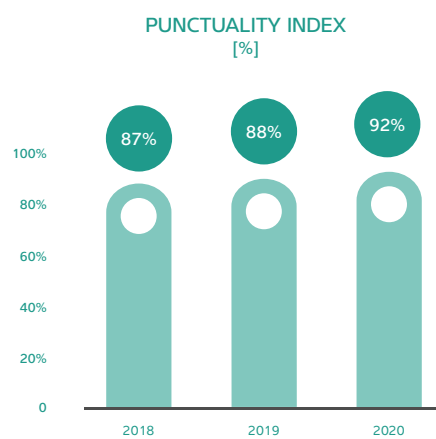
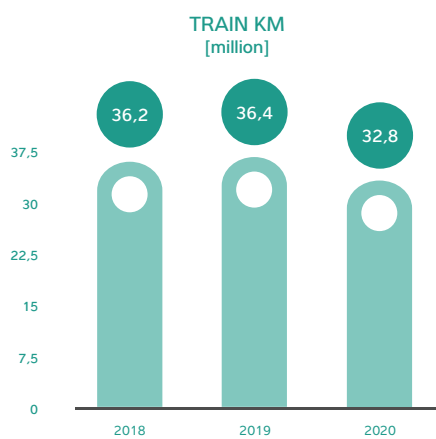


DEBT [€M]



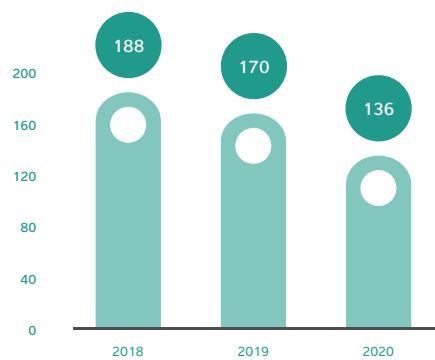
3.4.2 Operational

In 2020 a total of 32.8 million train-kilometre (TK) were travelled by rail operators, of which 84% consisted of passenger traffic and 16% were freight traffic.

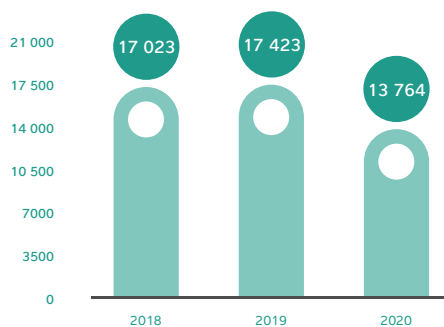


In terms of accidents, the year saw a decrease in the number of fatal casualties, and an inflection in the growing trend of the severity index of accidents in built-up areas.

FATALITIES (ROAD)
[No]

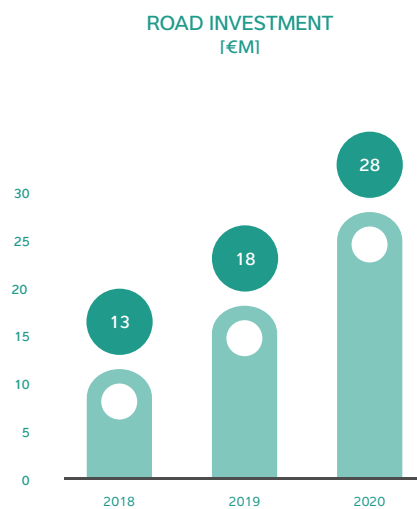
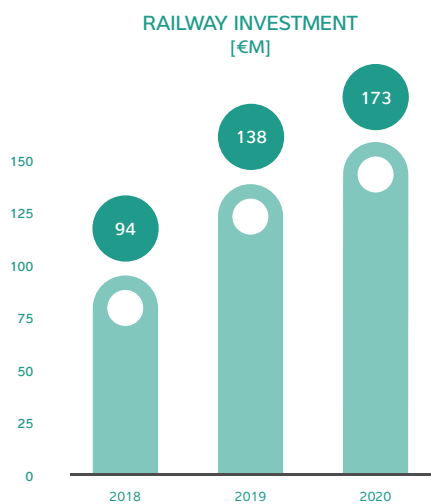


SEVERITY INDICATOR IN BUILT-UP AREAS
[index]



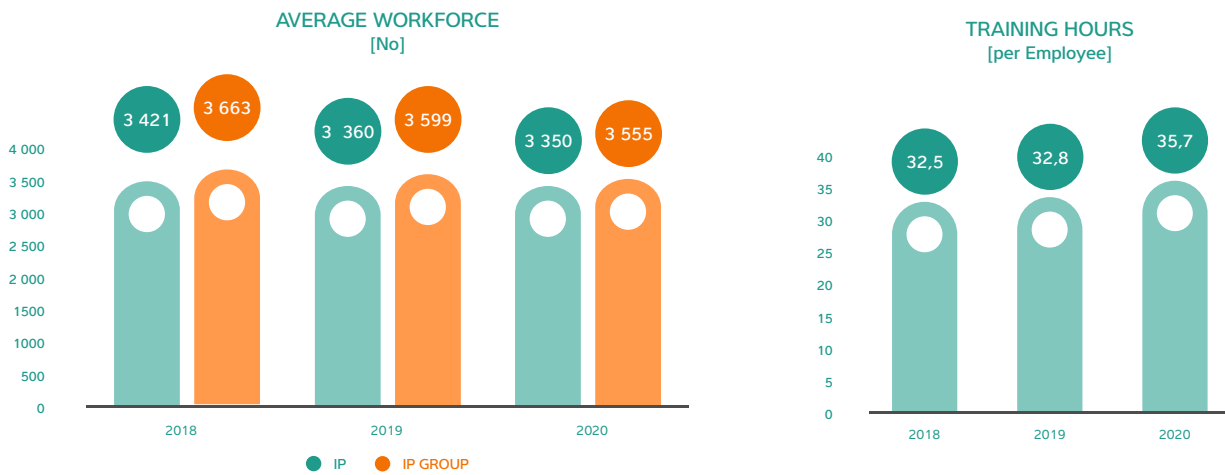
3.4.3 Investment

Railway investment rose by 26% in 2020, boosted by the 2020 Railway Programme.



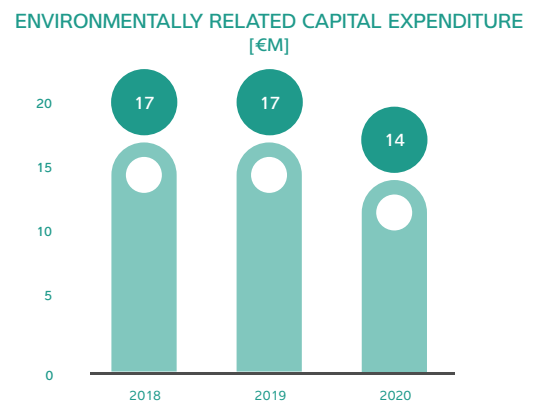
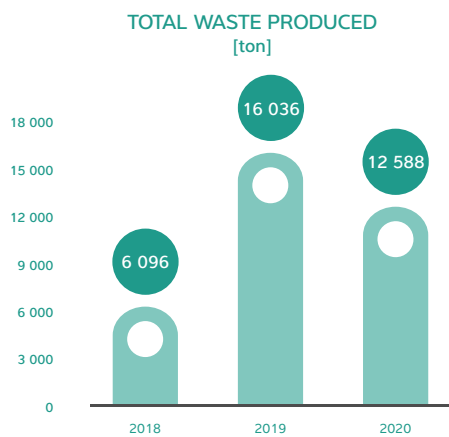
3.4.4 Human Capital

The company wants to stabilise its current workforce, replacing employees and strengthening the workforce in specific critical areas, namely operational traffic and infrastructure maintenance areas.



3.4.5 Natural Capital

In 2020 environment-related investment covered numerous aspects, however, the largest slice was assigned to current maintenance contracts.



3.5 Highlights of the Year

JANUARY

FERROVIA 2020 – INTERNATIONAL SOUTH CORRIDOR – EAST LINE

On 20 January Infraestruturas de Portugal (IP) marked the completion of the contract works for the modernisation of the Elvas–Caia section, involving an investment of € 16.7 million.



IP SIGNS LISBON EUROPEAN GREEN CAPITAL COMMITMENT 2020

IP joined the Lisbon European Green Capital Commitment 2020 on 20 January.



PROTOCOL SIGNED BY IP, ISCTE AND UNIVERSIDADE NOVA DE LISBOA

IP signed a protocol with ISCTE and Universidade Nova de Lisboa for the Development of University Students Condos in the areas around Rail Stations in the Lisbon Metropolitan Area. The signing session took place at Sta. Apolónia Station on 20 January, and was attended by Minister for Infrastructures and Housing, Pedro Nuno Santos, and the Minister for Sciences, Technology and Higher Education, Manuel Heitor.



FEBRUARY

FERROVIA 2020 – INTERNATIONAL NORTH CORRIDOR OF BEIRA ALTA LINE

On 28 February IP awarded the Contract for the Full Track Renovation of Espinho–Vila Nova de Gaia section on the North Line, for the amount of € 55.3 million.





EN362 ALCANEDE-SANTARÉM SECTION WORKS WERE COMPLETED

The Contract Works for the renovation of the EN362 section between Alcanede and Santarém (21.7 km) were completed on 16 March, involving a total investment of € 2.6 million.



BUSINESS AREAS ENHANCEMENT PROGRAMME - IP STARTED THE LEVELLING OUT OF THE SILVARES JUNCTION

The contract for the levelling out of the Silvares turn-around linking to A11, in Guimarães, was awarded on 19 February. This investment worth € 3.4 million aims to improve access roads to Avepark corporate centre connections to the motorway network, by establishing a more direct and efficient link.

MARCH



FERROVIA 2020 – WESTERN LINE

Contract for the modernisation of railway section Mira Sintra-Meleças/Torres Vedras on the Western Line was signed. The works comprise the electrification and renovation of the line, stretching across 43 km, with an overall investment of € 61.5 million.

APRIL



IP COLLABORATES WITH AUTHORITIES IN BORDER CHECK POINTS

Within the scope of the fight against the Covid-19 pandemic, IP in collaboration with the National Guard (GNR) and the Border Authorities (SEF) provided teams to deploy traffic restriction signalling.

STRUCTURAL REINFORCEMENT OF SERRA DA ESTRELA ROAD TUNNEL

On 20 April IP awarded Contract Works "ER338, km 031,970, Serra da Estrela road tunnel - Structural Reinforcement", in the amount of € 299,494. This intervention aims to ensure traffic conditions in this road corridor, namely the containment of potentially unstable blocks.



MAY

COMPLETION OF IC2 RENOVATION WORKS

The renovation works of section of IC2 between Leiria and Boa Vista Norte was completed; total investment: € 3.9 million. The works consisted of the reinforcement of road mobility and safety conditions for thousand of daily users of road section.



OPENING TO TRAFFIC OF 1ST PHASE OF LINK ROAD TO EN210

Link Road to EN210 at Celorico de Basto (1st phase) was opened to traffic on 29 May.

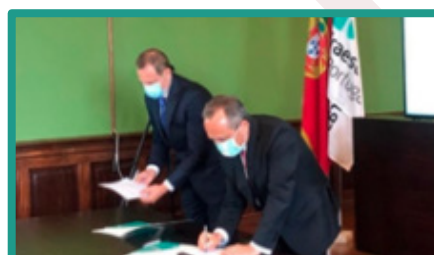


JUNE

BUSINESS AREAS ENHANCEMENT PROGRAMME

On 3 June IP awarded Contract Works "EN326 – Section 1 – Feira (A32/IC2) / Escariz", representing an investment of € 30.5 million.

The awarding session held at the Town Council of Arouca was attended by Pedro Nuno Santos, Minister for Infrastructures and Housing, Jorge Delgado, Secretary of State for Infrastructures, Margarida Belém, mayor of Arouca and António Laranjo, Chairman of IP.



LINK OF FORMARIZ BUSINESS PARK TO A3

Contract Works "Link of Formariz Business Park to A3, in Paredes de Coura were awarded on 16 June, representing an investment of € 9 million.



JULY



IP ENGENHARIA STARTS PROVISION OF TECHNICAL ASSISTANCE TO THE MINISTRY OF INDUSTRY AND TRADE OF MOZAMBIQUE

On 20 July 2020 the IP Group - through IP Engenharia, started providing technical assistance services to the Ministry of Industry and Trade of Mozambique. These services view to support the Mozambican Ministry of Industry and Trade to boost industrial activity by improving a set of factors, including planning and the role of transport infrastructures.



FERROVIA 2020 – NORTH-SOUTH CORRIDOR – NORTH LINE

Infraestruturas de Portugal awarded the contract works for the modernisation of section Espinho-Vila Nova de Gaia (RIV), representing an investment of € 55.3 million.

FERROVIA 2020 - CASCAIS LINE

The European Commission approves POSEUR Application for the renovation of Cascais Line.



STRENGTHENING OF IP STAFF

On 28 July a Joint Order issued by the Secretary of State for the Treasury and the Secretary of State for Infrastructures authorised IP to strengthen its staff by 100 employees, and replace employees having terminated their work contract for reasons not attributable to the company, totalling 210 recruitment needs.

This increase in personnel views to strengthen the areas directly associated to the ongoing investment, but also the area of road and railway maintenance.

AUGUST

RENEWAL OF THE CATENARY OF CASCAIS STATION

Contract works viewing the improvement of the station's electrification were awarded. The works comprise the renovation of catenary material and equipment.



IMPROVEMENT WORKS ON ESGUEIRA BRIDGE - NORTHERN LINE

These works on the Northern Line, which aim to ensure the reliability, performance and safety levels of the bridge, were awarded on 27 May 2020, representing an investment of € 0.8 million.



SEPTEMBER

REVIVE FERROVIA PROJECT

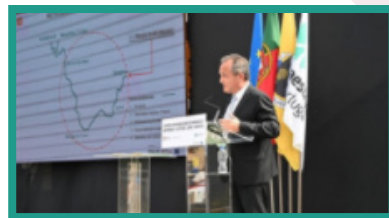
Within the scope of the new Revive Ferrovia Programme, a protocol was signed by IP Património and Turismo Fundos, on behalf of the Revive Natureza Fund. The signature session took place in Sousel; this partnership views the renovation and improvement of vacant public buildings on natural property.



MONDEGO MOBILITY SYSTEM

The contract works for the construction of Alto de São João-Serpins section were started, representing an investment of € 23.8 million.

The awarding session took place on 11 September, at Serpins, Lousã, and was attended by the Chairman of IP, António Laranjo.



FULL OPENING OF TÂMEGA BRIDGE TO ROAD TRAFFIC

Completion of the 1st phase of construction of link to EN210 and Mondim de Basto, representing an investment of € 7.6 million.





750M-LONG STATION ON THE EASTERN LINE

Completion of the works viewing the change in the layout of Torres das Vargens station; the useful length of the lines was extended, thus providing conditions for a more efficient freight transport. This intervention represented an overall investment of € 550 thousand.



PUBLICATION OF MINISTERIAL ORDER 9333/2020, DELEGATING ON IP TELECOM the development of the financial and economic study, construction and operation models and development plan of the project for the deployment of submarine CAM cables (with wholesale and neutral character) to submit to the relevant ministerial authority and the Treasury, followed by enquiry to the market. The ministerial order was published on 30 September 2020.

OCTOBER



SLOPE STABILISATION WORKS ON THE DOURO LINE

Slope stabilisation works were started on the Douro Line, near Vila Nova de Foz Côa, representing an investment of € 2.2 million.



SIMPLEX + PROGRAMME

SINGLE DIGITAL ADDRESS SUPPORTED BY IP TELECOM'S IPT CLOUD the Public Electronic Notification Service (PENS) and Single Digital Address (SDA), managed by the Agency for Administrative Modernisation, IP (AMA), are the result of a joint work developed by AMA, Tekever and IP Telecom. This platform, which started operating on 14 October 2020, is based on IP Telecom's IPT Cloud infrastructure.

The PENS universalises the sending of electronic notifications to all national and foreign citizens and companies, who voluntarily provide a single digital address and adhere to the public electronic notification service; this digital address thus gain the same legal efficacy than a physical address. This makes it possible for any citizen or company to interact with the Portuguese Public Service, with legally binding effects.

20/30 NATIONAL INVESTMENT PLAN - IMPROVEMENT OF ROAD AND RAILWAY INFRASTRUCTURES

The 20/30 National Investment Plan (NPP 2030) for 2030 was officially presented on 22 October. This Plan foresees an investment of € 43 thousand million in infrastructures and equipment in the sectors of Transport and Mobility, Environment, Energy and Irrigation.

THE REPAIR OF THE ALBERGARIA RAILWAY TUNNEL WAS COMPLETED

These works on the Northern Line representing an investment of € 0.5 million meant to improve drainage conditions and ensure an adequate state of conservation of this engineering work.



NOVEMBER

FERROVIA 2020 - INTERNATIONAL NORTH CORRIDOR - BEIRA ALTA LINE

The Contract Works for the modernisation of the Santa Comba Dão – Mangualde section, representing an investment of € 66 million were awarded in November, aimed to boost railway transport for regional connections and with Spain.



COMPLETION OF CONTAINMENT WORKS ON A21

These works worth € 304,758 on the Ericeira - Mafra sub-stretch aimed to improve traffic and safety conditions.



DECEMBER



COMPLETION OF WORKS ON THE ERMIDA BRIDGE

These works comprised the replacement of structural bearing and expansion joints, with a view to ensure adequate operating conditions on the bridge.



EN14 LINK - JUMBO/VIA DIAGONAL SECTION OPENED TO TRAFFIC

Opening to traffic occurred on 21 December. These works viewed to improve mobility as well as road traffic and safety conditions for users and represented an investment of € 6 million.



FERROVIA 2020 - INTERNATIONAL NORTH CORRIDOR - BEIRA ALTA LINE

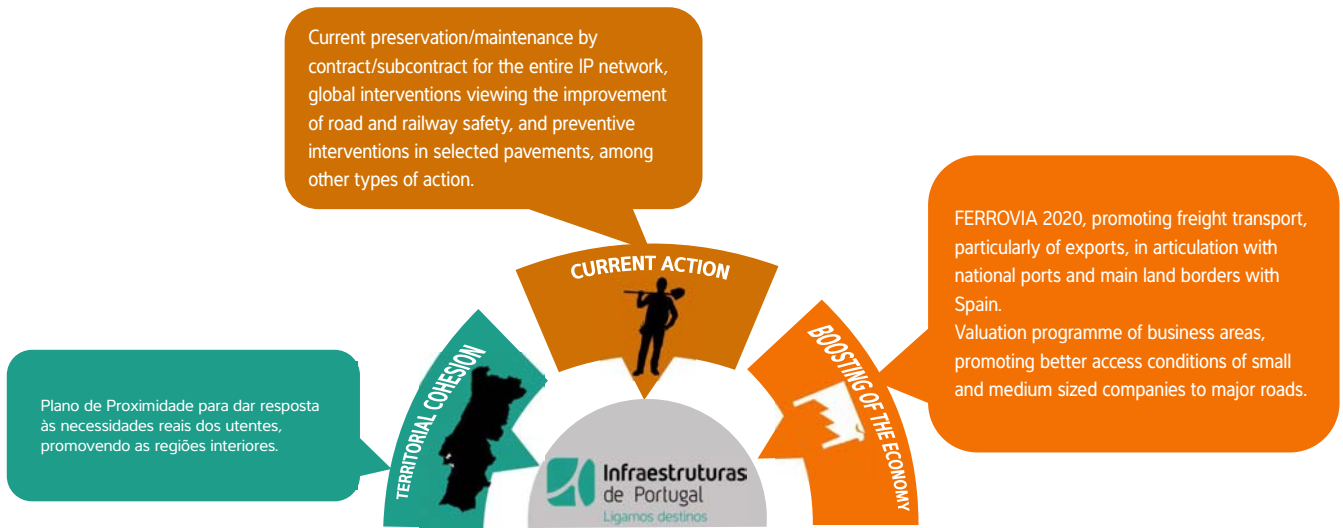
Awarding of the Contract Works for the Modernisation of Pampilhosa – Santa Comba Dão section, worth € 74.7 million. The works will increase capacity in freight transport.

4. OUR STRATEGY

4.1 Strategic Plan

IP Group's Strategic Plan is based on the company's Mission, Vision and Values, and establishes the company's strategy and major goals. It is guided by strict asset management, and aims to the creation of value, whilst consistently focused on the integrated development of the road and rail network, the increase in revenue (core and non-core), the capture of internal and external synergies (scale and know-how), the articulation of the regional presence, always with a view to ensuring a sustainable management of national road and railway infrastructures.

IP's operating strategy is oriented to the following lines of action, taking into consideration its internal and external **planning instruments**:



Considering also:

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

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



SUSTAINABLE MOBILITY

Enhance the **management of multimodal mobility** within a framework of integrated and rational development of the road and rail network.

- Ensure IP's **financial sustainability**, within a framework of **compliance with the service levels** established with the Portuguese State for the operation of the road and rail networks and for the **integrated and rational development/modernisation of the network**

Financial
(Global and Core Revenue)
Service

ASSET MANAGEMENT

Develop **Asset Management to leverage OPEX and CAPEX optimisation** associated with road and rail infrastructure

- **Integrated and rational planning** of the road and rail network in a **multi-year perspective**
- Compliance with the **Annual and Multi-Year Investment Plan**
- Optimise **Access to Community Funds**

Investment

SAFE, EFFICIENT AND SUSTAINABLE SERVICE

Guarantee the **service levels established with the Portuguese State** for the operation of the road and rail networks

- Compliance with the **service levels** established in the **Concession Contract for the National Road Network**
- Compliance with the **service levels** established in the **Programme Contract for the management of the National Rail Network**

Service Level

MONETISATION OF ASSETS TO ENHANCE THE VALUE OF THE SERVICE

Monetise **non-core assets or surplus capacity** that enhance the value of the core service

- Ensure IP's **financial sustainability**, within a framework of **compliance with the service levels** established with the Portuguese State for the operation of the road and rail networks and for the **integrated and rational development/modernisation of the network**

Financial
(Non Core Revenue)

The Business Plan stretching across a period until 2082 (term of the general National Road Network concession contract) was prepared simultaneously with the Strategic Plan. It contains economic and financial projections for the operation, investment and financing activities and are one of the key reference lines for the preparation of annual business plans and budgets.



4.2 Context Analysis

4.2.1 External Context

Against a background of climate change and deterioration of the environment threatening our planet, Europe has defined a growth strategy called the “Green Deal”, aimed at transforming the European Union into a sustainable, modern, resource-efficient and competitive economy.

The Green Deal is presently one of the most important strategic framework documents of the European Union, on which European policies are and will be based; the document views continued economic growth, whilst seeking to reduce environmental damages associated thereto, and also seeks to turn climate and environmental challenges into opportunities across all fields and sectors.

Accordingly, in line with this global sustainable development model, the European sustainable mobility policy does not promote the reduction or limitation of mobility, but rather to increase and improve mobility options and to ensure more sustainable transport.

In the light of the above, the European Union's transport policy is strongly intended on recovering market share for both passenger and freight rail transport based on a broad investment programme in railway infrastructure, as well as on policies to encourage the separation of the infrastructure from transport operation in accounting terms, seeking to increasingly open up the market and thus stimulate competition.

In what concerns the railway sector, the Ferrovie 2020 railway investment plan is crucial to promote an increasingly modern and efficient network, whereas in what concerns the road sector, the main focus continues to be the efficient maintenance and preservation of the existing network.

The National Investment Plan (NIP 2030) that will succeed Ferrovie 2020 involving huge public in-

vestment to be carried out in 2021 to 2030, will continue to bank on the expansion of the railway network, and the renovation and modernisation of the infrastructure, to increase capacity and speed. As far as the road sector is concerned, the aim is to renew and renovate the existing network, invest in the digitalisation/connectivity of the network and complete missing links, whilst implementing measures to tackle the unavoidable need to decarbonize the sector and improve the resilience of infrastructures.

On the other hand, it is worth mentioning that the new Data Protection Law, combined with a more demanding public and legal personnel training requirements, the new national and European scenario, and a deterioration of the quality of outsourced services, are external factors that will significantly influence the Company's future activity.

Recognising the urgency of the environmental challenges we face today, as well as the need to decarbonize the economy and the sector, and the implications of these challenges on its activity, IP has adhered to several movements and groups of entities fighting for the protection of the Planet and against climate change, having officialized its commitments with regard to these fields through three major initiatives:

- Business Ambition for 1.5°C Programme launched by the United Nations Global Compact (2019);
- Lisbon City Corporate Mobility Plan, launched by the Lisbon Municipality and the World Business Council for Sustainable Development (2019);
- Lisbon European Green Capital 2020 / Lisbon 2030 Climate Action, launched by the Lisbon Municipality (2020).

The Covid-19 pandemic that emerged in 2020 had significant impact on the Group, specially at economic and financial levels, as revenues fell sharply as a result of traffic restrictions affecting both the Group's road and railway segments. The Group's real estate income was also affected by the pandemic.

Notwithstanding, the impact at operational level was reduced, as the company maintained its operations as usual, focused on fulfilling its mission. This was possible thanks to a duly prepared and implemented Contingency Plan, aligned with the guidelines issued by the Portuguese Health Authority (DGS) viewing the prevention and control of Covid-19 infection spreading.

Specific conditions were set up to reduce infection risks and ensure the continuity of the business, such as remote work where and whenever possible, reducing the concentration of workers in key areas, and implementing other back-up measures to ensure work turnover.

For employees performing critical functions in loco, conditions were set up to prevent or mitigate infection spreading, based on contingency plans specific to each different area, combined with wide distribution of PPE and cleaning products, distribution of manuals of good practices and behaviours, organisation of work areas to allow for social distancing, increase in hygiene and cleaning measures, amongst other.

Finally, it should be noted that as a 100% controlled State company, IP is subject to the guidelines of the State Shareholder, provided through the Directorate-General of the Treasury and Finance, but also to provisions in the State Budget Law and other legal and regulatory instruments of economic and social scope, which are decisive in how the company's activity may be developed.

4.2.2 Contexto Interno

IP Group continues to be a benchmark in several technical skills - engineering, command and control of rail traffic, inspection, asset management, concession management, amongst others, buttressed on highly competent and committed teams.

IP Group also developed and consolidated an adequate planning and control model, representing an important tool to support management and

decision-making, moreover in a context of limited financial resources.

The demographic issue (an ageing workforce with low employee turnover) and the high dependence on external services for some activities, along with short supply in the national market, particularly in the railway sector, are also constraints to the development of the business.

It is worth noting that on 28 July, under a Joint Order issued by the Secretary of State for the Treasury and the Secretary of State for Infrastructures IP was authorised to strengthen its staff by 100 employees, and replace employees having terminated their work contract for reasons not attributable to the company, totalling 210 recruitment needs.


This reinforcement of personnel is crucial to ensure an adequate implementation of ongoing and future investment programmes, and the best possible operational maintenance of our infrastructures.

4.2.3 Macro Trends of the Mobility and Transport System

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

Globally, it is imperative to achieve greater environmental sustainability through the decarbonisation of the economy, defining low carbon targets, especially for the life cycle of mobility, with gradual introduction of technologies and alternative, cleaner and renewable fuels. The production of more sustainable and renewable energy is also a major focus of the decarbonisation of the economy, where linear infrastructures can play an important role in energy generation.

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



Infrastructure will also tend to cease being mono-functional and have other uses beyond traffic. The automation of transport, construction methods and logistics operations, together with an increase in connectivity, will cause big changes in mobility and the logistics chain as we know them today. The existence of networked self-driving cars may allow for safer mobility with centralised and more intelligent and efficient management.

The profusion of services and modes will provide increased capacity and flexibility to the mobility system, requiring prompt answers, on a par with higher projection capacity, and reactive and re-adjustable responses for both passengers and freight.

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

Telecommunications is another aspect that must be guaranteed at the infrastructural level. In order to support telecommunications and data exchange the entire transport and mobility network will need to have network coverage and capacity.

This poses, however, cyber challenges and relevant security issues. It is therefore crucial that all supporting systems to the infrastructure are adequately redundant, vigilant and comprise backup measures in the event of attack.

The consequences of these trends in demand or in the balance of each mode are unknown, representing, therefore, a relevant challenge for any infrastructure manager when planning its investment. Social and demographic trends will also influence mobility. The ageing of the population, the concentration in urban areas, the sharing economy and greater labour-market flexibility will have impacts on the evolution of mobility patterns.

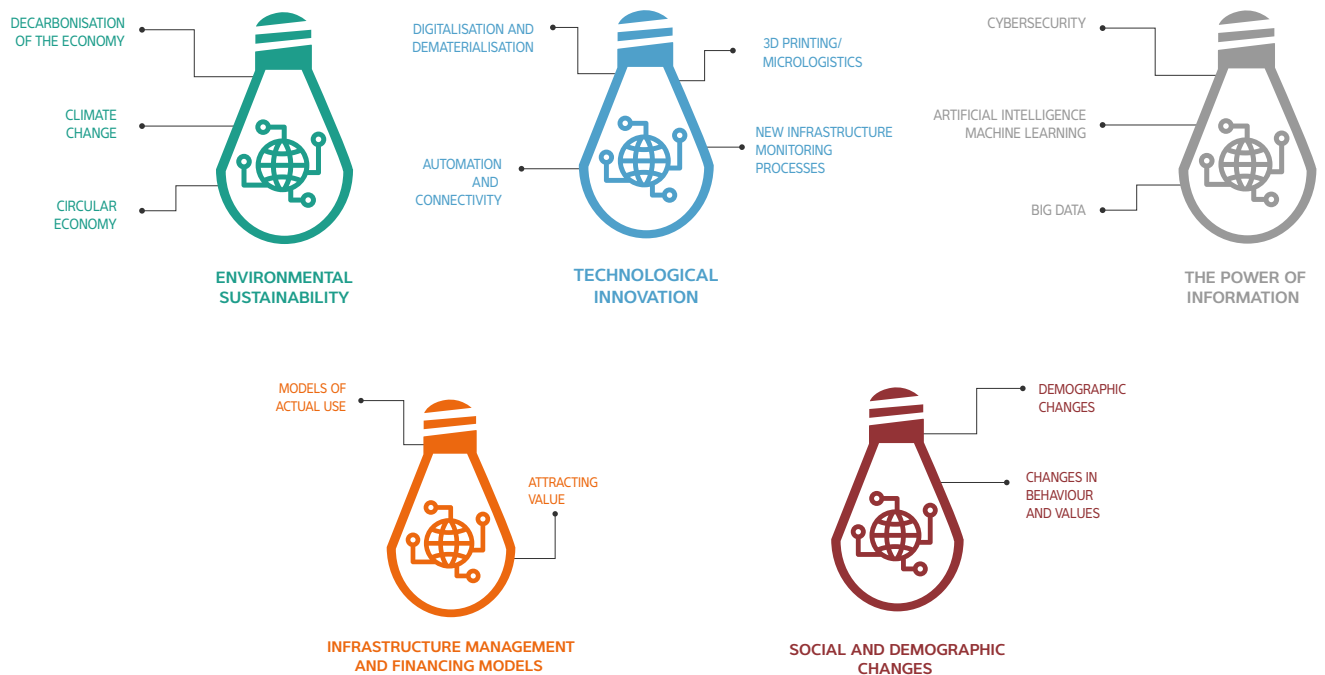
Transport infrastructure management and financing models themselves have changed considerably all over the world. On the other hand, infrastructures can be used for other purposes than just traffic, and new business models to finance them are likely to be found.

As major provider of mobility services, Infraestruturas de Portugal will be required to follow these Macro Trends in the Mobility and Transport System, developing innovation projects and experiences,

The goal is to clarify the role of IP and its infrastructures in the future of national mobility, testing and anticipating possible scenarios for the sustainability and profitability of its assets, in addition to following up and participating in legal and regulatory changes, which will be crucial to understand the operation and management of transport infrastructures, and which will strongly affect medium and long term strategy and planning.

The following chart summarises the main Macro Trends associated to the transport sector..





4.3 Management Model

The business model of the IP Group is based on a careful asset management, aimed at creating value for stakeholders, based on the organisation's strategy and purpose, and a careful identification and analysis of all stakeholders from both internal and external perspectives.

The Company's business model (based on a PDCA cycle – Plan, Do, Check e Act) enables identifying

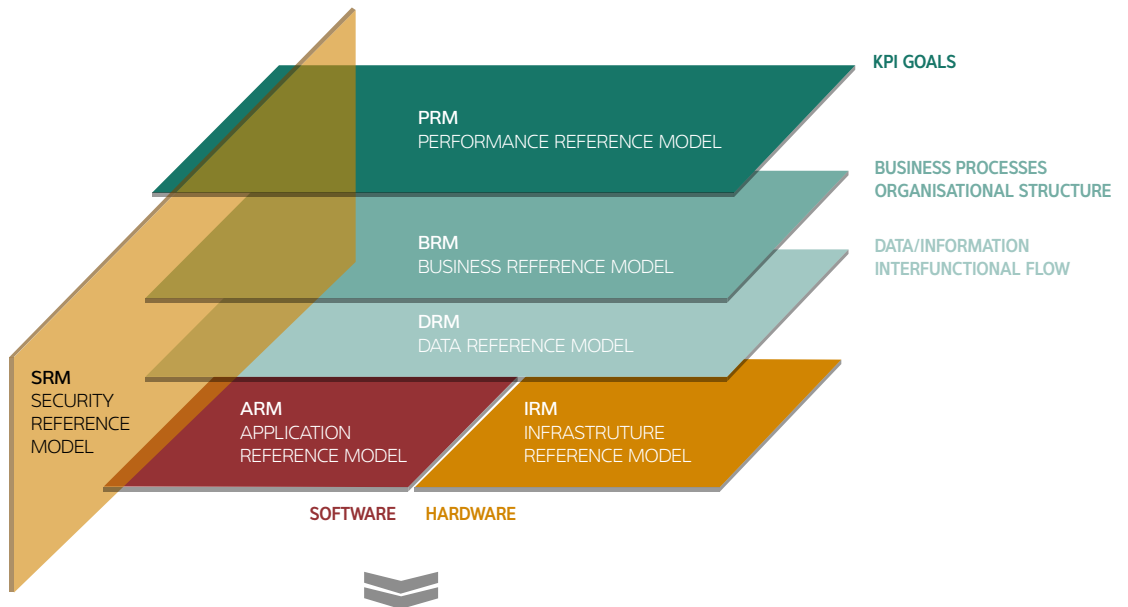
medium and long term improvements, thanks to strategic global and integrated planning mechanisms that support decision-making, and the identification of priorities, helped by a robust project management methodology involving several areas of IP Group.

As support to the business model of IP Group, a corporate architecture was defined, based on 6 reference models, which are interrelated to ensure the alignment and implementation of the strategy at the different levels of the organisation (performance, organisation and processes, IT applications, IT information/data and safety).

BUSINESS MODEL



COPORATE ARCHITECTURE BENCHMARK MODELS



Asset Management System
 Railway Safety Management System
 Performance Management System
 Wagons Maintenance Management System
 Professional, Family and Personal Reconciliation Management System
 Energy Management System
 Subsidiaries Corporate Management System

4.4 IP Group Value Chain

To achieve short, medium and long-term goals, all the organisation's processes are supported on the performance of the activities according to the Group's value chain:

- Macro business processed or core business processes;
- Macro processes supporting IP and its subsidiaries;
- Specific macro processes for subsidiaries.



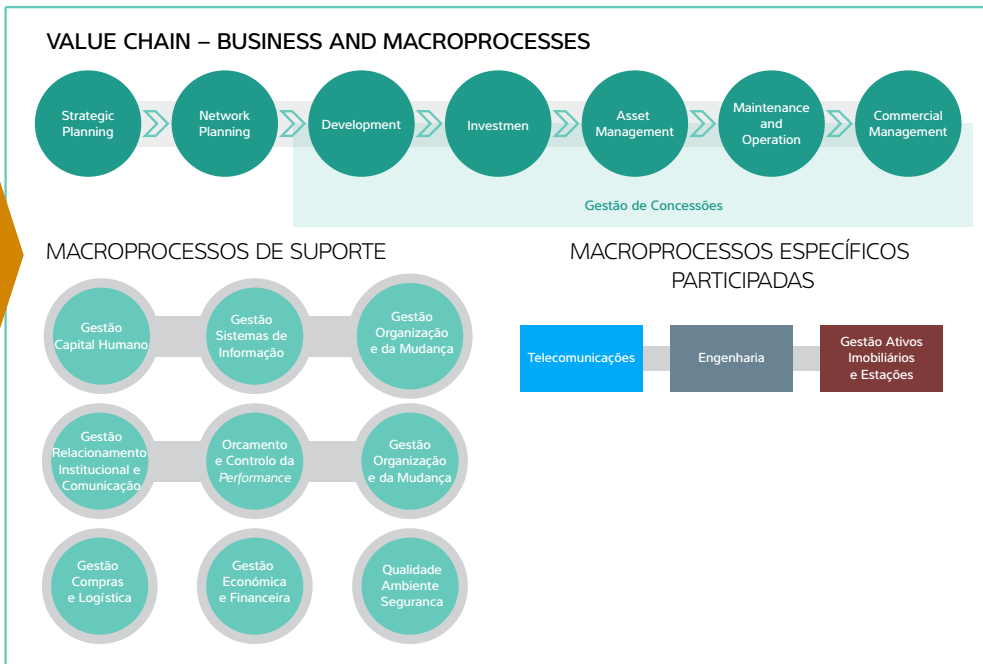
STAKEHOLDERS REQUIREMENTS

Employees, subsidiaries, shareholders, customers, local entities, suppliers



CAPITAL

Financial
Intellectual
Human
Social
Environmental



Mobilidade sustentável

Asset Management

Serviço seguro, eficiente e sustentável

Rendibilização de ativos para valorização do serviço



CAPITAIS VALORIZADOS

Financeiro
Intellectual
Humano
Social
Ambiental



»»» CRIAÇÃO DE VALOR »»»

<p>FINANCEIRO</p> <ul style="list-style-type: none"> - Sustentabilidade financeira (OPEX e CAPEX) 	<p>INTELLECTUAL</p> <ul style="list-style-type: none"> - Conhecimento Tecnológico 	<p>HUMANO</p> <ul style="list-style-type: none"> - Competências e talentos - Igualdade e proteção 	<p>SOCIAL</p> <ul style="list-style-type: none"> - Desenvolvimento social com a sociedade - Protocolos e parcerias com stakeholder - Ações de voluntariado 	<p>AMBIENTAL</p> <ul style="list-style-type: none"> - Eficiência energética - Eco-conceção - Minimização impactos ambientais (arborização, ruído, resíduos)
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The value chain supports the implementation of the Organisation’s business model across the various phases of the PDCA (Plan-Do-Check and Act) improvement cycle and is based on:

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





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

4.5 Stakeholders

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

Table below shows information about internal and external stakeholders, and about what they expect from IP in the context of its activity.

STAKEHOLDERS GROUP (EXTERNAL)	NETWORKS	STAKEHOLDERS	INTEREST WHAT IS EXPECTED FROM IP?	REFERENCE/RESPONSE DOCUMENTS	NATURE OF THE INTEREST
Shareholder	Road	Portuguese State	<ul style="list-style-type: none"> • Sustainable mobility • Efficient management • (Quality vs. cost) • Good reputation • Public Service • Rational and judicious investment 	• Concession contract	Obligation
	Railway			• Framework programme	
	Telecommunications				
Clients	Road	Private or collective users of the NRN (National Road Network)	<ul style="list-style-type: none"> • Safety • Information • Accessibility • Network availability • Reduced costs 	–	Expectation
		Concessionaires	<ul style="list-style-type: none"> • Collaboration in the contractual relationship • Control of contract obligations 	• Contracts	Obligation
	Railway	Railway Operators	<ul style="list-style-type: none"> • Fair fares • Information • Availability/ • Punctuality/ • Reliability • Safety • Reduced costs 	<ul style="list-style-type: none"> • Network Directory • Access to the Network (Dec. Law 15 1/2014) 	Obligation Expectation
		Customers of the railway service			
Telecommunications	Users	<ul style="list-style-type: none"> • Information • Availability/ • Reliability • Reduced costs 	• SLA	Expectation	
State Regulator	Road	IMT ANSR	<ul style="list-style-type: none"> • Compliance with the concession contract 	<ul style="list-style-type: none"> • Concession Contract/PCQ • National Road Plan (NRP – Law 222/98) • Road Statute (EERRN – Law 34/2015) 	Obligation
	Railway	AMT IMT	<ul style="list-style-type: none"> • Compliance with the framework programme • Compliance with safety requirements 	<ul style="list-style-type: none"> • Framework contract • Safety authorisation (EU Regulation 1169/2010) 	Obligation
	Telecommunications	ANACOM	<ul style="list-style-type: none"> • Compliance with legal and regulatory requirements • Reporting of correct and timely information 	<ul style="list-style-type: none"> Registration • Scope: GSM-R network and services • Public telecommunications network. 	Obligation
Local entities	Road, Railway and Telecommunications	Municipalities CCDR Neighbours	<ul style="list-style-type: none"> • Equitable and transparent treatment • Accessibility • Information 	<ul style="list-style-type: none"> • Road Statute (EERRN – Law 34/2015) • Public Railway Domain (Law 276/2003) • Agreements 	Expectation Obligation
Suppliers	Road, Railway and Telecommunications	Sub-concessionaires Design and construction companies; service providers; Conservation and maintenance; Consultants; Utilities suppliers	<ul style="list-style-type: none"> • Contractual obligations • Equitable and transparent treatment (CCP compliance) 	• Contracts	Expectation Obligation
Working conditions	Road, Railway and Telecommunications	Authority for Working Conditions (ACT)	<ul style="list-style-type: none"> • Compliance with the law 	<ul style="list-style-type: none"> • Collective Bargaining Agreement • General Labour Law for the public sector • Labour Code 	Expectation Obligation
Media	Road, Railway and Telecommunications	Social Media	<ul style="list-style-type: none"> • Quick, strict and updated information 	<ul style="list-style-type: none"> • Communications/Replies • Website/social networks information 	Expectation Obligation
Other	Road, Railway and Telecommunications	European Commission. Audit Court Managing entities of EU Funds General Tax Inspection Directorate-General of the Treasury and Finance Technical Unit for the Control and Monitoring of the Corporate Public Sector	<ul style="list-style-type: none"> • Compliance with European policies • Legality of contractual practices • Compliance with recommendations of the Corruption Prevention Board 	<ul style="list-style-type: none"> • Contracts • Report on the Implementation of Risk Management Plan for the prevention of Corruption and Related Offences of Group IP 	Expectation Obligation

4.6 Risk Management

4.6.1 Background

Efficient management of risks¹ and opportunities translate into the implementation of “good practices” against uncertain backgrounds, which restrict creation capacity. If applied in a structured, integrated, overarching and continuous way, it allows anticipating occurrences likely to impact business goals, and to act efficiently in the control of the different risks² and opportunities associated with the development of the business. The ensuing results contribute to a (re)alignment of the strategy, taking into account internal or external factors threatening or helping the performance of the organisation.

Therefore, the risk management policy aims to monitor and control risks deriving from the background, in order to ensure that they remain at levels compatible with risk tolerance as pre-defined by the Management. Within this scope, the threats materialising into Regulation and Compliance, Financial, Operational, Technology, Reputation and Business risks are particularly relevant.

An effective and efficient risk management will integrate this process in the organisational structure; thereupon, the governance model of IP Group follows the directives of the 3 lines of defence model, to clarify responsibilities and define the actions of the different players, as shown below:

- Operational Managers (**1st line of defence**): responsible for the development and implementation of internal policies, controls and procedures, to ensure that activities are in accordance with defined goals and objectives;
- Risk Management, Compliance and Corporate Planning and Management Control (**2nd line of defence**): incorporates the risk management department, the Compliance department and a management control system;



1. Risk: Effect of uncertainty on objectives - NP ISO 31000:2018 – Risk management – Guidelines) For the purposes of this document, the term “risk” refers to the ‘negative’ deviation vis-à-vis what is expected.

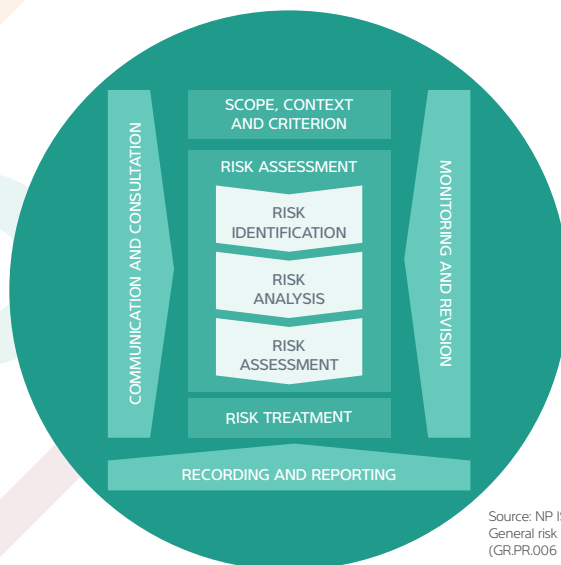
2. Including corruption, collusion, fraud and information leaks, and respective and necessary prevention and mitigating measures.

- Internal Audit (**3rd line of defence**): the Internal Audit Department is responsible for ensuring the compliance, functioning and adequacy of risk management, control and governance processes.

At Group level, the Legal and Compliance Department is responsible for creating, implementing and promoting the risk management model to manage events with potential to affect the achievement of the Group companies' goals.

4.6.2 Process to manage risks and opportunities

The approach to risk³ and opportunities followed by IP Group is business-oriented, integrated and overarching, i.e. it is governed by control and reporting principles, methodologies and procedures defined at central level, and in collaboration with the different OU/companies, taking into account the specificity of each business area.



Source: NP ISO 31000
General risk management process
(GR.PR.006 – Risk Management Procedure)

The methodology followed to address risks and⁴ opportunities⁵ based on the principles and methodology provided in NP ISO 31000:2019, consists, in broad terms, in the recognition and appraisal of the risks and opportunities intrinsic to the Group's activity, and the monitoring of the controls provided in action plans, and finally the respective communication of results obtained to stakeholders.

Within the scope of the process mentioned above,

a review of the internal and external contexts is made consistently and on a regular basis to assess the relevance and currentness of the risks and opportunities identified to impact the Group's activities and mission.

The risks⁶ are then analysed taking into consideration the likelihood of their occurrence and respective impact (criticality), in line with the following criteria:

3. Based on the principles and methodology provided in NP ISO 31000:2019.
4. GR.PR.006 - Risk Management Procedure, latest revision approved by the EBD of IP on 21/11/2019, applicable across all organic units and subsidiaries of the IP Group.
5. GR.PR.039 - Opportunity Management, approved by the EBD of IP on 21/11/2019, applicable across all organic units and subsidiaries of the IP Group.
6. This phase does not apply to the management of opportunities

Likelihood of occurrence

RANKING		UNLIKELY	REMOTE	OCCASIONAL	LIKELY	HIGHLY LIKELY
		1	2	3	4	5
Description	Qualitative	Occurrence of risk is practically impossible	Occurrence of risk is remote, but possible	Risk may occasionally occur	Occurrence of risk is likely	It is almost certain that the risk will occur
	Probability ranges	$0.00^* \leq P < 0.05$ (*no occurrence expected)	$0.05^* \leq P < 0.15$ (*Occurs once in every 20 years, on average)	$0.15^* \leq P < 0.35$ (*Occurs once in every 7 years, on average)	$0.35^* \leq P < 0.65$ (*Occurs once in every 3 years, on average)	$0.65^* \leq P < 1$ (*Occurs once in every 1.5 years, on average)

Note: Probability ranges should only be considered if there is historical data.

Impact of the risk

CLASSIFICATION		THREATS				
		VERY LOW	LOW	AVERAGE	HIGH	VERY HIGH
		1	2	3	4	5
Financial Impact ⁽¹⁾ (cost)		$I \leq 6\,000\text{€}$	$6\,000\text{€} < I \leq 30\,000\text{€}$	$30\,000\text{€} < I \leq 150\,000\text{€}$	$150\,000\text{€} < I \leq 750\,000\text{€}$	$I > 750\,000\text{€}$
Impact on human life		No impact (no body injury)	Injuries without any disability	Injuries with temporary disability	Injuries with permanent disability	Fatal injuries
Legal Impact ⁽¹⁾ (Fines/Penalties/Interest)		$I \leq 500\text{€}$	$500\text{€} < I \leq 2500\text{€}$	$2\,500\text{€} < I \leq 5000\text{€}$	$5\,000\text{€} < I \leq 20\,000\text{€}$	$I > 20\,000\text{€}$
Reputation Impact ^{(1) & (2)}	Qualitative	No Impact	Slightly affects IP's image	Significantly affects IP's image	Strongly affects IP's image	Bad reputation
	Quantitative	No negative media	Negative regional media coverage of less than 10 days	Negative regional media coverage 10 or more days	Negative national media coverage of less than 10 days	Negative international media coverage Negative national media coverage during 10 or more days

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

Example concerning Legal Impact:

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

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

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

⁽²⁾ The quantitative description of the level of media coverage should only be considered if the news history is known.

The final impact of the risk is determined based on the classification given to each of the four aspects of the impact, according to the following formula:

$$\text{Final Impact} = \frac{\text{Financial Impact} + \text{Impact on Human Life} + \text{Legal Impact} + \text{Reputational Impact}}{4}$$

The level of risk is determined based on the level of likelihood and the final impact, using the following formula:

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

The response to apply as a result of the risk analysis is based on a four level scale, as shown in the following chart:

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

⁽¹⁾ Except in cases where the risk has a level 5 impact on any of the four aspects considered.

Following the risk assessment⁷, if applicable, action plans will be defined with the identification of the controls to address the risks and estimate the residual risk still existing following implementation of the plan. Implemented controls are then monitored, and their efficacy is reviewed in the annual reassessment of risks and opportunities.

The results of the risk and opportunities management is communicated to stakeholders.

The risk and opportunities management model of IP Group comprises

- i) systematic revision and monitoring of activities to ensure the necessary alignment of this management tool to the Group's business context, and
- ii) communication/disclosure to (internal and external) stakeholders of the results obtained, viewing their involvement in the process and spreading of "risk based thinking" within the organisation.

7. Cada um dos quatro intervalos do nível de risco, corresponde uma resposta – aceitar, tratar (mitigar e/ou partilhar) ou evitar.

4.6.3 2020 Results

Risk Management

In 2020, activities implemented since 2015 were continued and reinforced:

- Update of the IP Group Global Risk Chart;
- Continuous monitoring of the implementation of the organisation's risk controls;
- Preparation and disclosure of IP Group's Report on the Implementation of the Risk Management Plan for Corruption and Related Offences (available for consultation on the website of Infraestruturas de Portugal, SA)⁸.

As regards the external and internal circumstances impacting the activity of IP Group in 2020 the Covid-19 pandemic is particularly relevant given the uncertainty as to the magnitude of its impact on society and businesses, namely, i) deterioration of social and economic conditions and respective impact on the market; ii) difficulty in ensuring maintenance and investment activities, due to Government-imposed restrictions to traffic (affecting the supply of material) and the provision of services; and finally iii) bankruptcy of clients and service providers.

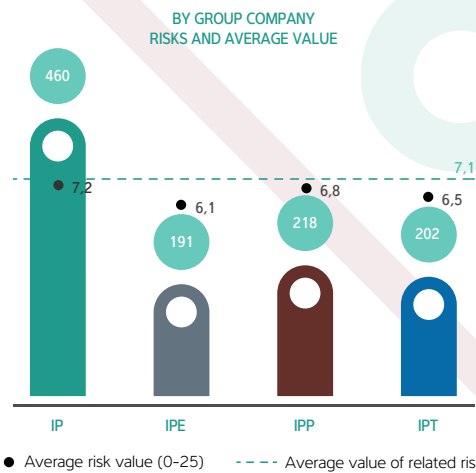
At internal level, the impact of the pandemic was mostly felt on i) the company's results, due to the decrease in core revenues; ii) the decline in productivity as a result of the contingency measures imposed and/or illness of employees; iii) continuity of operation and maintenance due to problems in ensuring team availability, and iv) operational performance, namely as concerns rendered services and the goals of Group companies.

Adding to the above the Company continues to be affected by the conditions identified in previous years, which tend to worsen in the current backdrop:

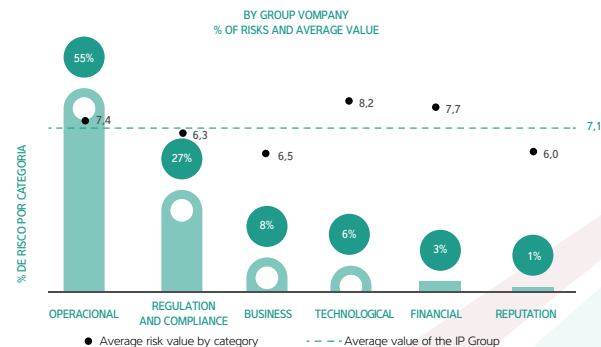
- The market's failure to meet the needs of the company in terms of projects and contracts and keep up with the pace of the contract works comprised in PETI3+/Ferrovia 2020/PNI 2030;
- Attacks to IT security;

- The need to continue the rejuvenation of our personnel combined with the need to reinforce the staff in specific areas (operation and maintenance).
- The deterioration of critical infrastructures due to climate change or problems in ensuring maintenance actions (reduced teams).

An analysis of the current context showed that IP Group is exposed to 499 risks, of which 9 are threats, including 6 risks directly related to the current pandemic, namely disruptions in maintenance and operation activities in core business areas and services managing working and safety conditions of our employees.

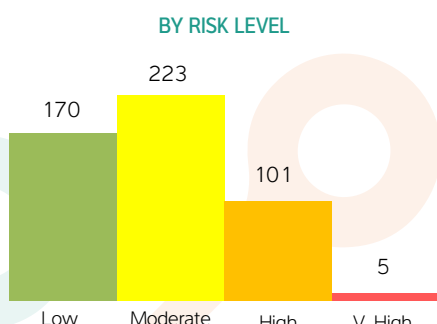


In terms of the typology of the risks of the Group's activity, operational risks are predominant. There was a slight decrease in the average level of risk in the year, except for reputation risk, which is at the same level of 2019. Technological risk is higher than the average of the IP Group (7,1).



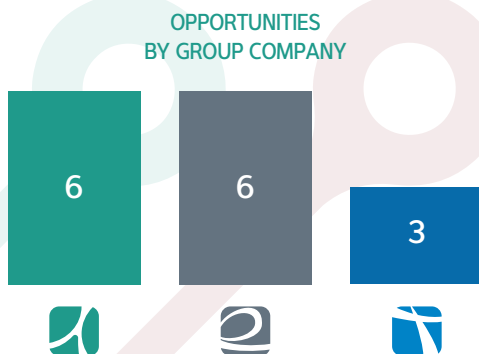
8. <https://www.infraestruturasdeportugal.pt/sobre-nos/governo-societario/informacao-de-gestao>

From the analysis of the 499 identified risks and the effect of controls on their mitigation, it is confirmed that the current average level of risk of the IP Group is 7.1, i.e., there is concentration of moderate level risks, as shown in the following chart:



Management of opportunities

The Business and Budget Plan for the Group's companies identified thirteen opportunities for IP Group, these opportunities are⁹ distributed as follows:



The nature of these opportunities derives from the incentives provided by the National Investment Plan 2030 (PIN 2030), incentives to technological innovation, availability of community funds and the ongoing recruitment process.

As regards subsidiaries, opportunities stem from the specificity of their business: technological innovation at IPT; relation with clients, on the international market, at IPE, improvement of synergies with IP.

Forty controls were identified to tackle these opportunities; their implementation is monitored every half-year by the "Risk Management" area in collaboration with the "Opportunity's Owner" and the respective supporting management of each company. Results are reported to stakeholders.

4.7 Innovation

Innovation is deemed to be the driver to improve rendered services, namely through the creation of solutions and products to boost efficacy and create new businesses.

In 2020 the IP Group continued to develop and implement its Innovation Plan.

IP Group currently participates in 21 Research, Development & Innovation projects co-funded by several European programmes in many different areas (e.g. connectivity and telecommunications, asset management, safety, environment and climate change). These projects involve nearly 70 employees of IP Group, clearly attesting for the Group's focus on innovation. The participation of IP Group in these innovations projects led to the creation of an extensive network of partners (approximately 260, of which 75 are Portuguese and 185 are international partners).

9. The Business and Budget Plan of IP Património did not include the identification of opportunities.

RD&I projects at IP

Connectivity Telecommunications



Asset Management



EvoRail Demo



Environment & Climate change



Strategy & Business



Road safety

BarRod

Road Safety

In 2020 Group IP jointly with different partners saw the approval of seven innovation project applications, namely:

- 5GRAIL (H2020) – 5G technology for the future railway mobile communications system;
- FERROVIA 4.0 (COMPETE 2020) – Mobilizer Programme focused on an intelligent new generation railway system;
- REV@CONSTRUCTION (COMPETE 2020) – Mobilizer Programme focused on digital revolution in construction;
- IN2TRACK-3 (Shift2Rail JU/H2020) – Research for the improvement of track systems and switches;
- RADIUS (H2020) – Use of drones to monitor the infrastructure;
- FCH2RAIL (FCH JU/H2020) – Development of a train prototype using fuel cells;
- Road safety KPI – Definition of key performance indicators in road safety.

As regards SIFIDE (national programme for research & development activities), we point out the following projects developed in 2020:

- Submittal of 30 applications by IP Group relating to RD activities carried out in 2019;
- Approval of 29 applications by IP Group relating to RD activities carried out in 2018, representing tax credit of € 144,222.30.

During the year under review IP Group continued to promote the “50 RD&I Challenge Programme”, which views to find RD&I solutions for the Group, to be developed in collaboration with the scientific, technological and business communities. In this respect, the following ventures were entered into in 2020:

- Collaboration Protocol with Association Fraunhofer Portugal for the implementation of a R&D project;
- Collaboration Agreement with FEUP (Engineering Faculty of the University of Porto) to dynamically monitor Arrábida Bridge;
- Specific Cooperation Contract with Universidade Lusófona de Humanidades e Tecnologia concerning the experimental application of bituminous mixtures incorporating recycled rubber from RAR tires.

Meanwhile, at internal level, a cultural of innovation continued to be fostered.

Within this scope, an Innovation Think Tank was created to serve as reflection forum, information-sharing and identification of synergies in the innovation field within IP Group.



50 Challenges of Research,
Development and
Innovation

5. BUSINESS AREAS

5.1 Asset Management

The management of IP's rail and road network assets is focused on the optimisation of the assets' life cycle, and it is driven by sustainability criteria, aiming to provide high levels of reliability, quality and safety.

In order to achieve this goal the Company must have updated and relevant information on the expectations of all its stakeholders, whether internal or external, shareholder or clients, perceived by a notion of value expected to be obtained from its assets, in terms of availability and reliability.

It is no less important to ensure the processes leading to a systematised knowledge of the portfolio of assets under management, and information as to their situation, condition or performance.

As regards the availability of the information on the assets and their condition, IP's asset management model is based on the knowledge of the state of the infrastructure and the development of inspection capacity. Asset groups with higher level of criticality are subject to regular inspection campaigns, as established in respective technical specifications.

In order to obtain thorough knowledge of the state of the infrastructure, and autonomy and capacity for action, IP banks on adequate human resources and cutting-edge technology, whether internally or externally provided. The fulfilment of inspection plans is constrained by capacity in terms of human resources, as the company presently faces shortages in the areas of inspection of engineering works, pavements and switches and crossings, and it is now recruiting. Notwithstanding the relative advantages of internalising this activity, in 2020 the company had to outsource to comply with its inspection plans.

It is worth noting that during 2020, following acquisition to TUV Rheinland Schniering GmbH of a new pavement inspection system to measure transverse friction, it was possible to test the equipment and begin the first inspection campaign. This parameter measures the characteristics of pavement

surfaces, being therefore, one of the most relevant in transport infrastructures and traffic safety.

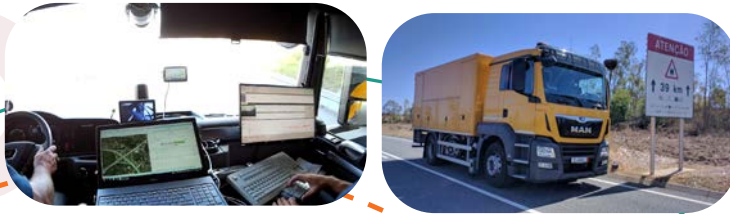
In 2020 the company repaired the laser used to read the parameters of the catenary, which will allow obtaining performance data.

Asset management tools are developed based on the inspection activity carried out, to provide information on the impact of short-term economic decisions on the long-term cost-performance-risk aspects, through:

- (a) Methodologies to assess the condition of the assets, the level of use they undergo and the current point of their life cycle;
- (b) Differentiated management models, according to the service level, or availability for operation, to which their performance should correspond;
- (c) Identification of the effective intervention needs, according to the service levels required and also the most appropriate interventions to carry out, the moment in the asset's life cycle and the respective impact on its performance;
- (d) Identification of the risks associated with the decisions not to carry out the recommended interventions at the right time;
- (e) Planning, with a 20-year horizon, analysing cost scenarios, which assess the corresponding risk and performance, as well as the resulting renewal liability.

The set of information relating to the condition of the infrastructure is collected and analysed so that it can be quickly made available and reviewed in a planning context, through dedicated management systems. Results obtained by the company's management systems lead to preventive actions

Road surfaces



Track



Engineering works



rather than reactive interventions, since the latter are characterised by greater risk, increased network disruption and larger investment. Meanwhile, the Company continued developing the Engineering Works Management System (with the supporting application developed from the merger of pre-existing systems), the Containment Works Management System, the Track Management System, directed to the railway track superstructure, as well as the project for the design and implementation of a Gantry Management System. Additionally, the company is reviewing its Pavement Management System



GIA@IP

After compilation, inspection information (technical and detailed) is processed and transformed into management and decision-support information, and then included in the State of Infrastructure Report published every year. Since 2019 the information concerning the state of the infrastructure is available at company level and to the general public, on IP's corporate website, in line with the IP's values of clarity and transparency.

The planning of interventions is provided in the Asset Management Plan, reviewed every year. This plan is seen as an instrument to promote the alignment of the corporate strategy with the needs of the assets, and views to identify which interventions will be carried out, at what time and at what cost.

The plan's first phase will be to survey the network's repair needs. In 2020 important steps were taken in this complex field with the contribution of several areas of the Company. The technological basis developed during 2020 and available in 2021 will bring increased efficiency to the process, whilst reducing error.

Relevant innovation projects are projected to be developed during 2021, such as the use of drones to inspect engineering and containment works, machine learning and artificial intelligence tools applied to data processing, viewing to improve the quality of information.

ASSET MANAGEMENT SYSTEM

The asset management system is used to conduct, coordinate and control asset management activities in order to provide more efficient risk control and ensure that the asset management goals are achieved on a consistent basis.

IP was audited according to NP ISO 55001:2016 at the end of 2020; SGS audit team recommendation was to maintain IP certified according to this standard.

The asset management system is constantly evolving to maintain consistency with its context, organisational objectives and the asset portfolio. IP's Compliance with ISO 55001 requirements attests to the company's strictness in terms of asset management practices, which it intends to incorporate into the organisational culture with a spirit of continuous improvement and a focus on excellence.





5.2 Network Conservation and Maintenance

5.2.1 Railway Network

Safety, availability, reliability and sustainability are the basic pillars of the railway maintenance activity.

To ensure that the strategy pursued incorporates these references IP has human resources and state-of-the-art equipment allowing a thorough knowledge of the state of the infrastructure. It can thus prioritise its investments and sustain the maintenance and renovation actions required on the 2,526 km length network under its operation and management.

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 complying with demanding requirements and safety standards.

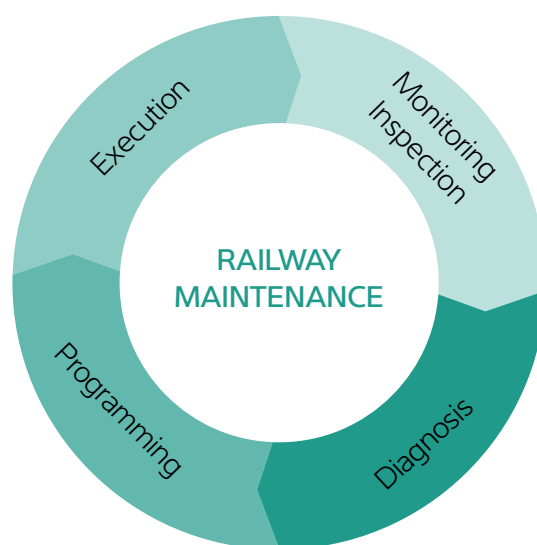
Railway maintenance develops the different activities in a continuous cycle from inspection to execution, taking into account the characteristics of the infrastructure, the type of operation and the service objectives of each line.

Holding an exclusive and unique know-how, IP maintains inspection and supervision functions inhouse, whilst execution activities are generally outsourced.

Railway maintenance and renovation interventions are supported by two management tools:

Maintenance contracts

Maintenance is foreseen in IP's operating budget under multi-annual contracts in the various specialities, and comprise three components:



- Systematic Preventive Maintenance (SPM), carried out according to previously defined roadmaps;
- Condition-based Preventive Maintenance (CPM), carried out at IP's express request as a result of an inspection and diagnosis of the infrastructure;
- Corrective Maintenance (CM), to correct anomalies.

In 2020 over 44 thousand maintenance actions were performed to ensure the operation of the different assets: 3191 km of railway, of which 2395 km of electrified line and 2407 km equipped with electric and electronic signalling; 1938 rail engineering structures; 3077 switches; 831 level crossings; 497 electro-mechanical equipment; 29 substations and over 465 stations.

In 2020 the amount spent in maintenance works, including Telematics and ITS totalled € 72.9 million, increasing by 9% over the previous year.



Catenary works



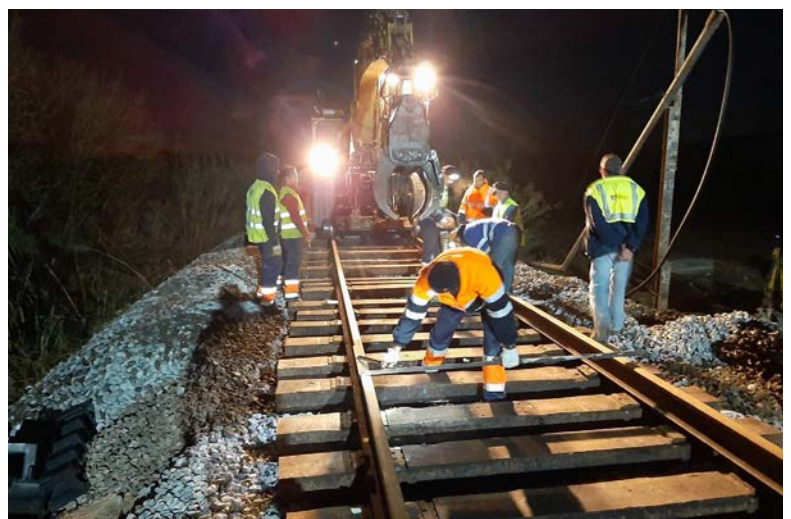
Renovation - Luz railway station



Maintenance of engineering works



Deforestation works



Track works

Investment in Long Duration Investment Infrastructure (LDI)

In 2020 investment in long duration infrastructure reached the sum of € 35.5 million (not including the Ferrovia 2020 Investment Programme), increasing by 20% over 2019.

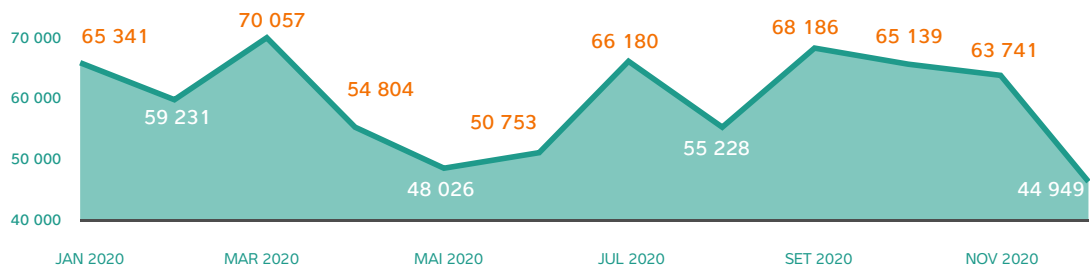
The network is patrolled by the Inspection and Support Mobile Units (ISMUs) using plans that indicate the itineraries (road stretches or connecting routes to be supervised), the direction to take and the situations to be assessed.

5.2.2 Road Network

Network Supervision

IP supervises the network by patrolling roads on a regular basis, according to the stratification of the network assessed by specific criteria, such as Annual or Half-Year Average Daily Traffic (ADT), commercial activity (licences), existing resources and service levels compliance requirements.

LENGTH OF INSPECTED ROADS (KM)



1,424,000 km

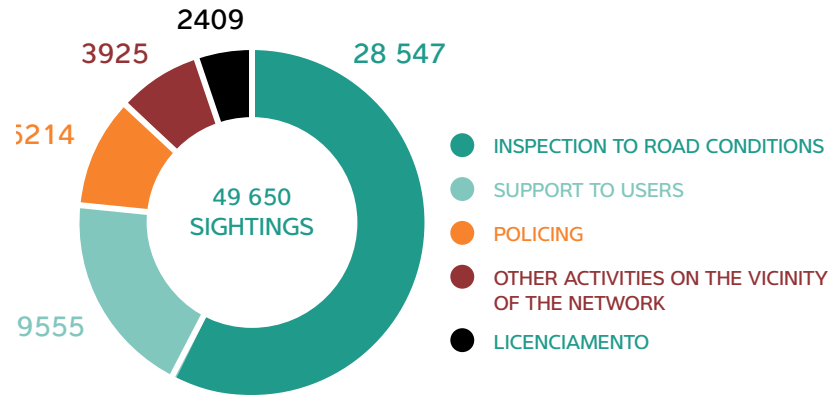
of road patrolled by Inspection and Supporting Experts (ISE)

712,000 km

of network travelled by Inspection and Support Mobile Units (ISMUs)

The main function of the Mobile Inspection and Support Units (UMIA) is to systematically and continuously monitor roads, collecting and recording information on deficiencies or occurrences arising from unexpected events that do not arise from the normal wear and tear, which require urgent intervention and signalling for endangering traffic conditions and/or the immediate safety of users.

Summing up, 49,650 events were recorded by the inspection units in 2020.



The number of events fell by 18% over the previous year, due to the pandemic.

MANAGEMENT OF CURRENT MAINTENANCE

Current Conservation Management is a systematic process of inspection and preventive or reactive intervention, to ensure the maintenance, repair and replacement, in appropriate conditions of functionality, of all components of the road. The purpose is to ensure traffic safety and comfort to users and to prevent the deterioration of the roads and service conditions.

ROUTINE INSPECTION

NEED FOR ACTION

TECHNICAL INSPECTIONS

CURRENT MAINTENANCE
CONTRACTS

INTERVENTION
BRIGADES

Routine Inspections are performed using IP's own resources, and cover nearly 50% of the network every year.

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

In overall terms, expenses in Current Maintenance of the Road Network (Conventional and High Performance Network), including, among others, Current Maintenance Contracts (with operation on the High Performance Network), specific contracts for the management of vegetation in compliance with fire protection laws, specific contracts for the Corrective Maintenance of Pavements and activities developed under direct administration, totalled € 53.2 million in 2020.

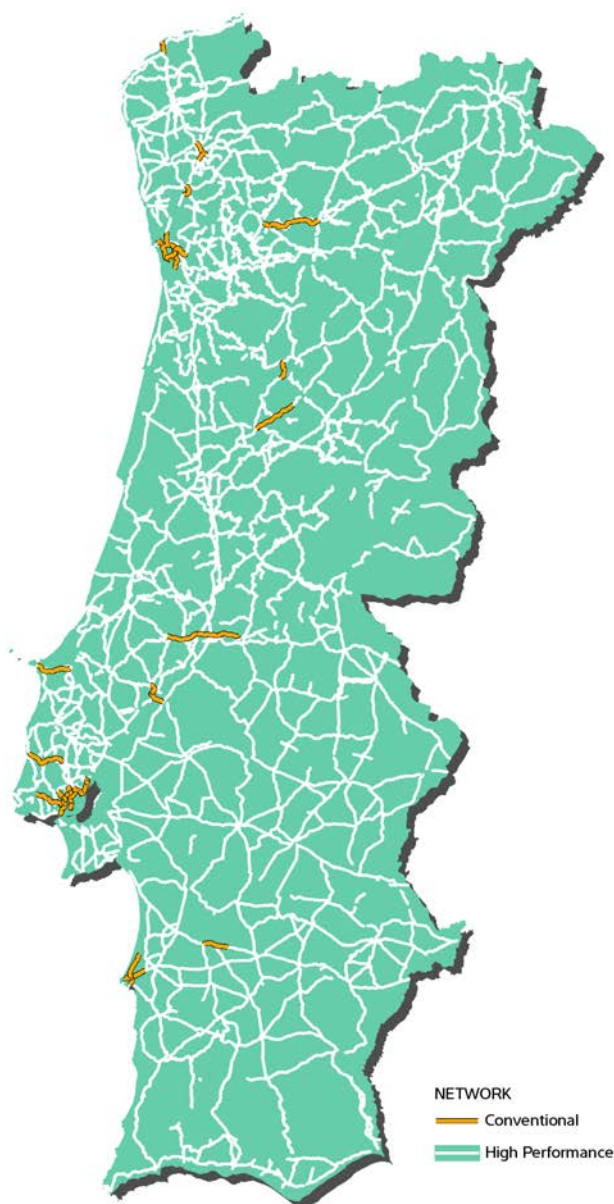
Length of inspected Road Network

14,036 km

13,374 km Conventional Network
663 km High Performance Network

53.2 Milhões €
Cost

3,790 €/km
Cost by km



Current Maintenance Contracts

Current road maintenance is provided under specific contracts called Current Maintenance Contracts (CMC), allowing IP to perform road maintenance works under direct management, viewing to ensure user comfort and safety, and prevent the deterioration of the infrastructure.

In the case of the High-Performance Network (RAP), these contracts, which also comprise operation activities, are called current maintenance and operation contracts (CCO).

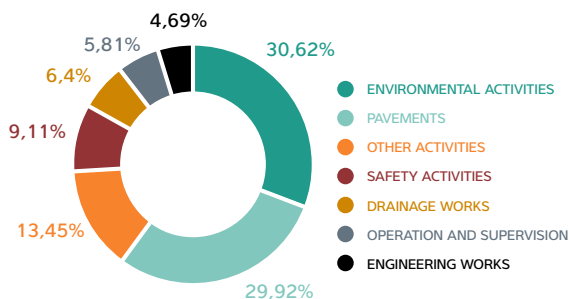
Conventional Network (RCV)

There are 18 current maintenance contracts in force for the 2017-2020 period. In 2020 the works under these contracts evolved as planned, with an overall implementation of € 36.72 million. During 2020 environmental and pavement related works accounted for 50 % of the amount invested in the Conventional Network under IP jurisdiction.

As far as environmental activities are concerned, we point out the works performed to protect forests from fire, namely deforestation, selective tree-cutting, and similar activities, representing expenditure of € 10.04 million in 2020.

36.72 Million €
Capital expenditure

2,673 €/km
Expenditure by kilometre



High-Performance Network (RAP)

The High-Performance Network accounts for 2.5% of the road network under direct management of IP. It is divided into three areas: High Performance

North; High Performance Marão; and, High Performance South.

During 2020 the following current maintenance and operation works were undertaken:

- Marão Tunnel and respective access roads
- A23, IP6 and IC10
- A26 and A26-1
- Greater Lisbon roads
- Greater Porto Region roads, A3/IP1, N14 and N101

5.82 Million €
Capital expenditure

8,778 €/km
Investment by kilometre



INTERVENTION BRIGADES

Intervention Brigade act on a one-off basis in the following situations:



URGENT INTERVENTIONS



- Clearing of drainage systems
- Signalling of damaged safety rails
- Road cleaning after adverse weather conditions
- Clearing of oil on the road
- Cleaning of snow and ice
- Road clearing
- Repair potholes

PREVENTIVE OR CORRECTIVE INTERVENTIONS



- Removal of advertising
- Clearing of pavement
- Maintenance and clearing of drainage elements and water lines in areas of the road
- Maintenance of vertical signalling
- Plant cutting, deforestation and vegetation control
- Preventive treatment against snow and ice

NON CORE INTERVENTIONS



- Repair and assembly of signs
- Stockage of materials
- Support to routine inspections
- Cleaning of leftover plots
- Support to the pilgrims
- Support to the Technical Channel
- Maintenance works at IP facilities

PROTECTION OF FOREST AGAINST FIRE

In compliance with legal obligations, namely pursuant to Decree-law 124/2006 of 28 June, as amended, which provides the measures and actions to develop to protect forest against fire, IP has several contracts with different service providers to perform this work.

During 2020 approximately 30 contract works were undertaken involving vegetation control, selective tree-cutting and pruning, covering a total area of nearly 18,400 hectares and representing an expenditure of € 12.08 million.

12.08 Million €

Capital expenditure

18,400 hectares

Covered areas

In order to provide a prompt response to requests made in this field, namely by Municipal Fire Protection Commissions and the Agency for the Integrated Management of Rural Fires (AGIF), IP's Road Network Department (DRR) manages the information relating to these works, on a geographic basis.

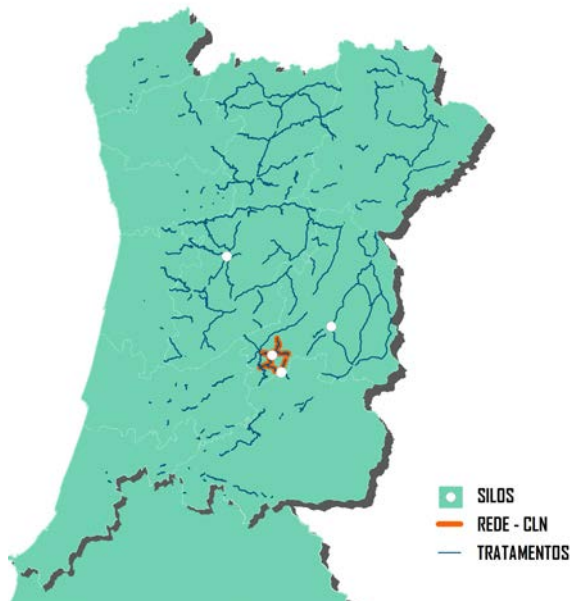
SNOW CLEANING CENTRE (SCC) AND OTHER WINTER ACTIVITIES



IP 's Snow Cleaning Centre of Serra da Estrela was created in 1971 to ensure traffic safety conditions during Winter. The SCC is situated at an altitude of 1650 m, on national road EN339, Piornos. This outpost is equipped with the means required to maintain traffic and safety conditions on national roads in the districts of Guarda and Castelo Branco, spanning across an area of approximately 290 km, of which 128 km are located on the mountain range of Serra da Estrela.

Winter activities play a crucial role in maintaining traffic safety conditions and in cleaning roads from snow and ice, when required. Given the country's orography and climate, these activities occur mainly in the districts of Bragança, Coimbra, Guarda, Castelo Branco, Viana do Castelo, Vila Real and Viseu, and sometimes in Aveiro, Braga and Porto.

In 2020 IP spent approximately € 70,000 with the spreading of salt, through current maintenance contracts.



In 2020 the company purchased 3,420 tons of rock salt and 8.40 tons of sodium chloride to ensure safe traffic conditions.

IP has silos with storage capacity of 60 tons to store rock salt, equipped with automatic machinery that ensure quick, easy and silent loading.

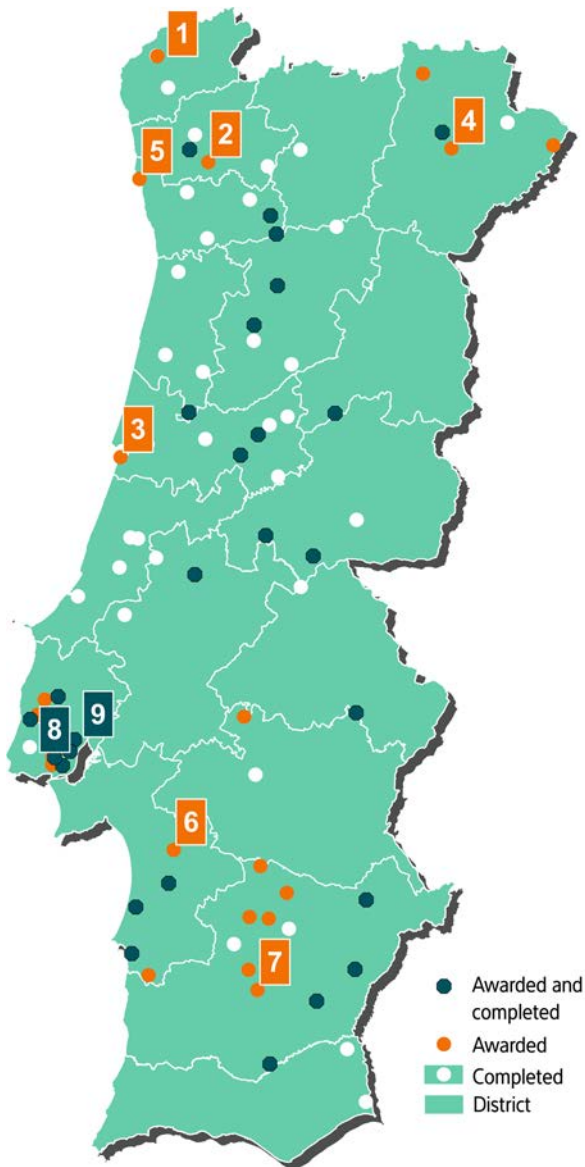
3.420 ton
Rock Salt

8,4 ton
Sodium Chloride

PERIODIC MAINTENANCE MANAGEMENT

Periodic maintenance consists of the performance of highly technically complex works, carried out according to timetable based on technical criteria issued by the Management Systems, taking into account the economic rationale and the optimisation of human, operating and opportunity resources; this periodic maintenance views to restore the initial characteristics of road components, ensuring satisfactory service levels and extending the useful life of existing structures. It is organised into a series of roadside intervention programmes, including pavements, geotechnical aspects, engineering structures and road safety. Additional works are undertaken whenever necessary, based on the assessment of renovation needs, with priorities being set according to technical urgency, which in turn is determined based on the Quality Index (QI) of the roads and traffic levels, as foreseen in the 2015–2019 Proximity Plan.





47 Awarded contract works
63 Completed contract works

Major contract works awarded (1 to 7) and completed (8 and 9) in the year under review are as follows.

1. Link to the Formariz Business Park to A3 (Sapardos – Paredes de Coura junction) - Work included in the Business Areas Enhancement Plan **540 days**
8,989,959 €

Construction of new road to connect the Business Park of Espariz to major road axes, crucial for the transport of people and goods, namely A3 at Sapardos.

2. Access road to Avepark - ER206 - levelling of the Silvares junction – Work included in the Business Areas Enhancement Plan **355 days**
3,378,882 €

Levelling out of Silvares junction on ER206, thus connecting the Science and Technology Park to major road axes, crucial for the transport of people and goods, namely A11.

3. EN109 - Improvement of Safety Conditions on km 122+150 to km 137+700 **360 days**
3,079,710 €

New layout of several existing intersections across section of EN109, on km 122+150 to km 137+700.

4. Preventive Pavements Works 2020 - Bragança District (3 Lots) **83 days**
2,626,133 €

Development of "Preventive Pavement Works 2020 - District of Bragança (three lots)", in line with the Company's strategy of developing technical solutions to extend the useful life of road pavements, at low unit costs.

5. EN13 section between LC Vila do Conde/ Póvoa de Varzim (km 25+335) and LD PRT/BRG (km 36+380). Renovation **210 days**
2,334,635 €

Functional renovation and increase in structural capacity of pavements, viewing to improve traffic/comfort conditions for users, as well as road safety.

6. Preventive Intervention on Pavements 2020 - Setúbal District (3 Lots) **90 days**
2,187,117 €

Development of "Preventive Pavement Works 2020 - District of Setúbal (three lots)", in line with the Company's strategy of developing technical solutions to extend the useful life of road pavements, at low unit costs.

90 days
2,108,152 €

7. Preventive Intervention on Pavements 2020 - Beja District (3 Lots)

Development of "Preventive Pavement Works 2020 - District of Beja (three lots)", in line with the Company's strategy of developing technical solutions to extend the useful life of road pavements, at low unit costs.

150 days
774,622 €

8. IC16, km 2+900, Hydraulic Crossing – Replacement of Engineering Work

Replacement of hydraulic crossing, following the onset of cracking in the pavement on the kerb of road section (Pontinha-Belas direction). The solution involved using prefabricated modules, to allow the optimisation of the construction process.

150 days
497,000 €

9 Renovation of containment structures and slopes in roads on the lisbon district – EN115-5, km 5+1500

Reinstatement of road safety and service level conditions, involving mainly geotechnic works, seeking the best cost/benefit conditions.

Works completed in 2020 comprised Earthworks, Paving, Engineering works, Slopes, Containment works and Signalling and Safety equipment.

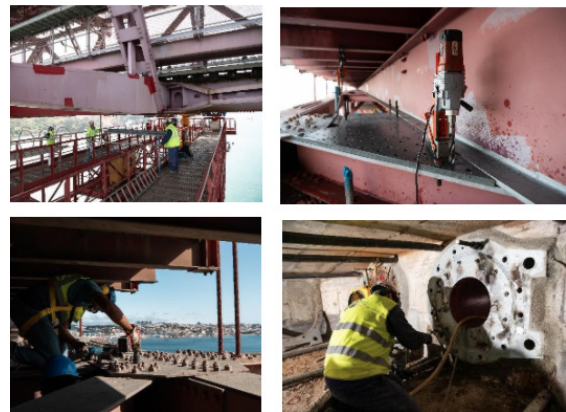


25 de Abril Bridge

The management of the 25 de Abril bridge is governed by specific law; in this context, IP operates in close cooperation with LUSOPONTE, whose management duties specifically focus the road component. A set of actions involving inspections, surveys, maintenance, conservation and improvement works and the safety of the operation are regularly carried out on an integrated management basis.

In respect of operational safety, the work carried out by the 25 de Abril Bridge Safety Board, which is chaired by IP, is particularly important. The board further includes Instituto da Mobilidade e dos Transportes (IMT), the security forces through the Security Coordination Office, and the emergency services, represented by the National Civil Protection Authority (ANEPC).

During 2020 contract works were carried out for the maintenance of Ponte 25 de Abril with end in August 2021 and estimated expenditure of € 12.8 million. The works comprise repairs on the suspension bridge and North Access Viaduct, including strengthening the rigidity of the beam.



August 2021 Completion of the works
€ 12.8 Million

5.3 Expenditure in Road and Rail Infrastructure

The "Ferrovia 2020" Investment Plan involves an overall expenditure of over € 2,000 million. It will be IP Group's greatest challenge of the next few years.

In terms of European co-funding, approximately 50% of the Ferrovia 2020 budget will be provided through the COMPETE 2020 or CEF lines.

5.3.1 Investment in the Railway Network

FERROVIA 2020

The "Ferrovia 2020" Investment Plan anchored in RETI3+ views to modernise the national Railway Network and strengthen internal and international connectivity (at national and Iberian levels), competitiveness, and incentive private investment and job creation.

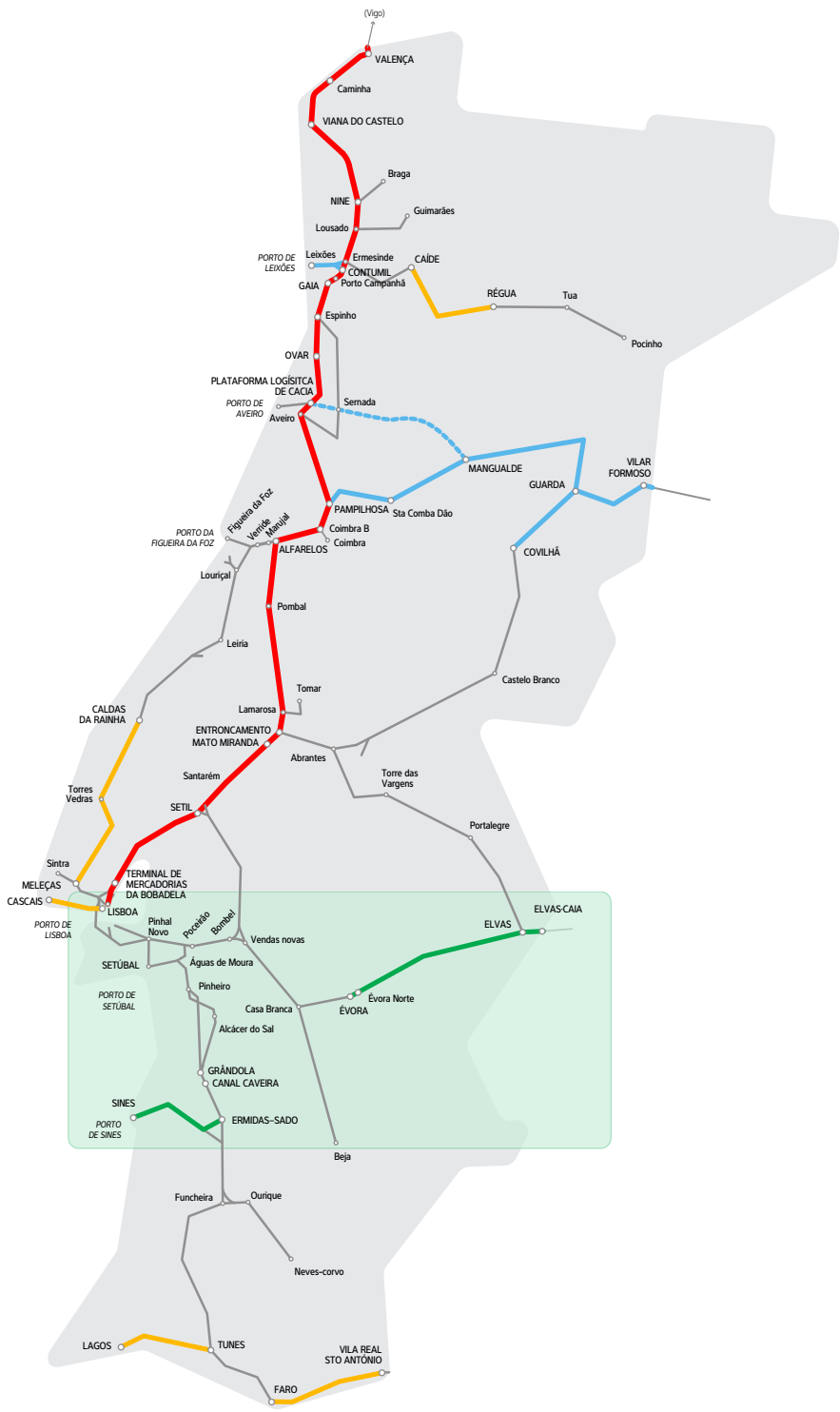
The Ferrovia 2020 Plan is currently at a critical stage of development, with a considerable amount of design work already moving forward unto work phase.

At the end of 2020 the overall progress of Ferrovia 2020 is clear: 79% of the effort (allocation of total investment to each undertaking to respective phase and current values) is presently in work phase (already awarded or under way) or even completed.

As regards contract works, considering only those already ongoing or under awarding phase at the end of 2020, the amount involved totalled € 1,020 million, adding to € 200 million in Signalling and Telecommunications contracts already hired or under way.

Amongst the works under way and currently in full swing, we point out the largest railway constructions works of the last decades, between Évora and Elvas, the reopening of the Beira Baixa Line from Covilhã to Guarda, works on the Northern Line, which is the major national railway line, or the electrification of the Minho Line, between Viana do Castelo and Valença, as well as the modernisation of the Beira Alta Line.

The financial implementation of the Ferrovia 2020 Plan in 2020 totalled €137.3 million, increasing by 27% over 2019. In cumulative terms, the financial implementation since the start of this investment plan is of € 405.1 million.



INTERNATIONAL SOUTH CORRIDOR

The International South Corridor will allow widening the port hinterland of Sines, Setúbal and Lisbon, ensuring the railway link between the south of Portugal and Europe, via Caia border, promoting railway interoperability and contributing to an efficient transport of goods.

This corridor will provide a direct link from Sines to Elvas/Caia, reducing travel time by 3h30, increasing capacity by more than double and improving safety conditions, by eliminating level crossings and installing electronic signalling.

At the end of 2020 this corridor was under construction, with 90% of the projected investment under way or in awarding phase, and 3% already completed.

In June 2020 IP launched the public tenders for the Modernisation of the Sines Line - Sines-Ermidas section, Évora-Évora Norte section, and Track and Catenary Works between Évora and the East Line.

The major works under way are the construction contracts for the new line between Évora Norte and the East Line: Évora Norte-Freixo section, Freixo-Alandroal Section and Alandroal-East Line section. The works on the East Line between Elvas and the border with Spain (Caia) are completed.

In 2020 expenditure in the International South Corridor totalled € 59.0 million.

INTERNATIONAL NORTH CORRIDOR

This corridor will consolidate the link between the metropolitan arch of Oporto and the coast line system, respective harbours (Leixões and Aveiro), airports and logistics platforms, Spain and the rest of Europe, via the Vilar Formoso border.

The corridor will increase daily capacity by more than double of electric trains traffic across the Beira Baixa Line, as well as improve grade lines in crit-



ical stretches, build the concordance links of the Beira lines and Pampilhosa, and improve safety by eliminating level crossings and installing electronic signs.

At the end of 2020 this corridor was under construction phase, with 89% of the projected investment under way or in awarding phase, and 4% already completed.

Following completion of the modernisation of the Beira Baixa Line's section between Covilhã and Guarda, 17% of total expenditure associated to this corridor is already completed.

All contract works of the Beira Alta Line are either under awarding phase or already awarded, namely sections between Pampilhosa-Sta. Comba Dão (including junction at Mealhada of the North and Beira Alta Lines) - Mangualde - Guarda and Cerdeira-Vilar Formoso.

The section Guarda-Cerdeira is already completed; only the works relating to Pampilhosa Station were not developed yet.

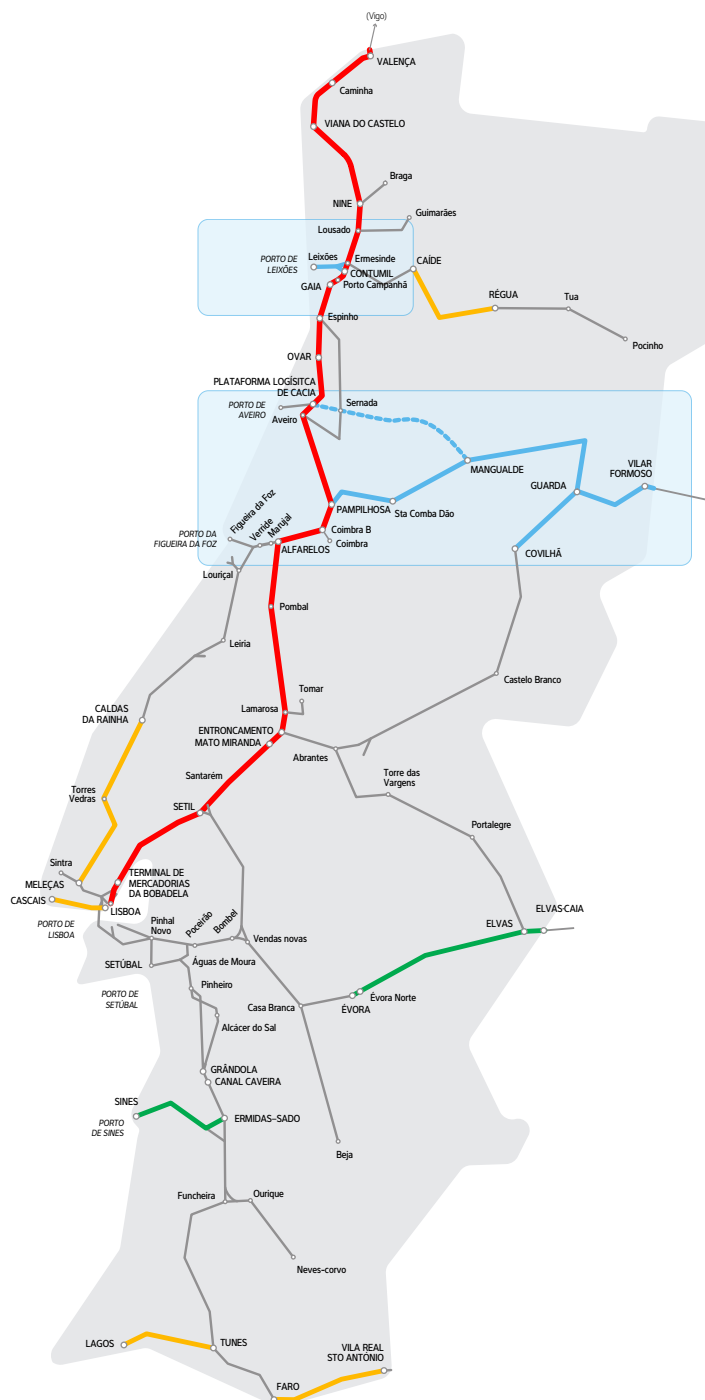
In 2020 expenditure in the International North Corridor totalled €45.0 million.

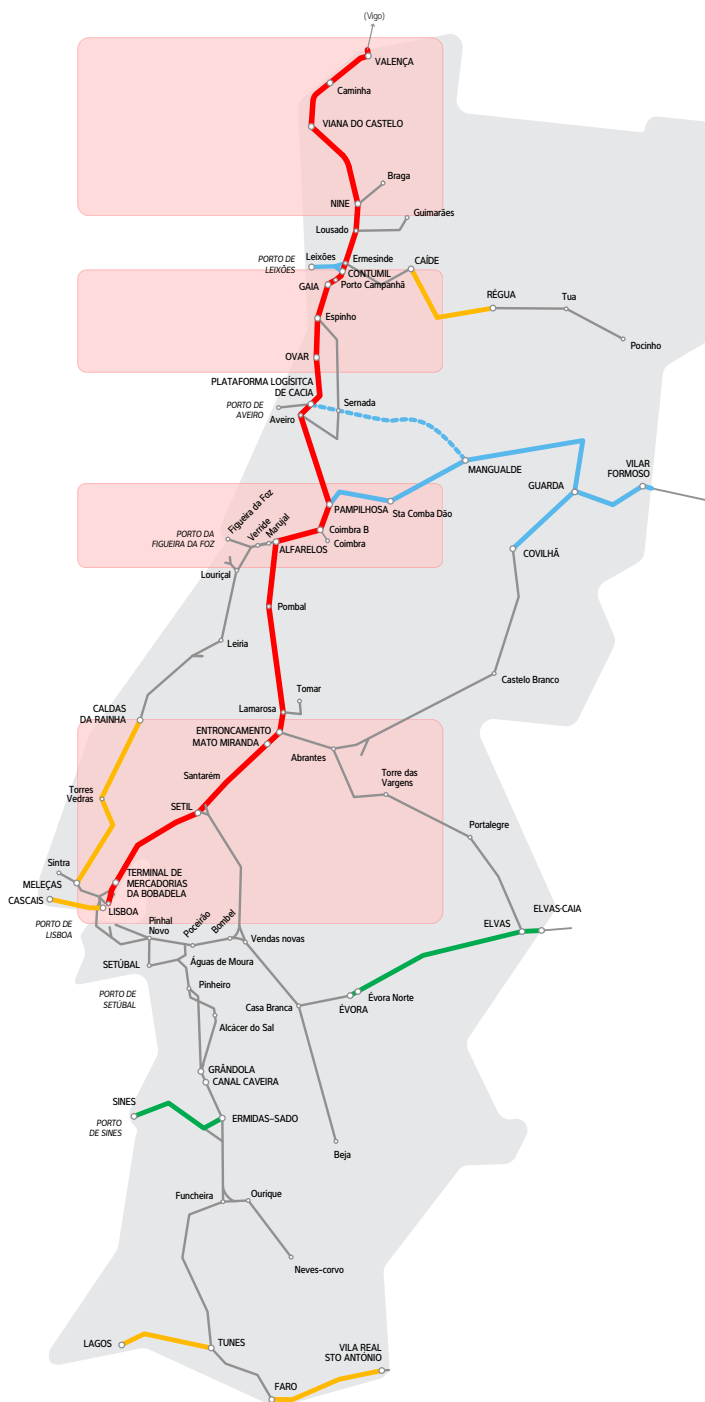
NORTH-SOUTH CORRIDOR

Investment in the Minho and North lines will improve the railway link between Portugal's Atlantic Axis and Europe, via the Valença border.

In the Minho Line, the travel time will be reduced with the introduction of electric traction trains and the elimination of the breaking load in Nine, the improvement in railway and road safety with the elimination of crossings and the building of uneven level crossings, increase in safety and operating reliability thanks to the deployment of a new signalling and telecommunications system and a threefold increase in capacity.

Adding to the above, the life cycle of the infrastructure will be renewed, long-distance travel time will be reduced, operational safety and reliability will improve with the modernisation of the signalling and telecommunications system. Railway and road





safety are expected to improve with the elimination of crossings and the building of uneven level crossings.

By end 2020 22% of the investment in this corridor was completed, of which 34% was in construction phase (ongoing or in awarding phase).

The contract works for the electrification of Nine-Viana (L. Minho) section and Full Track Recovery (FTR) between Alfarelos and Pampilhosa, on the North Line, were completed.

Espinho-Gaia FTR on the North Line, and electrification of Viana-Valença Section on Minho Line are under way; it is expected to start operating in April 2021.

In 2020 expenditure in the International North-South Corridor totalled €27.9 million.

SECONDARY CORRIDORS

This set of interventions comprises the electrification of the Minho Line from Caíde-Marco de Canaveses to Régua, electrification of the Algarve Line on the Tunes-Lagos and Faro-Vila Real de Santo António sections, and modernisation and electrification of the West Line between Meleças and Caldas da Rainha.

The modernisation of the Cascais Line is also comprised in the Secondary Corridors.

By end 2020 55% of the investment in this corridor was in construction phase (ongoing or in awarding phase), and 6% was already completed.

The electrification works on the Marco de Canaveses-Régua section, of the Douro Line, are under way; the first stretch from Caíde to Marco de Canaveses is already completed

On the West Line, the contract works for the Meleças-Torres Vedras section were awarded; the Torres Vedras-Caldas section is in awarding phase.

On the Algarve Line sections Faro - Vila Real de Santo António and Tunes - Lagos are under awarding phase.

EU funding for the works to be carried out on the Cascais Line were approved and are being developed.

Moreover, there are several Signalling and telecommunications contracts under way in the corridors mentioned above.

In 2020 expenditure relating to Secondary Corridors totalled € 5.4 million

Notwithstanding some constraints occurred, the Investment Programme has recorded remarkable progress in the period under review, as 79% of projected investment is either completed or under development. The remaining 21% are undertakings in an advanced stage of project development .

Below is a map with the location of the projects and stage of implementation in 2020.

OTHER INVESTMENTS

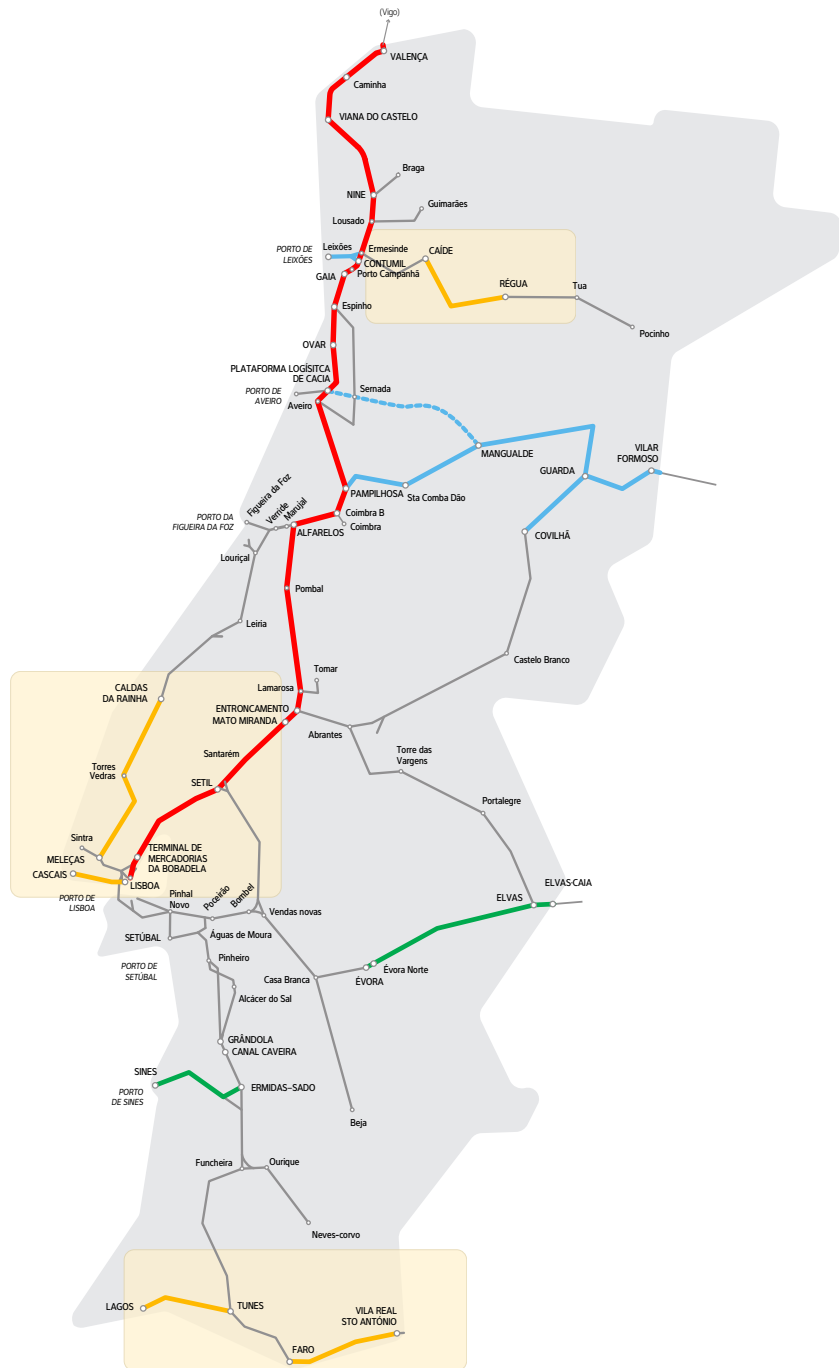
In addition to the expenditure associated with the Ferrovia 2020 Plan, additional investments are being made to enhance safety conditions and improve the levels of reliability and quality of service provided to users.

In 2020 investment in renewal and modernisation of the infrastructure, adequacy to rules and regulations in force, and improvement of service levels totalled €35.4 million (€21.2 million in track and overhead line renovation, €6.1 million in renovation of engineering structures, €2.million in signing and telecommunications systems, among other works).

In this respect, the following works stand out:

Anti-corrosive Treatment of Metallic Structures on Beira Baixa Line

Painting works of 4 metallic bridges on the Beira Baixa Line, aimed to reinstate the adequate anti-corrosion protection and ensure compliance with reliability, behaviour and safety indexes, mitigating the effects caused by different agents, such as humidity, salinity or pollution.



These works represented an investment of €845 thousand.



Metallic Structures on Beira Baixa Line

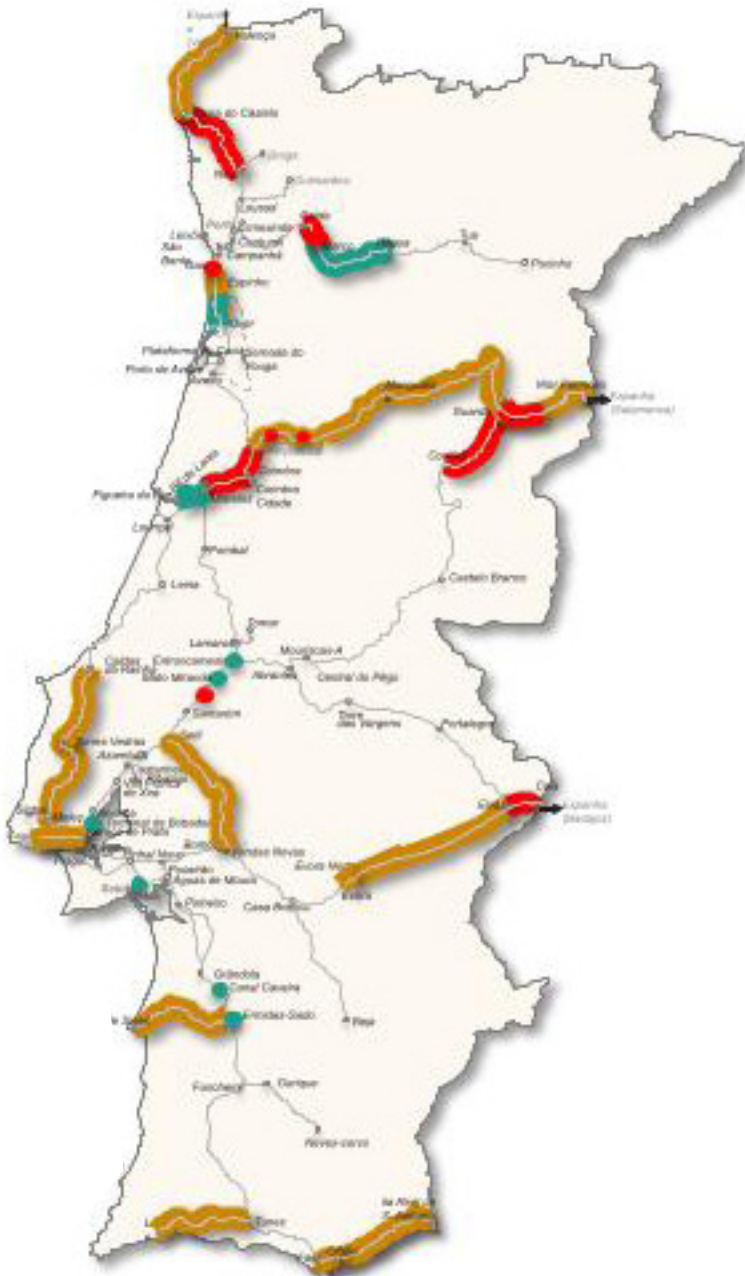
Stabilisation of slopes on Douro Line

Stabilisation of 15 slopes on the Douro Line, where there was recognised geotechnical risk, including a history of rock falls in some cases, representing a real risk to traffic, given the short or even non-existent distance between the slope and the track or in areas where visibility was short.

Following these works, representing an overall expenditure of € 4 million, it became possible to eliminate speed limits imposed as precautionary measure, and thus improve traffic conditions significantly, whilst complying with safety levels.



Douro Line Slopes



LEGEND

Contract under awarding process/in progress/completed

Works under awarding process or in progress

Completed

Renovation of Tomar Railroad Branch

Intervention plan representing an overall expenditure of € 4.3 million, to be developed gradually and complete in 2021, comprising the replacement of wood sleepers by concrete sleepers, the replacement of short section rails by long welded sections; track tamping works and other heavy mechanic works.

These works completed in 2020 represented a total investment of € 3.4 million, allowing achieving the following strategic objectives:

- Improve safety, quality, reliability and availability levels;
- Improve comfort levers for users;
- Comply with service levels agreed with railway operators
- Reduce maintenance costs.



Ramal de Tomar

Renovation Plan of the Alentejo Line – Poceirão – Bombel section

Intervention works plan representing total expenditure of € 2.9 million, to be completed in 2021, comprising the replacement of rails and fixings, to prevent potential defects and anomalies.

The works on the Poceirão-Pegões section were completed in 2020, representing an investment of € 1.3 million, resulting in lower maintenance costs, non-restricted availability and naturally, improvement in reliability and safety indexes.



Poceirão – Bombel railway section

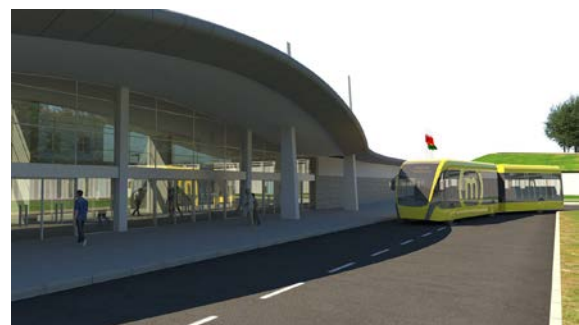
Mondego Mobility System

The MMS views to establish a public transport link between Coimbra and adjacent districts (Miranda do Corvo and Lousã), through a “Metrobus” system, consisting of BRT-type (Bus Rapid Transit) service, with electric traction, circulating on the former railroad branch of Lousã – Coimbra urban area.

The total length of the railroad is 43 km, connecting Serpins, Lousã and Miranda do Corvo to Coimbra, serving stations of Coimbra B and hospitals.

This project views to contribute to a reduction in CO2 and other GHG emissions, and improve mobility in Coimbra region, via modal transfer to collective public transport, thus improving interoperability with remaining transport services. The new solution adopted for the Mondego Mobility System will allow travel across the city of Coimbra, including areas where demand is significant and allowing articulating with other suburban and urban transport services.

Investment already carried out in MMS in 2020 totalled € 1.5 million, including the works of Alto de São João–Serpins section currently under way.



Investments in Communications Networks

GSM-R on Algarve Line (€ 1.2 million)

Implementation of a GSM-R radio system on the Algarve Line was approved by the relevant authority (IMT); this investment will total nearly € 1.2 million, following the system's certification according to NoBo APNCF and the risk assessment relating to the operationalisation of the system according to EU Regulation 402/2013.

GSM-R on sections of the Vendas Novas - Évora and Castelo Branco - Covilhã Line (€ 1.25 million)

Since the deployment of supporting infrastructure and active radio transmission GSM-R equipment in sections Castelo Branco – Covilhã and Vendas Novas – Évora where no radio communication exists yet (investment € 1.25 million) and certification of section Vendas Novas – Évora, viewing licensing the system with the relevant authority (IMT) are completed, we are now awaiting the finalisation of the risk assessment in accordance with EU Regulation 402/2013 and the development of Railway Regulation viewing the start-up of the system in this section. The line section between Castelo Branco and Covilhã will start operating at the same time as the system being deployed on the Covilhã – Guarda section since the end of the year under review.

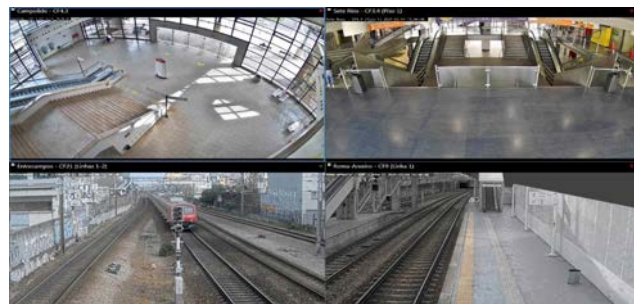


Expenditure in Telematics for Transports

Renovation of Video Surveillance on the Belt Line (€ 230 thousand)

Within the scope of Ferrovia 2020, according to the strategic guidelines established for the Safety of the infrastructure, and the safety of people and goods, IP is adopting solutions to tackle the increasing reduction of human resources in stations, and convey higher feeling of safety to users in the public railway domain and technical railway facilities. Technology solutions based on video surveillance systems are those which most serve this purpose.

During the year under review, the video surveillance system of the Belt Line (Roma-Areeiro, Entrecampos, Sete Rios, and Campolide) was renovated and extended, thus contributing to improve the safety of people and goods, acting as deterrent and as event assessment and emergency tools, in addition to providing real time information about situations of potential risk for people and the railway infrastructure.



5.3.2 Investment 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 businesses, foster job creation and increase exports.

The interventions carried out by IP within the scope of this Plan view to ensure the best access conditions to major roads for “drivers” of the Economy, namely small and medium businesses.

The Programme was prepared viewing the achievement of the following goals:

- i. Increase road accesses to Business Areas already consolidated and deemed relevant at regional and national levels;
- ii. Eliminate / minimize local disconnections, ensuring a supporting network with adequate performance standards;
- iii. Ensure that the road infrastructures foreseen are the most adequate considering the characteristics and estimated traffic volumes, providing optimal solutions in technical and financial terms;

- iv. Reduce travel time from the main road (IP and IC) to the Business Areas, thus contributing to reduce context costs;
- v. Enhance the competitiveness of the Business Areas, thus contributing to:
 - Improve the performance of production units already installed;
 - Attract new private investment;
- vi. Improve road and pedestrian circulation, diverting heavy vehicle traffic in:
 - Consolidated built-up areas;
 - Roads the profile of which is not compatible with heavy vehicle traffic;
- vii. Boost the business fabric of the municipalities where the Business Areas are located, spurring the country's economy and internationalisation, from a broader perspective;
- viii. Mitigate situations of traffic jams, thus contributing to reduce pollutant emissions.

The programme views the enhancement of 12 Business Areas: 8 in the North Region, 2 in the Centre Region, and 2 in the South Region.





8 Intervention Works

NORTH REGION

1. Link to Escariz - Arouca à A32 | Sta. M. Feira)
2. Link to the Industrial Area of Fontiscos | Santo Tirso)
3. Link of Industrial Area of Cabeça de Porca | Felgueiras to the A11
6. Link of Business Park of Formariz (Paredes de Coura) to the A3 (Sapardos junction)
8. Link connecting the Business Park of Lanheses to ER305
9. Access road to Avepark in Guimarães - Taipas Science and Technology Park | Gandra Industrial Area
10. Improvement of road accesses to business areas of Famalicão Sul | Ribeirão and Lousado
11. Improvement of road accesses to Business Area of Lavagueiras (Castelo de Paiva)



2 Intervention Works

CENTRE REGION

15. Road accesses to Industrial Area of Riachos | Entroncamento, Golegã, Torres Novas)
16. Accesses to the Industrial Park of Mundão (Viseu)



2 Intervention Works

SOUTH REGION

17. Improvement of accesses to the Industrial Area of Campo Maior
18. Link of the Industrial Area of Rio Maior to EN114

The 12 Business Areas established by the Government in February 2017 gave rise to 15 projects and 15 contract works, since Viseu, Santo Tirso and Guimarães have two interventions each.

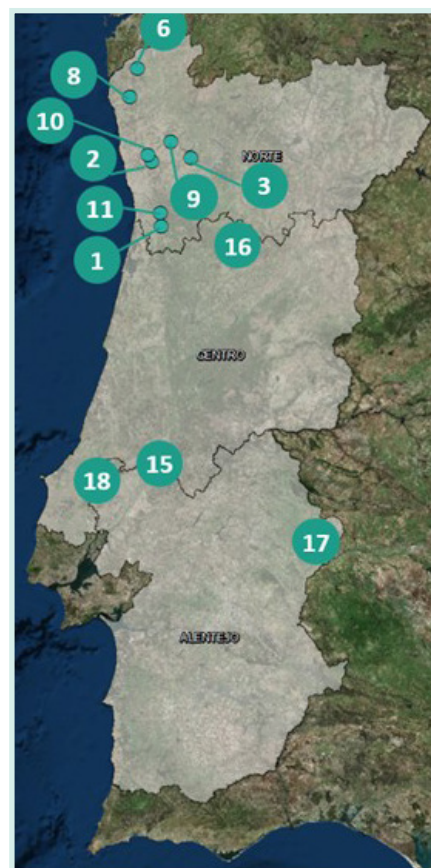
Expenditure is provided in the budget of Infraestruturas de Portugal, for its most part, and for a smaller part, by the budget of the municipality concerned, namely as regards the land expropriation required for the work.

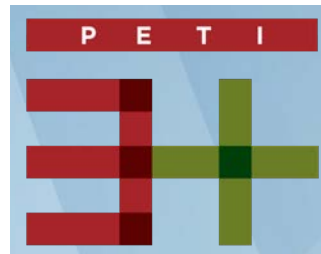
Total expenditure amounts to nearly € 130 million in projects, land expropriation, supervision and works.

The programme is recording an outstanding and positive progress.

- In overall terms 37% of expenditure is completed or in progress; no project is yet to be launched.
- Three works were completed, specifically: Lanheses (Viana do Castelo), EN14 (Famalicão) and Silvares junction (Guimarães);
- Two works are currently under way: Link to Formariz (Paredes de Coura), and Link to Escariz (Arouca), representing the largest road investment currently under way, with an estimated investment of € 30.4 million.

Expenditure in this Programme in 2020 totals € 9.2 million.





PETI3+

The road component of PETI3+ (Council of Ministers Resolution 61-A/2015 - Official Gazette 162/2015, Series I of 2015-08-20), which also provides the Ferrovia 2020 expenditure programme is based, is currently in progress.

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

On IP5 (Vilar Formoso/Fronteira), the contract for the completion of the cross-border link at Vilar Formoso which extends into Spanish territory, is also ongoing.

The contract works for EN14 Maia (Jumbo junction)/Via Diagonal were completed in December 2020, representing an investment of € 5.2 million.

It should be noted that two of the undertakings initially allocated to PETI3+ are under development within the framework of the Business Areas Enhancement Programme, namely the improvement of EN14 – Santana/Vitória and widening between Vitória and Famalicão, as well as the link to the business park of Escariz to A32.

The amount of expenditure in this Programme in 2020 totalled € 22.2 million, including € 8.4 million with the works on IP3 (between Penacova and Bridge over Dão River); this sum was recognised for accounting purposes as maintenance works.

OTHER INVESTMENTS

In 2019 the amount spent in other investments in the road infrastructure totalled € 5.1 million.

We highlight the contract for the Mondim de Basto/EN210 link completed in September 2020, worth € 7.6 million and with recorded investment of € 3.3 million in 2020.

NATIONAL INVESTMENT PROGRAMME 2030 (NIP 2030)

PROGRAMA NACIONAL DE INVESTIMENTOS 2030

MOBILIDADE E TRANSPORTES · AMBIENTE · ENERGIA

The National Investment Programme (NIP2030) was presented by the Government on 22-10-2020.

The Programme views to be the planning tool for the next cycle of strategic and structuring investment at national level and meet the needs and challenges of the future.

The scope of the NIP 2030 programme spans across sectors, though it is focused on the mobility and transport sectors, which are key to achieve external competitiveness and internal cohesion, but also on the environment, energy and irrigation sectors, viewing to meet decarbonisation and energy transition challenges.

NIP 2030 reflects the country's strategy for the next decade, aimed at achieving convergence with the European Union; It is based on three strategic goals, specifically:

- Territorial cohesion, by connecting territories and business activity, valuing natural capital;
- Competitiveness and Innovation, increasing and improving infrastructures, capitalising on the country's Atlantic potential, and strengthening territorial integration with Europe, and the Iberian Peninsula in particular.
- Sustainability and Climate Change, promoting decarbonisation, energy transition, adaptation to climate change and increased resilience of infrastructures.

In the light of the above, NIP 2030 comprises all major investments in infrastructures and equipment to be made in Portugal from 2021 to 2030, covering 4 main areas: Transport and Mobility, Environment, Energy and Irrigation.

The Transport and Mobility area comprises investment in road and rail infrastructures, which are IP's major concern.

Railway

Sixteen programmes and projects were identified, representing an overall investment of € 10,510 million, based on the following guidelines:

- Increase capacity and reduce travel time across the Porto-Lisbon axis, where the largest flow of passenger and freight lies;
- Build a new double track high performance line (Lisbon-Oriente / Porto-Campanhã) equipped with multi-purpose sleepers and Iberian gauge, on a first phase;
- Promote cross-border connectivity, ensuring interoperability across the Atlantic Axis towards North and intersecting international corridors;
- Solve major bottlenecks and consolidate the railway network in the metropolitan areas of Lisbon and Porto;
- Complete the modernisation and electrification of the National Railway Network, increasing capacity and speed where possible and useful;
- Launch the bases for the future expansion of the National Railway Network as factor of territorial cohesion;
- Improve railway access to ports and airports;
- Renovate accesses, improve safety, reduce environmental impacts, namely, noise, and adjust the railway network to climate change.
- Dematerialise and computerise logistics in terminals;
- Develop telematics and digital connection systems for passenger interfaces and logistics terminals;
- Renovate and expand the fleet of rolling stock available for all passenger service categories.

Road

Eight programmes and projects were identified, representing an overall investment of € 1,980 million, based on the following guidelines:

- Renovate and repair the road network, promoting the digitalisation of infrastructures;
- Complete missing road links, promote territorial cohesion and cross-border connectivity;
- Improve road accesses to business areas;
- Improve road accesses to airports;
- Mitigate negative externalities deriving from the use of motor vehicles;
- Renovate accesses, improve safety, reduce environmental impacts, namely, noise, and adjust the road network to climate change.
- Support innovation and efficiency of existing infrastructure



One of the major dimensions when defining the NIP 2030 consisted in the identification and distribution of the investment effort required across different agents. The following table identifies and describes the funding sources available.

Funding sources			
EU	European Structural and Investment Funds (ESIF)	ESIF comprise the cohesion policy funds (European Social Fund, European Regional Development Fund and Cohesion Fund), the European Agricultural Fund for Rural Development and the European Fund for Fisheries and Maritime Affairs.	
	Other European Funds (RRI, CEF, etc.)	Other investment funds provided by the EU, in particular the Connecting Europe Facility.	
National	Environmental Fund	The Recovery and Resilience Instrument (RRI), which is part of the policies designed to help economic recovery following the pandemic, is particularly worth mentioning	
	Reduction in expenses with road PPPs	The Environmental Fund aims to support environmental policies to achieve sustainable goals.	
	General State Revenues	Savings are expected as a result of reduction in annual charges with payments to Public-private Partnerships, particularly in the road segment for the 2021-30 period, compared to 2019	
Other		Direct funding through the State Budget.	
			Funding obtained by the public and private corporate sector through own funds or with banks

Within the scope of NIP2030 IP has already launched the following public tenders:

- EN14 – Maia (Jumbo Junction) / Trofa Road Interface - 2nd phase, in the amount of € 32 million.
- Vouga Line – Renovation of the Superstructure of Vila da Feira and Oliveira de Azeméis, in the amount of € 2.7 million.

Additionally, IP launched public tenders for the following projects:

- IP8 (EN121) – Ferreira do Alentejo (Roundabout with ER2) / Beja, including Beringel by-pass;
- IP8 (EN259) – A26 / Ferreira do Alentejo (Roundabout with ER2), including Fig. de Cavaleiros by-pass;
- EN4 – Atalaia by-pass.

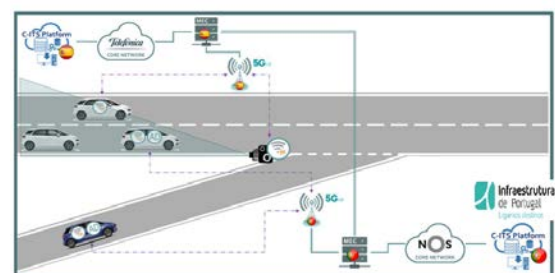
5.3.3 Investment in Management Supporting Structures

The amount of investment in management supporting Structures (IMSS) totalled € 4.0 million in 2020, including € 1.7 million in machinery and equipment, € 1.6 million in service facilities and € 392 thousand in software.

The largest slice of expenditure in this particular area was the supply and assembly of electric charging stations in facilities of the IP Group across the country.

Major repairs in rail equipment are considered Investment in Management Supporting Structures. The photo shows a track-maintenance car, which was altered to be used for catenary works.

The development of the 5G Mobix project is also included in IMSS.



5.4 Safety

Railway and road user safety is a core value of IP Group.

IP sees and treats Safety in an integrated manner; it follows the same policy in the road and railway business segments, focused on workers, users and service providers for the design, maintenance and operation of the infrastructure it manages.

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

Such performance was achieved against a sharp rise in road traffic.

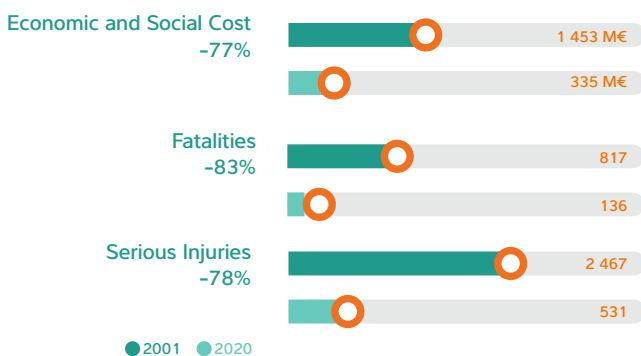
From the railway point of view, results are associated with the number of Significant Accidents recorded in the National Railway Network, regardless of respective responsibility, i.e., not only deriving from IP's operation, leading to the conclusion that 81% of these accidents were due to external factors, mostly intrusion in the railway space by third parties.

Note: These figures show a discontinuity in relation to previous years as the following document published in 2019 had updated reference figures: Handbook on external costs of transport (CE Delft for EC, 2019) <https://op.europa.eu/en/publication-detail/-/publication/9781f65f-8448-11ea-bf12-01aa75ed71a1>
Reference: Annual Railway Safety Report 2019, IMT
• Value of prevention of 1 serious injury (**) € 396.771.88
• Value of prevention of 1 fatal casualty (**) € 2,612,386.52

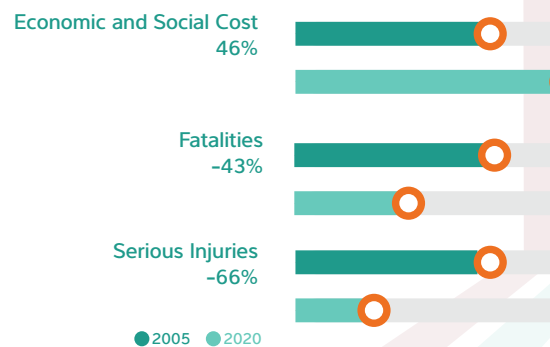
5.4.1 Road Safety

EVOLUTION OF THE ACCIDENT RATE AND RESPECTIVE ECONOMIC AND SOCIAL COSTS

IP ROAD NETWORK



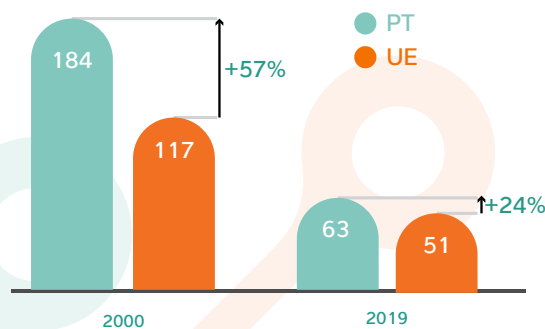
IP RAILWAY NETWORK



Source: Custo Económico e Social dos Acidentes de Viação em Portugal (2012, Arlindo Donário e Ricardo dos Santos Preços de 2020)

Portugal has recorded very significant progress in reducing road accidents in recent decades. In 2000 the number of deaths per inhabitant exceeded the European average by 57%; this indicator dropped significantly over the last 20 years, although it is still 24% above the EU average.

PORTUGAL IN EUROPE - 2000/2019
[Number of fatal casualties per million inhabitants]



One of the factors that contributed the most to this performance was the strong investment made in transportation infrastructures in the last 20 years, especially in higher quality and safer roads, such as motorways, boosted by the implementation of the National Road Plan - 23% in 1995 against 75% today.

Twenty years ago, when road traffic on the network managed by IP was a quarter of what it is today, the number of fatalities was 1,000 (F), accounting for 55% of the overall fatality rate.

The number of fatalities recorded on the NRN in 2020 was 136, accounting for 35% at national level.

Investment made in the last 20 years in this field brought significant economic and social benefits to society – saving over 14,400 lives and more than € 14.6 billion in economic and social costs.

As mentioned above, the National Road Network (NRN) under the management of IP and its predecessors has decisively contributed to this decrease, particularly in the last 20 years: whilst the number of fatalities fell by 73% at national level, on the National Road Network under IP's management this figure dropped by 83%.

Notwithstanding the decrease recorded in the last decades, the positive evolution of road accident indicators has slowed down in the past 3 years.

However, significant improvement in all indicators was recorded in 2020 over the previous year, except for the number of blackspots indicator. This improvement was influenced by lower traffic recorded last year, as a result of the traffic restrictions imposed on the back of the Covid-19 pandemic.

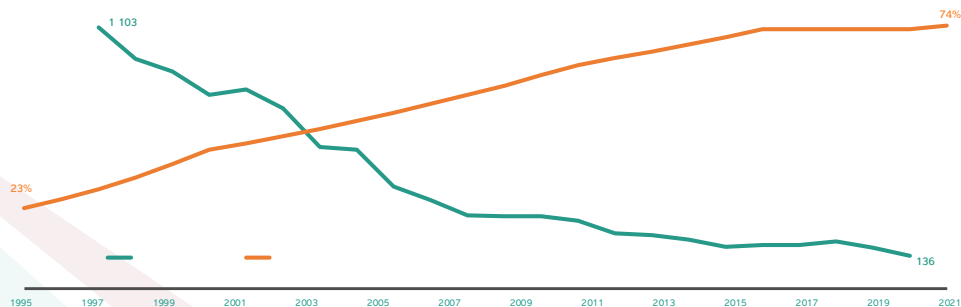
Within the national context, the national road safety plan – **PENSE2020 - NATIONAL STRATEGIC PLAN FOR ROAD SAFETY 2020**, which followed the National Road Safety Strategy (NRSS) was completed; its aim was to reduce the number of fatalities by 56% by 2020 as against 2010 (6% more than the European Commission's target for the same period), resulting in a target of 41 deaths per million inhabitants. According to the European Commission, in 2016 Portugal recorded 54 deaths per million inhabitants.

Likewise, ENSE2020 set an additional target for 2020 concerning the "Serious Injuries" indicator (OVER ≥ 3¹⁰)/million inhabitants", specifically, a reduction by 22% as against 2010.


As of the date of this report no information had been published as regards the fulfilment of the targets set forth.

With a view to contribute to this achievement, IP also adopted the goals established in PENSE 2020 for the road network it manages.

In addition to these public policy instruments to re-



10. Person with injuries ranking 3 on the Maximum Abbreviated Injury Scale (MAIS)




duce road accidents, the Concession Contract entered with the State establishes that IP must continue pursuing the objectives towards a lower accident rate, based on three indicators: number of black spots, accident severity index in built-up areas and number of fatalities, giving rise to penalties if not complied with.

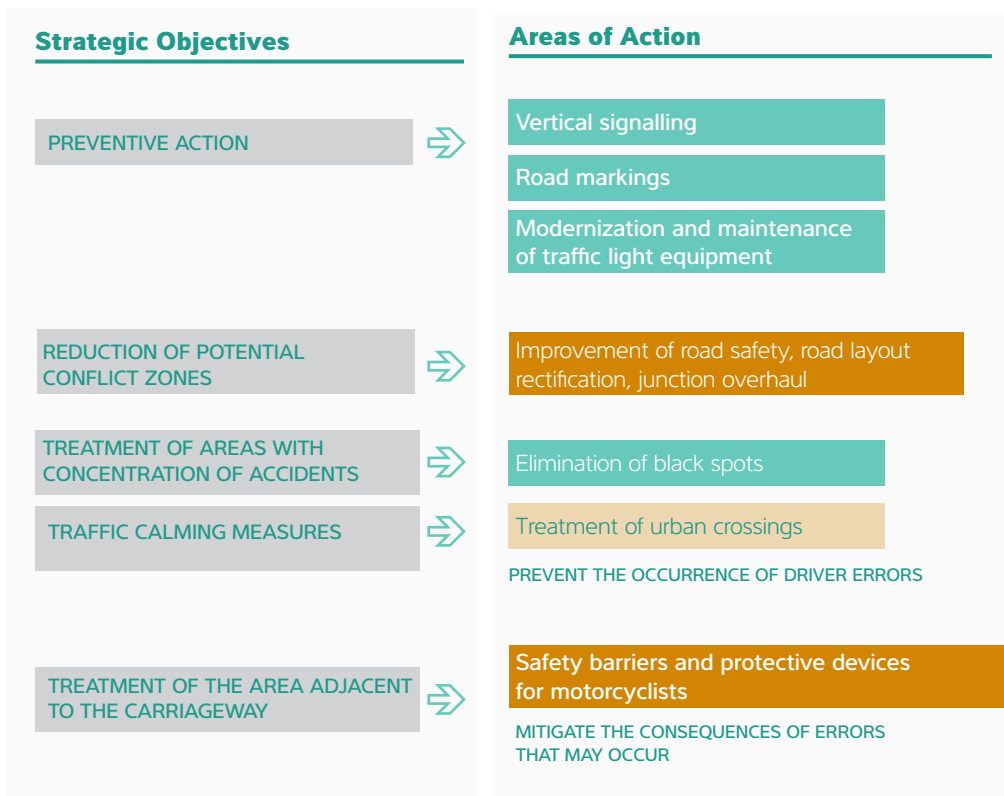
In pursuit of the national aim to reduce road accidents, P annually prepares its National Road Safety Plan (RSP), which establishes preventive and corrective measures to reduce accidents and improve safety and traffic conditions in the road network under its management, guided by the legal documents mentioned above, as well as the goals for road accident indicators; the objectives established in the concession contract; the defects detected in the road network in terms of safety; and available funds.

IP's road safety strategy is in line with PENSE2020 Proposal and with the strategies of most developed countries in terms of road safety, as is the case of Sweden, based on the ethical imperative that "no-one should die or become permanently disabled following a road accident in Portugal".

This approach is based on the concept of tolerant roads. Since it is recognised that road users will always make errors, and that these may lead to road accidents, the infrastructure must on the one hand, prevent and anticipate a driver's error, and, on the other hand, minimise the error and any consequences that may arise.

In line with this approach, IP's Road Safety Plan (RSP) views to prevent the occurrence of driver mistakes and mitigate the occurrence of such errors, based on 5 strategic objectives, as follows:





In 2020 59 specific interventions were carried out under the Road Safety Plan, worth a total of € 2.63 million, 47% of which were directed to preventive action.

A. ROAD SAFETY INDICATORS

The Concession Contract (CC) established with the State defines objectives to reduce accidents, specifying three indicators: number of blackspots, accident severity index in built-up areas and number of fatalities.

IP has consistently met the goals established in its CC, except for the number of black spots indicator in 2013 and 2014. This situation is due to the fact that in 2013 IP extended its network, integrating sections of Grande Lisboa and Douro Litoral concessions, which led to a significant rise in the number of black spots (corresponding to an annual average increase of 45% in the number of black spots recorded per year).



The data for 2020 should be considered as provisional, since the National Road Safety Authority (NRSA) has not yet completed its validation of road accident data recorded in Portugal for that year. Established targets were revised and approved by Instituto da Mobilidade e dos Transportes (IMT).

It is not possible to indicate in this report the number of **Blackspots** on IP's network in 2020, as the ANSR has not yet provided any list of Blackspots for 2020 (whether interim or final).

Nonetheless we point out that IP set the target for 2020 of a maximum of 29 blackspots on its road network.

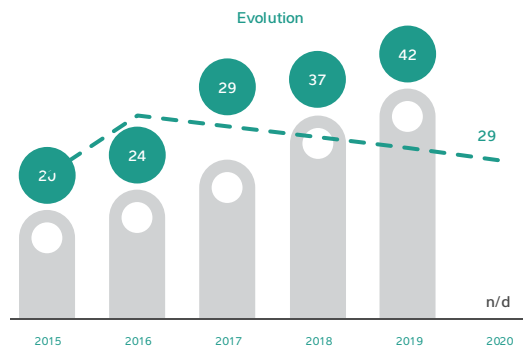
As regards serious casualties, according to the provisional records of fatalities and serious injuries on IP network, the number of fatalities decreased (-31 F), falling to 136 F from 167 F (-18.6%).

When compared to the target set forth for 2020, the number of Fatalities exceeded the target by 1.5% (+2F).

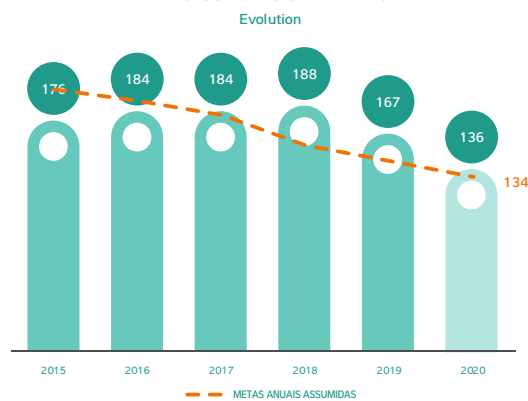
The number of Serious Injuries, on the other hand, has fallen (-34 SI) to 533 from 567 serious injuries (less 6.0%).

Interim figures for 2020 show that the **severity indicator of accidents occurring in built-up areas** declined by 20.3% over 2019 and stood at below the target set for 2020 at 18.3%.

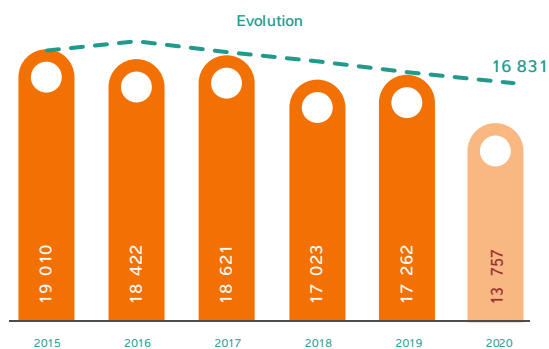
BLACKSPOTS IN IP NETWORK



FATAL CASUALTIES ON IP NETWORK



SEVERITY INDEX IN BUILT-UP AREAS ON IP NETWORK



ROAD SAFETY INSPECTIONS – EVOLUTION

TYPE OF INSPECTIONS	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Planned for the network (km)	320	250	450	345	122	61	106	45	114	25.3
Blackspots (no.)	30	20	18	44	34	15	22	23	39	42
Cumulative accident areas (no.)	43	42		23	14	0	1	3	20	23
Monitoring (no.)				21	9	0	0	27	9	4
Inspection to accident sites (no.)				10	66	40	41	83	71	125

B. ROAD SAFETY INSPECTIONS CARRIED OUT IN THE YEAR

Road Safety Inspections are among IP's key activities in the field of road safety; these are carried out by nationwide safety inspection teams and allow to pinpoint defects and problems and propose corrective and cost effective measures.

The activity of the Accident Prevention Centre gained momentum as from 2015, having inspected and analysed 433 accidents (with fatal casualties and serious injuries) occurred in IP's network, permitting to review possible causes and acting more efficiently in the network.

5.4.2 Railway Safety

IP's activity in the field of railway safety is supported by the Road Authority's (IMT) approval of the Safety Management System (Letter of Approval of the Safety System no. 02/2019), according Decree law 260/2003 of 28 October, as amended by Decree law 231/2007, of 14 June, followed by Decree law 151/2014, as amended by Decree Law 217/2015 of 7 October.

In the field of railway safety, in line with IP's mission as manager of a reliable and safe railway infrastructure, the company develops the following activities:

- Development of railway safety policies as tools to improve the performance of infrastructure management operations, promoting a close relationship with all stakeholders, whether internal or external to IP;
- Management of railway safety indicators, promoting the analysis and monitoring of deviations, with the purpose of acting on respective causes, in order to maintain adequate safety levels of rail infrastructures and operations;
- Management of internal research on railway accidents and events and implementation and control of measures to eliminate/mitigate causes and causal factors;
- Investigation of occurrences on the railways, supporting their classification within the scope of the Common Safety Indicators, decision on

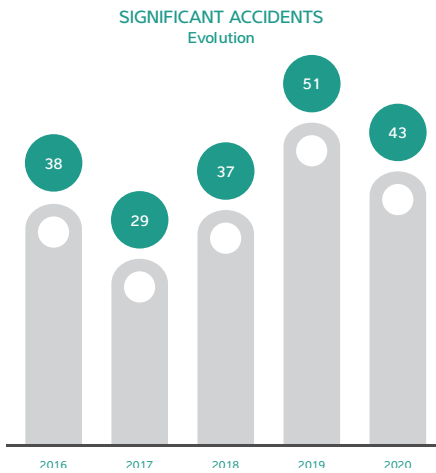
the need and advantage in initiating a process of formal investigation of the accident/incident and identification of safety measures to be adopted;

- Preparation of procedures and rules to support and contextualise critical functions from the point of view of railway safety;
- Implementation of process viewing the issuing of European-format train driver licences, in line with Law 16/2011 of 3 May, approving the certification of train and locomotive drivers, in accordance with Directive 2007/59/EC of the European Parliament and Council of 23 October;
- Issuing of regulatory and technical expert opinions on railway safety (third-party interventions in the vicinity of the railways and technical conditions for contracting procedure documents);
- Management of Special Travel Authorisation processes;
- Application of common safety method to determine and assess risks;
- Performance of safety inspections and audits and identification of respective mitigating measures, aimed to minimise incidents and accidents with impact on railway safety;
- Management and monitoring of the Wagon Maintenance Management System (certification valid until 2024, subject to annual review);
- Management of Authorisation of Entry into Service processes, safeguarding the technical and procedural conditions relating to the design, construction, entry into service, re-adaptation, renovation, operation and maintenance of the elements that make up the railway system;
- Management of safety certification procedures for rolling stock (running on operating tracks or closed tracks and checking of machinery under operating conditions), and production of technical and regulatory conditions for the circulation of vehicles, ensuring the coherence in processes and compatibility with the various components of the railway infrastructure;
- Management of the procedures associated with the IP Safety Management System as support for the renewal and maintenance of the Safety Authorisation process.

A. RAIL SAFETY INDICATORS

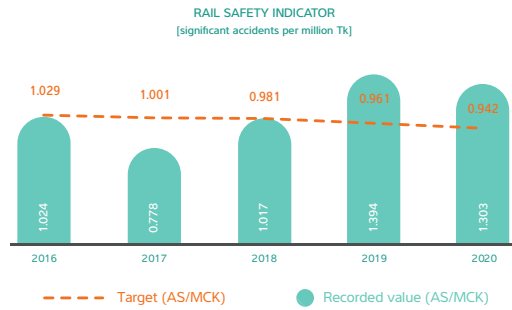
Despite the growing activities relating railway safety carried out by IP with the support of railway transport operators in 2019 and 2020 the number of Significant Accidents increased in relation to the trend of the 4 previous years.

Though in relation to 2019 the number of significant accidents declined by 15.7% in 2020, comparison to the average of the last 5 years reflect an increase by 20.8%.



In what concerns underlying causes, the majority of Significant Accidents, approximately 81%, was due to factors external to the railway system, and caused by third-party intrusion into the railway area.

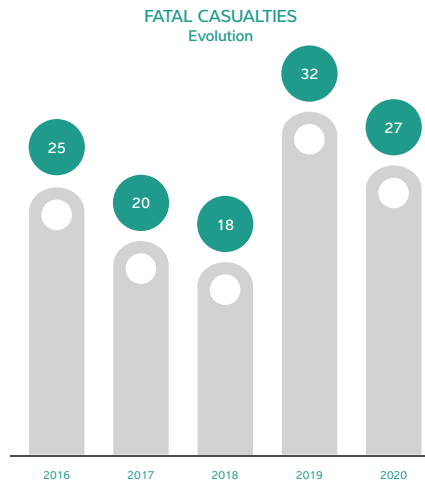
The Significant Accidents Index (number of significant accidents per million train kilometres) exceeded by 42% the target set for 2020 in the Framework Programme established between IP and the State.



Note: 2018 vs. 2020 comparison showed a decline by 10% in the number of Tk (train-kilometre) recorded, which directly affects the indicator. [2019: 36,574,790 Tk; 2020: 33,005,896 Tk]

In respect of the consequences of Significant Accidents, of the 27 recorded fatalities:

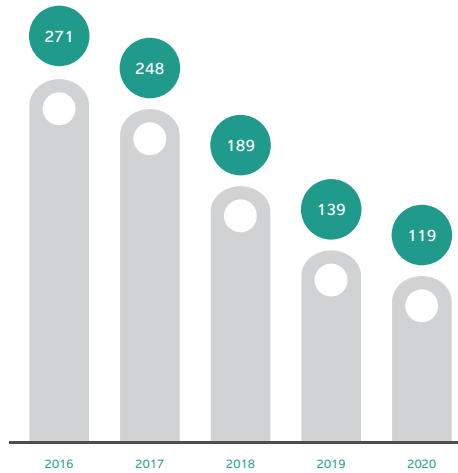
- 60% were unauthorised persons who trespassed the railway area, and
- 20% were people who did not respect the safety rules at level crossings.



As regards events that are not accidents, the consistent decline in precursors to accidents, particularly in respect of "track buckles", attests for the increasing improvement in conditions of the infrastructure.

This shows a very positive reduction of 14% compared to the 2019. Comparing the figures recorded in 2020 against the average of the last five years, the decline is even larger (43%).

PRECURSORS TO ACCIDENTS
Evolution



Railway safety is one of the main goals of IP; accordingly, the company promotes a proactive personal attitude focused on the themes of railway safety and the adequacy of safe behaviours. In 2021 IP will continue to push forward and strengthen the implementation of good practices and adoption of the necessary mechanisms to promote and identify new approaches and partnerships, viewing an increasingly safer Railway System.

B. RAILWAY SAFETY INSPECTIONS

One of the fundamental activities of IP in terms of railway safety is Safety Inspections, which allow IP to identify any non-conformity or risky situation and propose mitigating measures accordingly.

Over the last 5 years Railway Safety Inspections covered the following length of the railway network:

RAIL SAFETY INSPECTIONS					
TYPE OF INSPECTIONS	2016	2017	2018	2019	2020
Pedestrian (no./km)	12/65	15/74	20/105	21/109	10/54
Train (no./km)	3/406	1/146	15/1216	11/693	2/39
Regulatory (no./km)	1/2	3/6	6/54	4/8	11/240

Activity in 2020 was affected by the restrictions imposed nationwide as a result of the Covid-19 pandemic, which limited the performance of regulatory inspections in closed spaces and restricted access to train drivers cabins and special motor vehicles.

C. LEVEL CROSSINGS

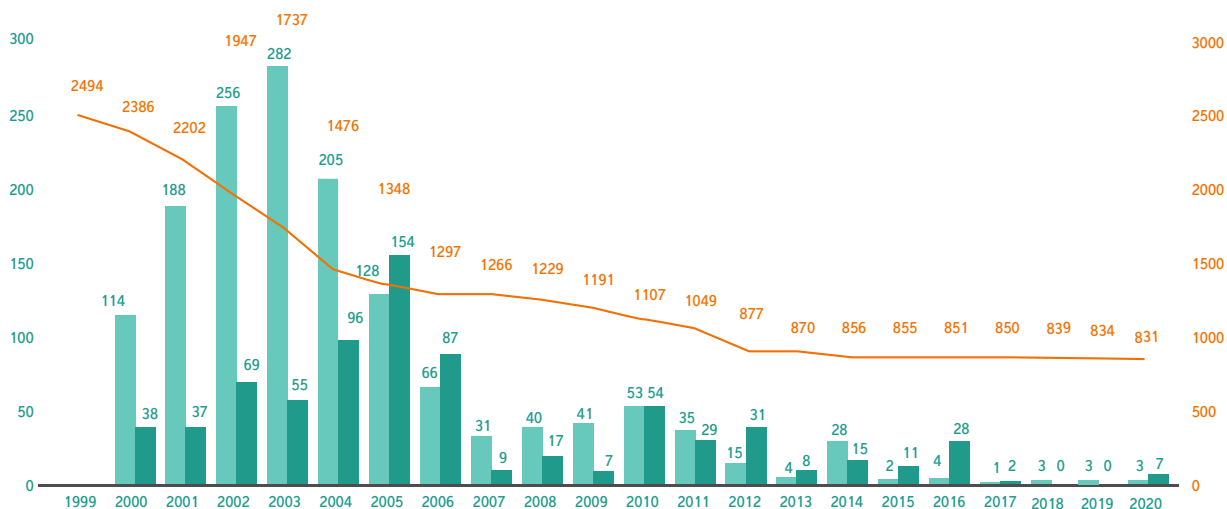
In line with the Plan for the Elimination and Re-classification of Level Crossings (LC) for 2020 – an obligation of road and rail network managers pursuant to article 2 of Decree-Law 568/99, of 23 December – 3 level crossings were eliminated and 7 were altered, representing an overall investment of € 718 thousand; this figure does not comprise the automation of 5 LC in the Esmoriz-Maia section of the North Line, which was included in this section's signalling system contract.

At the end of 2020 there were 831 LC level crossings along the railway lines (IET50), of which 456 (55%) have active protection, ensured by level crossing keeper or automatic signalling. At the end of 2020 the mean level crossing density was of 0.33 LC/km. The following graph illustrates the actions taken and how the number of Level Crossings evolved over the last few years:

It is the responsibility of the Infrastructure Manager to guarantee the correct classification of LC, as provided in Article 13 of the Level Crossing Regulations published in annex to Decree-Law 568/99. In 2019, 175 LC were subject to Inspection and Characterisation, including the assessment of use and associated risk factors.

Viewing to mitigate the risk of LC blocking, upon proposal from a IMT/IP/ANSR work group, following recommendation from GPIAAF, a "Break in Case of Emergency" prototype was developed to be installed in automatic LC barriers.

Following indication of IMT, the work group identified LCs with crossing time risk higher than 10 seconds because of respective accesses, and proposed solutions to mitigate the problems to respective municipal councils, as managers of respective roads.

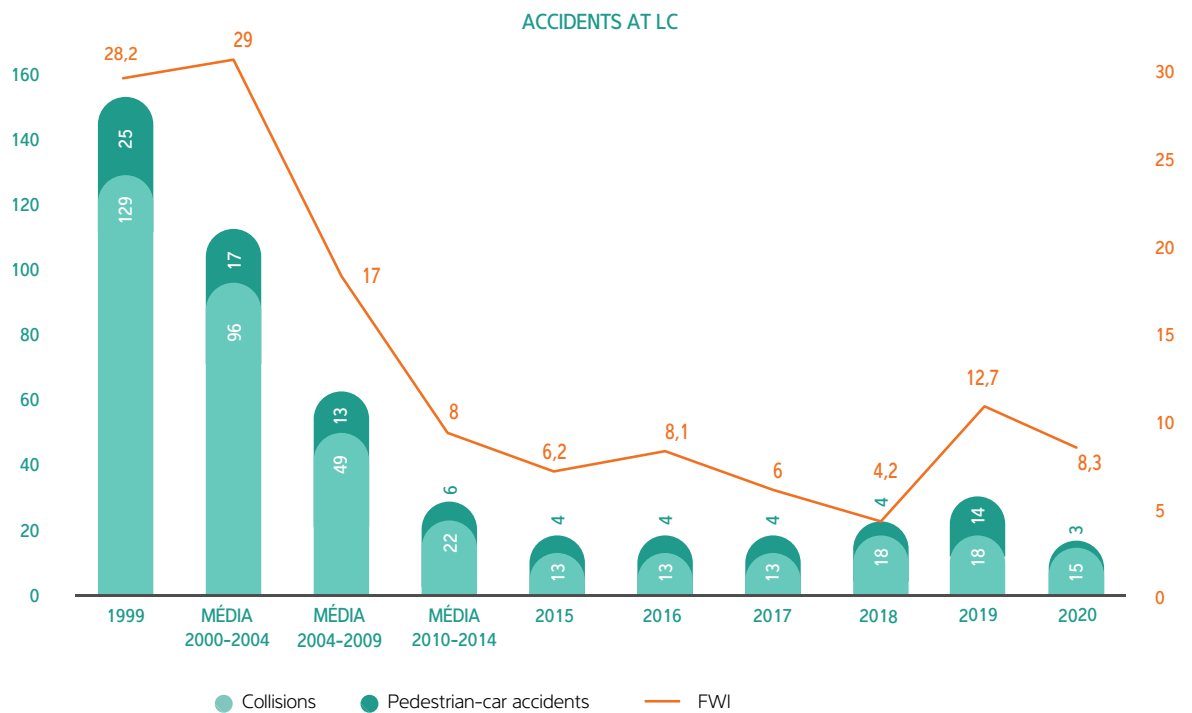


Two risk mitigation solutions defined in previous Risk Assessments were developed, to be implemented jointly with the road manager.

Feasibility studies for the construction of uneven crossings, viewing the elimination of LC, were developed.

TYPE OF ACTION	2015	2016	2017	2018	2019	2020
Inspection and characterisation	161	300	132	151	160	175
Risk analysis	-	1	15	6	33	5
Risk mitigation studies and projects	-	-	-	8	4	2
Feasibility Studies viewing the elimination of LCs	-	-	-	-	-	5

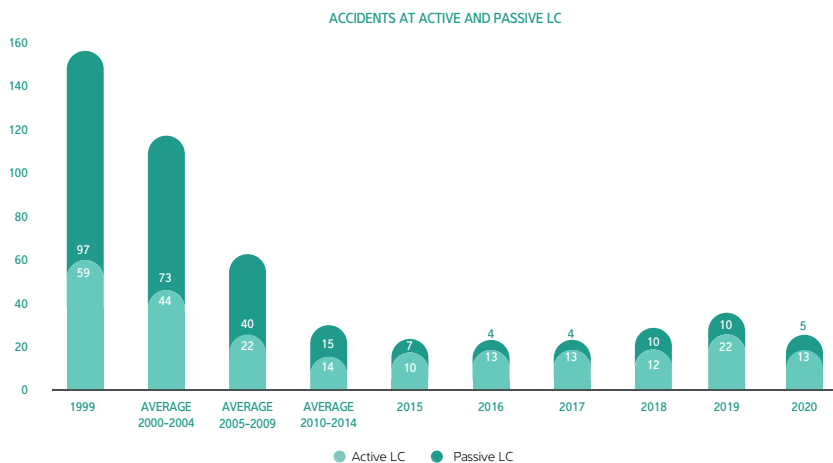
In recent years, accidents on level crossings have evolved as follows:



From 1999 to 2015 there was a decrease in accidents at LC of more than 85% in terms of accidents and fatalities, as a result of the policy adopted of elimination and improvement of safety conditions at LCs.

The last few years showed a stabilisation in figures and even a reverse in the trend, though in 2020 such decline may be explained by the decrease in mobility due to the Covid-19 pandemic.

Considering the accidents recorded in the last 5 years, two thirds occurred in LCs equipped with active protection, which shows, on the one hand, a clear disrespect for existing signs, and, on the other hand, that the efficacy of safety measures will depend mainly on the behaviour and responsibility of LC users.



In the light of such evidence, IP will continue to bank on the **"Stop, Look, Listen"** communication and awareness campaign and its involvement in initiatives of an institutional and formative nature such as the **"International Level Crossing Awareness Day"**, which is held on 10 June.

IP will remain committed to continuing pursuing its action plan to reduce accidents at rail crossings, with the objective of completing the actions planned under the Ferrovie 2020 and Proximity programmes, the reduction of accidents at level crossings by a further 40% with reference to 2013, i.e. no more than 16 accidents per year.

The company has already started developing actions provided in the 2020-2030 plan to reduce accidents at level crossing, the target being to reduce them to less than 10/year.

D. Emergency Management Planning

The largest impact on IP's activity, at Civil Protection level, was caused by the Covid-19 pandemic.

- COVID-19: on 31 December 2019 the World Health Organisation (WHO) was informed about cases of pneumonia in the city of Wuhan, in China. Research on the causes of this surge led to the identification of a new coronavirus on 7 January 2020, which was named COVID-19.

The recognition by the WHO and the Portuguese Health Authority (DGS) of the risks resulted in a National Contingency Plan intended to prevent, contain and control the effects associated with this disease. The plan recommended the integration of companies in strategic sectors for the country - water, energy, communication and transport, as recipients of information and guide-

lines from DGS to plan and implement a set of procedures to protect the health of workers and reduce the economic and social impact of the pandemic.

On 11 March 2020 the WHM declared a global pandemic caused by the coronavirus.

- Preparation of Contingency Plan: the plan provided the strategy, procedures and measures intended to ensure the safety and health of workers, from a prevention point of view, and ensure the operation and functionality of IP during a potential crisis situation caused by the pandemic.
- Performance of Covid-19 diagnostic tests (quick antigen swab tests): deployment of Covid-19 diagnostic test plan to detect infections in employees at the workplace, with focus on critical spaces within the Company.



The situation was and continues to be followed closely in weekly meetings held at various levels, namely:

- National Emergency and Civil Protection Command (CNEPS);
- District Help Operation Commands (CDOS);
- District (and Municipal) Civil Protection Commissions.

Activity developed in partnership with the National Emergency and Civil Protection Authority (ANEPC)

- **National Operational Directive no. 4:** participation in the Work group reviewing the Directive in respect of aircraft accidents.

- **National Operational Plan for Serra da Estrela (PONSE):** participation in work group preparing this plan.

- **National Emergency and Civil Protection Plan (PNEPC):** participation in work group to review the plan.

- **Prior Intervention Plans:** participation in the preparation of Prior Intervention Plans for IC2 and IP3 (CDOS Viseu).

- **Municipal Emergency and Civil Protection Plans (PMEPC):** participation in the preparation of PMEPC for Olhão, Torres Novas Figueira da Foz and Miranda do Corvo.



Emergency Procedures – Railway Regulations

Publication of Complementary Technical Instructions (ICET) **no. 196 – Specific Emergency Plans and no. 296 – Specific Emergency Procedures**, and respective annexes



CRITICAL INFRASTRUCTURES

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

The Land Transport sector together with Infraestruturas de Portugal (road component, since the time of Estradas de Portugal and INIR, and railway, since the time of REFER) collaborated in the process of identifying respective CI, supervised by the regulatory entity, IMT.

As a result of the work developed, Operator Safety Plans were prepared for the infrastructures identified by ANEPC, namely:

- The Sines-Pego railway line, with its bridges, viaducts, substations and stations;
- The 25 de Abril Bridge, namely the North Access, Suspension Bridge and Pragal Tunnel Viaducts
- IP 8

EXERCISES/DRILLS



The Drill Plan approved in 2020 suffered significant changes due to the Covid-19 pandemic. As a result, most of the drills were postponed for 2021, and others were carried on in CPX and TTX modes.

- 2 train accident drills;
- 4 road accident drills;
- 3 evacuation drills.

Training continued to be provided in the fields of emergency and SOS situations in railway environment, directed to Civil Protection Officers (APC), so that they may adopt the correct procedures where necessary. In 2020 IP trained 368 operational personnel.

E. Security

The Security Area's action was in accordance with IP Organisation Manual (GR.MN.001); it was developed mainly by the Security Central, located in Santa Apolónia, and infrastructure and operation technicians, in addition to other employees in reception and gatehouse workstations.

A relevant part of the work developed is based on the the Records of Evidence associated with the Public Railway Domain (PRD), which are analysed, processed or forwarded, as the case may be; and, based on other communications of occurrences not associated with the PRD , but stemming from all other departments of IP Group.

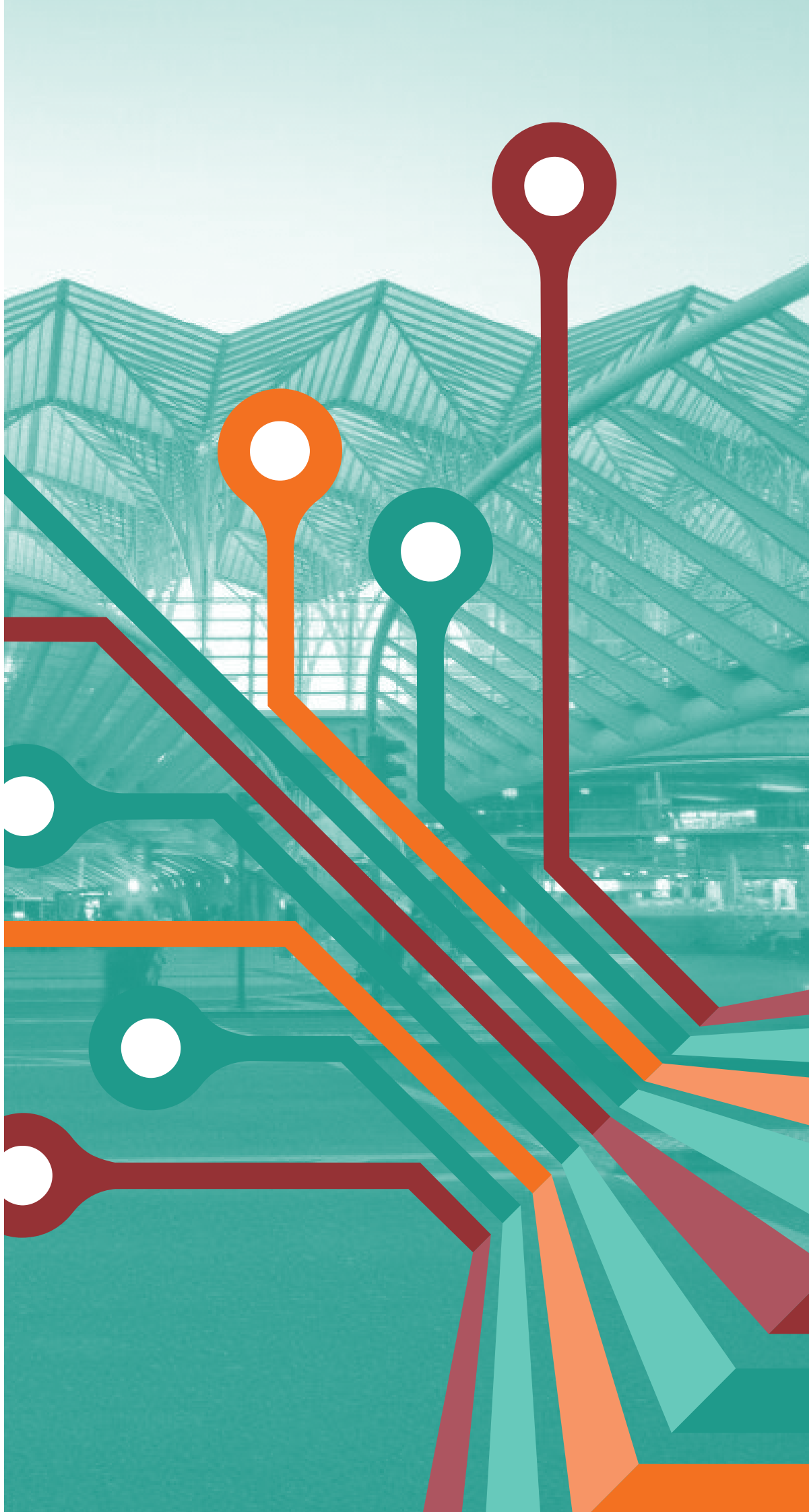
In 2020 a total of 663 Records of Evidence were received and processed, of which 328 gave rise to criminal complaints.

Additionally, a total of 124 administrative offences were notified to IMT also based on the Records of Evidence, most of which concerned illegal crossing of railway tracks.

As regards the video surveillance system, it is worth noting the preparation and publication of specific regulations (GR.PR.051), to comply with the new Data Protection Law.

As video surveillance requires continuous adequacy, 371 additional cameras were deployed during the year, which ended with 3826 video cameras in operation.





5.5 Use of the Road and Rail Network

5.5.1 Use of the Railway Network (Train.km)

The Network Directory is an annual document listing the characteristics of the national rail network (RFN), the general conditions of access, and other services related to the railway activity provided by IP to railway operators. This document also explains the principles governing the fixing of fees and tariffs, including methodology and rules to be followed.

In 2020 a total of 32.8 million train-kilometre (Tk) were travelled by rail operators, 84% of which were passenger traffic and 16% was freight traffic.

USE OF INFRASTRUCTURE	2017	2018	2019	2020	% CHANGE 20/19	Δ% 20/19
Passenger	31,0	30,1	30,6	27,4	-3,2	-10,6%
Goods	6,1	6,1	5,8	5,4	-0,4	-6,6%
Total	37,1	36,2	36,4	32,8	-3,6	-9,9%

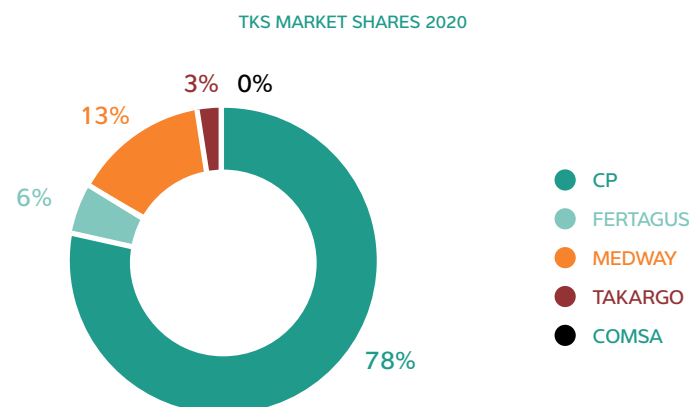
Values: millions of Ck

Demand declined by 9.9% in 2020 over 2018, representing approximately less 3.6 million train-kilometre (Tk).

The change recorded in the passenger segment is explained by the impact of the contingency plans of CP and FERTAGUS against the COVID-19 pandemic. In the freight segment, the change was due to two causes: reduction in coal trains and the pandemic.

Train operators using the National Railway Network are CP for passengers, and FERTAGUS, Medway and TAKARGO for freight.

CP continues to be the operator with the highest impact on IP's turnover, with a market share of nearly 78%.



5.5.2 Railway Infrastructure Management - Framework Contract

In 2016 the State and IP signed a 5-year Framework Contract for the National Railway Network, as provided in Decree-Law 217/2015, of 7 October.

The Contract establishes State obligations to finance the management of the infrastructures and IP's obligations to meet performance targets, in the form of quality indicators and criteria covering such aspects as train performance, network capacity, asset management, activity volumes, safety levels, and environmental protection. The contract also sets financial efficiency objectives to be achieved by IP, in the form of revenue and expenditure indicators.

The structure of service level indicators, including financial indicators, 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 during scheduled works;

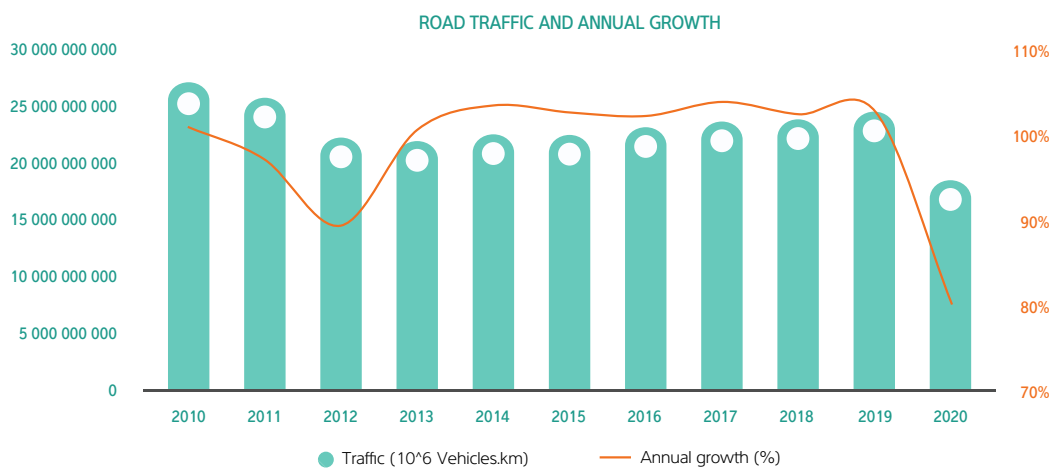
2. Railway Punctuality corresponds to the aggregate indicator representative of annual punctuality recorded on the entire railway network in operation, as measured by the delay of trains on arrival;
3. Railway Customer Satisfaction is the level of satisfaction obtained in the satisfaction surveys sent 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 train-km travelled on the national rail network in the year;
7. Safety Level is determined by the ratio of the number of significant accidents vs. the total train-km, and seeks to assess railway safety according to actual train traffic;
8. Environmental Protection is the percentage reduction of the number of people exposed to 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, which 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 staff related expenditure.

Calculation formulas and performance targets have been defined for each of these performance indicators. The following results were obtained in 2020:

INDICATOR		ANNUAL TARGET 2020	RESULT 2020
1	Additional margins	32	88
2	Railway punctuality	≥ 90.0%	91.6%
3	Railway customer satisfactio	≥ 56.0%	62.0%
4	Network Availability	≥ 88.4%	85.7%
5	Management of Railway Assets	≥ 61.3%	61.9%
6	Business volumes	≥ 37,366.349	32,819,867
7	Safety Levels	≤ 0.942	1.303
8	Environment protection	3.0%	0.5%
9	Railway income	100.0%	87.0%
10	Other income	5.6%	45.5%
11	Maintenance Expenses	1.0%	13.9%
12	Expenses with other external supplies and services	0.0%	-0.4%
13	Personnel Expenses	-3.0%	0.1%

5.5.3 Traffic on the road network (Vehicles-km)

In 2020 traffic on the road network under IP's concession fell by 24.3% over 2019, reaching 18,731,577,669 vehicle.km, as a result of the restrictions to traffic imposed by the Covid-19 pandemic.



5.5.4 Service levels on the road network

The concession contract entered by IP and the Portuguese State 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 must comply with service levels in accordance with the PRN2000: Level B for the Core Network and Level C for the Supplementary Network.

The following table shows the results recorded in terms of compliance with service levels in 2020, showing a compliance level at 99.2%.

TYPE	COMPLIANCE				NON COMPLIANCE		TOTAL LENGTH (km)
	WITHOUT RESTRICTIONS (km)	WITH RESTRICTIONS (km)	TOTAL (km)	%	AMOUNT (km)	%	
IP	489.7	96.0	585.7	100.0	0.0	0.0	585.7
EDIP	224.7	47.3	272.0	100.0	0.0	0.0	272.0
IC	947.8	55.1	1.003,0	100.0	0.0	0.0	1.002.9
EDIC	1.039.0	93.1	1.132,0	100.0	0.0	0.0	1.132.1
EN/ER	7.727.3	496.7	8.224,0	99.0	87.5	1.1	8.311.5
Total	10.428.5	788.2	11.216.7	99.2	0.77	0.8	11.304.2

NOTE: Preliminary figures, as the Annual Service Level Report is still running.

5.6 Public-private Partnerships

IP's road activity includes all roads managed pursuant to public-private partnership (PPP), namely Sub-concessions.

According to the terms of the Concession Contract established between the Grantor State and 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, pursuant to the State Concession contracts.

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

5.6.1 Renegotiation of the Concession and Sub-Concession Contracts

The negotiation process concerning all **State Concession Contracts** was concluded during 2015, with the signature of nine contracts corresponding to the Norte, Costa de Prata, Beira Litoral/Beira Alta, Grande Porto, Grande Lisboa, Interior Norte, Beira Interior, Algarve and Norte Litoral concessions.

These nine contracts were submitted to the Audit Court for appreciation, this Court having returned them with the indication that they were not subject to prior supervision, thus being already in full effect.

With regard to the negotiation process of the sub-concession contracts, the situation is as described below.

ALGARVE LITORAL SUB-CONCESSION

The Amended Sub-concession Contract (CSA) of Algarve Litoral, signed on 23 October 2017, was submitted to prior auditing by the Audit Court, but taking into account the decision of the Court dated December 2017, IP communicated to the Sub-concessionaire that the contract would have to undergo, once again, the prior supervision of the Audit Court. After examining the case, the Audit Court

refused to grant its approval on 20 June 2018, pursuant to ruling 29/2018.

The Audit Court, through ruling 13/2019 of 28 May, kept its initial refusal to approve the Contract for the Algarve Litoral Sub-concession. The Board of Directors thus decided to appeal from this decision to the Constitutional Court, and it re-submitted the Amended Contracts for Baixo Alentejo, Autoestrada Transmontana and Pinhal Interior Sub-concessions to the Audit Court.

In 2020 following refusal of the appeal, IP appealed to the Plenary of the Constitutional Court, but was again turned down pursuant to Decision 58/2021, of 22 January.

As all avenues of appeal to the Audit Court were tried to no avail, the final refusal is thus decided and effective, under the terms of art. 45(4) of the Audit Court Organisation and Process Law.

As a result, the Reformed Sub-concession Contract entered into on 20 April 2009, as amended by the reform document of 28 May 2010 is the final contract governing the relations between parties.

On 17 July 2019, the Sub-concessionaire (RAL) asked IP to accept its termination of the concession contract, under the terms of the relevant law; on 4 September 2019, in the light of the existing conflict with the sub-concessionaire, RAL triggered arbitration proceedings against IP, which are ongoing. Within the scope of these proceedings, RAL submitted an injunction, asking for the advanced payment of € 30,007,923.12 added of a monthly sum until a final decision is issued, in a minimum amount of € 1,162,805,95.

Following decision dated 9 March 2021 IP was sentenced to pay € 30,007,923.12 added of a monthly sum until a final decision is issued, in a minimum amount of € 1,162,805,95, and € 1,262,805.95 within 45 days of the date of the arbitral decision. The amounts concerned will be paid by IP against the remuneration due pursuant to the Reformed Sub concession Contract.

From an operational standpoint, it should be noted that:

- the Sub-concessionaire suspended all operation and maintenance activities as from midnight of 6 July 2018. Against this background, within the scope of the supervision powers provided in the said sub-concession agreement, IP took all necessary steps to ensure safety conditions for people and goods, while triggering the mechanisms provided in the contract to deal with the sub-concessionaire's failure to comply with its operation and maintenance obligations under the contract.
- Subsequently, the sub-concessionaire resumed the activities defined in the Amended Sub-concession Contract (CSA), on the grounds that it is in force since 27.12.17, refusing to make any intervention in roads which will fall under IP's direct jurisdiction under the said contract. This situation has forced IP to intervene in this Sub-concession network in emergency situations and to ensure road safety conditions, taking into account the express breach by the Sub-concessionaire.
- As of the date of this report, following the Arbitral Court's decision of 9 March 2021 relating to the injunction, IP awaits the sub concessionaire's notification that it can resume operation and maintenance works in all road sections covered by the Reformed Sub concession Contract, including those sections that would be excluded under the Altered Sub concession Contract, until final decision of main proceedings or the occurrence of fact ending such proceedings.

BAIXO TEJO AND LITORAL OESTE SUB-CONCESSIONS

Given the refusal of the Audit Court 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, which were not extended.

This led to the expiry of the MoUs, and the reinstatement of the rights and obligations of IP and the sub-concessionaires, which they held on the date of signature of the MoU; in other words, the Reformed Sub-concession Contracts were resumed, including payments provided therein.

Both sub-concessionaires deemed that the negotiations should not proceed.

AEBT, the sub-concessionaire for Baixo Tejo communicated this fact to IP, adding that the (formal) permanence of ER377-2 within the object of the sub-concession, on a par 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 widening works and major repairs foreseen in the Work Plan.

Following on from this, IP, on 07/02/19 under Decree-Law 111/2012, of 23 May, requested from SEI the establishment of a negotiation commission, based on the objective necessity of having the contract reflect the impossibility of constructing the ER377-2. This committee was set up on 22 July 2019 by order of UTAP.

The commission has already completed its work and has submitted its report to the Government for appraisal, under the terms and for the purposes provided in Decree Law 111/2012, of 23 May.

BAIXO ALENTEJO, PINHAL INTERIOR AND AUTOESTRADA TRANSMONTANA SUB-CONCESSIONS

The Amended Sub-concession Contracts (CSA) of Baixo Alentejo, Pinhal Interior and AE Transmontana are effective since 3 April 2017, 21 December 2017 and 24 May 2018, respectively.

DOURO INTERIOR SUB-CONCESSION

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

Following the final decision to refuse the appeal with the Constitutional Court mentioned above (Algarve Litoral Sub concession), the Government's final decision in respect of the renegotiation of the Douro Interior Sub-concession is no longer restricted by the said appeal.

5.6.2 Completion of the sub-concession network

The seven sub-concession contracts in force cover approximately 1,028 km of motorways, of which 911 km is in service (finished work), as summarised in the following table.

Given the problems surrounding the Algarve Litoral Sub-concession contract, there are 82 km of new road / renovation to be completed and 26 km of works suspended.

As regards the Baixo Tejo sub-concession, negotiation is ongoing (as mentioned above) concerning the construction of 9km of road (ER337-1).

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

On 26 June 2020 the newly built A26/IP8 – Grândola Sul / Santa Margarida do Sado stretch by Baixo Alentejo sub-concessionaire was opened to traffic; the operation and maintenance is to be ensured directly by IP as contractually provided, as from 0:00 hours of 29 September 2020.

Table below shows the extension of the sub-concessions network, according to sub-concession contracts in force.

SUB-CONCESSION	IN OPERATION (*)	BEING BUILT		NOT TO BUILD	TOTAL
		NEW CONSTRUCTION	RENOVATED		
Douro Interior	241			0	241
AE Transmontana (CSA)	136			0	136
Baixo Alentejo (CSA)	113			0	113
Baixo Tejo	60			9	69
Algarve Litoral	165		82	26	273
Litoral Oeste	102			0	102
Pinhal Interior (CSA)	93			0	93
Total	911		82	35	1,028

Values in km.

(*) Includes stretches that are in service although not benefited.

5.6.3 2020 Charges

Payments made during 2020 relating to road concessions and sub-concessions totalled € 1,139 million (excluding VAT), decreasing by € 1.1 million in relation to 2019, and corresponding to a budget implementation of nearly 98%.

CONCESSIONS AND SUB-CONCESSIONS	EFFECTIVE 2019	2020		
		EFFECTIVE	BUDGET	IMPLEMENTATION %
Concessions - Availability + Availability B	601.3	610.5	614.0	99%
Algarve	42.1	42.7	42.7	100%
Beira Interior	67.6	46.0	45.7	101%
Beira Litoral e Alta	102.8	111.9	112.4	100%
Costa de Prata	47.0	48.4	49.2	98%
Grande Lisboa	26.8	26.7	27.1	99%
Grande Porto	67.9	70.5	71.2	99%
Interior Norte	73.2	69.9	69.9	100%
Norte	122.0	141.8	143.2	99%
Norte Litoral	51.8	52.6	52.6	100%
Sub-concessions - Availability+Service	528.7	496.6	497.8	100%
AE Transmontana	57.3	52.7	52.7	100%
Baixo Alentejo	45.8	42.7	42.7	100%
Baixo Tejo	89.9	73.5	74.7	98%
Douro Interior	81.3	81.8	81.8	100%
Litoral Oeste	125.4	126.6	126.6	100%
Pinhal Interior	129.0	119.3	119.3	100%
Algarve Litoral	0.0	0.0	0.0	0%
Contributions and Rebalances Major Repairs	7.5	29.3	33.6	87%
Major Repairs	3.0	3.0	16.0	19%
Total	1,140.5	1,139.4	1,161.4	98%
Values in millions of euros (excluding VAT)				



Availability payments relating to State Concessions totalled € 610,5 million in 2020 (99% of the amount foreseen in the budget), increasing by € 9.2 million over 2019, in line with financial models provided in respective contracts.

As regards sub-concessions, payments made in 2020 totalled € 496.6 million (100% of planned budget), decreasing by € 32.1 million over 2019. This decline is mainly explained by the settlement payments made to Autoestrada Transmontana, Baixo Alentejo, Pinhal Interior and Baixo Tejo sub-concessions in 2019.

Caption Contributions and Rebalances recorded an increase by € 2.8 million over 2019, as a result of the following:

- Payment of compensation to Litoral Centro Concessionaire due December 2019, but only paid in January 2020;
- Payment of arbitral cost fees to Douro Litoral Concession;
- Payment of over costs and SIEV fees stemming from the DEM Agreements entered into in November 2019 with Baixo Tejo and do Litoral Oeste Sub-concessions.

Payments relating to Major Repairs totalled € 3.0 million, the same as in 2019, accounting for merely 19% of the planned budget. It should be noted that the budget implementation concerning major repairs depends on various factors beyond the control of IP, namely the approval by IMT of the scope and amount of the interventions, the development by concessionaires of contract procedures and the performance of the works, which is the responsibility of concessionaires.



5.7 Telecommunications and Business Cloud I

Within IP Group, IP Telecom is responsible for the efficient management of the telecommunications infrastructure, comprising optical fibre and road technical channel, and for the supply of Communication and Information Technology System services, based on innovating solutions using Cloud and Security technologies.

IP Telecom has a history of high-quality service, with a strong presence in the telecommunications operators market and provides an increasing number of ITC services to the private business market and the public administration.

Recognised for its skills and independence in relation to its main market, IP Telecom makes the best use of the fibre optical infrastructure installed along the national railway network, and supporting the High Debit Networks made available to customers, combined with a high potential asset - the technical road channel, giving rise to a unique national coverage network.

Moreover, it holds a set of key assets, such as technological infrastructures and 3 cutting-edge datacentres interconnected in a high-speed network.

IP Telecom is ISO 27001 certified since 2013 and member of various cyber-security entities, which attests to the importance it gives to the information security of its customers, in particular its operational and application processes supporting the cloud solutions, hosting and housing services, at the Lisbon, Viseu and Porto datacentres.

Likewise, IP's ISO 9001 certification obtained in 2018 relating to the Business Management System (SGE) for the "development, management and operation of information technology solutions, network and telecommunications infrastructures

and their accommodation" remains in force, complying with demanding quality requirements, in addition to the Information Security certification (ISO 27001).

In 2019 the company obtained NATO Secret credentials added in 2020 of SECRET EU and National Brand, having strengthened all aspects of Information Security related procedures.

In 2020, under Order 9333/2020 from the Deputy State Secretary for Communications and Infrastructures, IP Telecom was asked to develop a project to replace the existing communications system connecting the continent to the islands of Azores and Madeira, and was assigned under concession, the integrated management of the cables which will be deployed.

As a result, in the 4th quarter of 2020 the company started preparing the economic-financial study, the construction and operation contract model and respective development plan.

In 2020 turnover associated to Communication and IT services, excluding intra IP Group flows, totalled € 9.1 million, which is less 4% than in 2019. This decline was mainly driven by the Cloudsolutions business.

Specifically as regards the technical road channel, turnover in 2020 totalled € 3.0 million, increasing by 4% over 2019.

It is worth noting the increase in the number of processes submitted (700 against 500 in 2019) and the number of cables authorised, which moved up from 2080 in 2019 to 2566 in 2020. This growth was due to the changes in ORIP – Reference Offer relating to Infrastructure Access and Technical road channel services, in adopted procedures, but also to more efficient communication and relationship with clients, making the pipeline network (CTR) the preferred option for the development of backhaul and short distance networks.



5.8 Engineering services

IP Engenharia's (IPE) mission is to develop transport engineering studies and projects, managing, coordinating and supervising works in this field and promoting the Group's international business.

IPE provides specialised railway engineering services, from the preparation of studies, projects to the supervision of works, particularly in the context of the investments under the responsibility of Infraestruturas de Portugal.

The company's activity is driven, therefore, by investment and respective orders from IP, with which it works closely, in order to maximise the production capacity of the available resources.

DEVELOPMENT OF THE INTERNATIONAL BUSINESS

In 2020 IP Group's approach to the international market, under the responsibility of IPE, was maintained, taking advantage of the good institutional relations which the IP Group has with public road and railway infrastructure managers of Portuguese speaking countries, based on the sharing of knowledge and experience and the rendering of technical assistance and training.

In 2020, despite the many hindrances deriving from the Covid-19 global pandemic, IP Group/IPE institutional relations with Portuguese speaking countries were strengthened, materialised in a new technical assistance contract with the Ministry of Industry and Trade of Mozambique, a Memorandum of Understanding for the development of an additional contract with an entity governed by the Ministry of Transport and Communications of Mozambique, and requests from several Portuguese speaking countries for specific proposals.

IP Engenharia engineering and transport services revenues (excluding intra group flows) in 2020 totalled € 77 thousand, declining by € 287 thousand over 2019.



5.9 Property and Commercial Real Estate Management

IP Património (IPP) is responsible for managing the real estate assets of IP Group, holding experience in the commercial operation of the network of stations and transport interfaces, ensuring its efficient use, enhancement, renovation, and maintenance.


The pandemic motivated by the new Coronavirus SARS-CoV-2 recorded in the country as from mid-March affected the company's activity in 2020, with obvious impact on financial results.

The negative impact on revenues is explained by the measures imposed by the Government, with financial considerations indexed to turnover, and by extraordinary and temporary measures adopted throughout the year, including exemptions, reductions and moratoria provided to contracts directly hit by the pandemic.

A significant part of the commercial spaces under sub-concession had to close down during lockdown periods, whilst those allowed to remain open or partly open saw a significant decline in sales.

Adopted measures allowed to reduced the number of terminated contracts, and should allow a recovery of revenues to 2019 levels sooner, as long as the restrictions imposed by the pandemic end, and as soon as the economy starts recovering.

The Covid-19 backdrop contributed to the decline




in Operating Revenues in 2020; revenues from this business areas amounted to € 12.0 million, falling by 29% over 2019.

Despite this adverse background the company entered 401 sub-concession contracts during the year, including 128 new sub-concessions and leases. The number of contracts in force at the end of 2019 was 1,046.

The market for the renovation of spaces under IPP management remained buoyant, which translated in a financial investment of approximately € 12.7 million to be made by the sub-concessionaires during the term of respective contracts.

Among the contracts concluded, we highlight the following:

- Sub-concession of the Espinho station building, on the Vouga Line, for restaurant use;
 - Renegotiation of sub-concession contracts with NOS in Campanhã complex.
 - Awarding of operation of car park of Campanhã, following tender,
 - Extension of Euronet ATM network, with 12 ATM machines currently installed;
 - Opening of three restaurants in S. João do Estoril and Monte Abraão;
 - Opening of Smart Studio residences in Fergráfica's former building, near Santa Apolónia station;
 - Beginning of the works for hostel purposes in the building of Marco de Canavezas station;
 - Opening to the public of hostel in the first floor of Esmoriz station building;
 - Sub-concession of several dwellings in the deactivated part of the Douro Line, within the scope of the "Casas do Coro" tourism development in the vicinity of Castelo Melhor and Vila Nova de Foz Côa stations;
 - Marketing of commercial areas of Gare do Oriente road terminal, in Lisbon.
- 

6. PERFORMANCE

6.1 Financial capital

IP Group key financial figures in 2020 are as follows:

- **Consolidated net profit of € -57.2 million**, i.e. € 75.7 million than in 2019.
- **EBITDA of € 446.2 million**, dropping by € 146.2 million compared to the same period last year.
- **Operating Income of € 1,201.0 million**, i.e. € 300.8 million (14%) less than in 2019;
- **Operating expenses of € 992.5 million**, i.e. € 201.9 million less than in 2019;
- **Financial Results as of 31 December 2020 totalled € -244.8 million**, worsening by € 7.6 million in relation to the previous year.

6.1.1 Operating Income

Operating income in 2020 totalled € 1,201.0 million, standing 20% below 2019's.

OPERATING INCOME	EFFECTIVE 2019	EFFECTIVE 2020	% CHANGE 20/19	Δ% 20/19
Sales and services	1,355,879	1,051,442	-304,437	-22%
Road Service Contribution (RSC)	701,539	584,089	-117,450	-17%
Tolls	334,959	278,835	-56,124	-17%
Rail Services	81,158	73,701	-7,457	-9%
State Grantor - Revenue LDI	31,538	33,708	2,170	7%
Construction contracts	170,635	49,585	-121,051	-71%
Other rendered services	36,050	31,525	-4,525	-13%
Operating subsidies	59,748	55,055	-4,693	-8%
Other Income and gains	86,185	94,519	8,334	10%
Total	1,501,812	1,201,016	-300,796	-20%

unit: € thousand

SALES AND SERVICES

Total revenue from Sales and Services in 2020 stood at € 1,051.4 million, decreasing by 22% over 2019.

ROAD SERVICE CONTRIBUTION (RSC)

The Road Service Contribution (RSC) created by Law no. 55/2007 of 31 August is the consideration paid by users for using the national road network. It is levied on gasoline, road diesel and LPG subject to oil and energy products tax (ISP) where not exempt.

The unit values of the Road Service Contribution for 2020 remained unchanged compared to those set for 2019, standing at € 87/1,000 litres for petrol, € 111/1,000 litres for diesel and € 63/1,000 litres for LPG.

Revenue from RSC, which constitutes the main revenue of IP Group, decreased by € 117.5 million over 2019, which is explained by the Covid-19 pandemic and associated restrictions imposed on the movement of people in 2020, leading to a sharp fall in road fuel consumption.

TOLLS

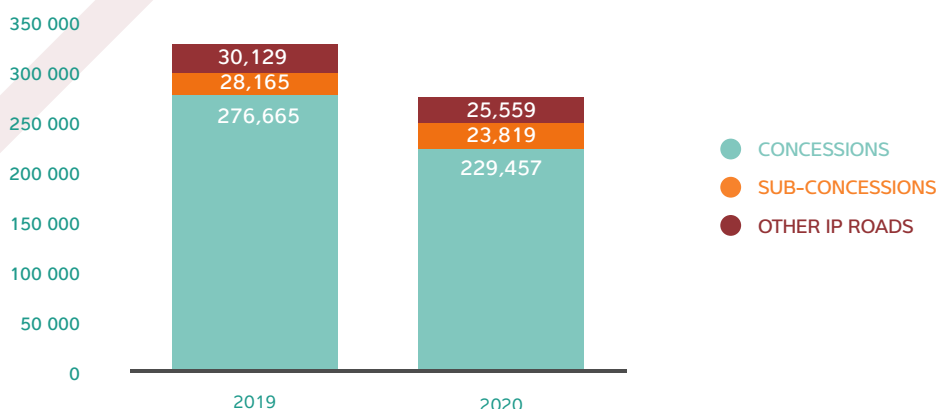
In 2020 toll income fell by € 56.1 million compared to the previous year (-17%), totalling € 278.8 million, as a result of a general decrease in traffic on the entire tolled road network, due to the pandemic restrictions.

The largest slice (82%) of toll revenues results from the use of the State Concessions network, where IP holds the revenues from toll collection fees, which reached € 229.5 million in 2020, 20% less than in 2019.

IP sub-concessions generated toll revenues in the amount of € 23.8 million (9% of the total), falling by 18% over 2019.

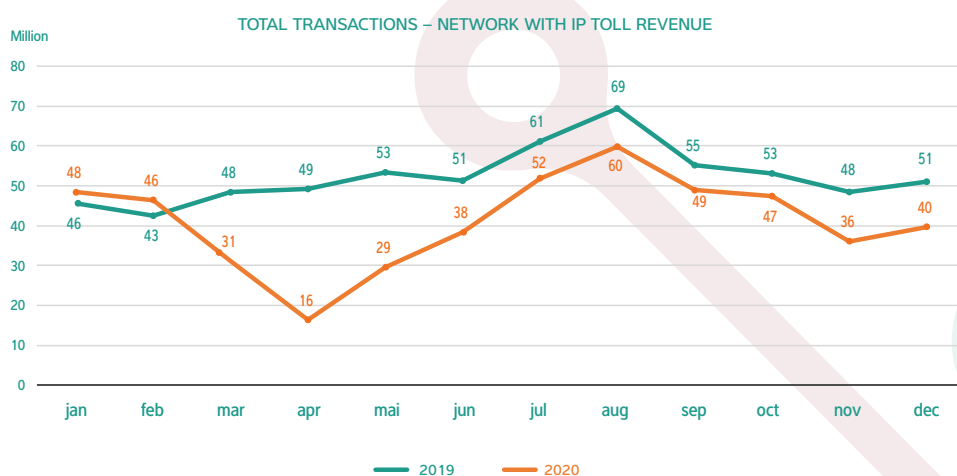
Finally, direct operations on the IP network (A21, A23 and Marão Tunnel) gave rise to earnings of € 25.6 million in 2020 (9% of total revenues), i.e. 17% less than in the previous year.

TOLLS
[thousands of euros]



As already mentioned, this negative evolution is directly associated with the Covid-19 pandemic and the restrictions imposed on traffic.

By end 2020, transactions fell by 134 million, in cumulative terms, compared to 2019; traffic on Algarve, Grande Porto and North Concessions account for 56% of this loss (-63 million transactions).



Finally, pursuant to the exercise of the right of sharing benefits from toll revenues provided in respective contracts, an amount of € 3.6 million was returned to the concessionaires (Norte Litoral, Algarve and Interior Norte), 18% more than in 2018.

RAIL SERVICES

Revenues from the Railway Services, which include the use of channels (minimum access package), the recovery of capacity requested but not used (cancelled by the operator), the use of service facilities, the provision of the auxiliary services, totalled € 73.7 million in 2020, dropping by 9% (-€M 7.5) over 2019.

Most of the revenue originates from services that comprise all the services necessary to effectively exercise the right of access to the railway infrastructure - Minimum access package.

The volume of railway traffic in the network in 2020 totalled 32.8 million train-km (tk), falling by 10% in relation to the same period of 2019.

This performance was driven by the pandemic / consecutive states of national emergency, affecting mainly passenger transport. The strikes held by IP and CP workers in July, affecting the freight segment also affected performance, though at a lesser degree.

Income from User Fees (UF) fell to € 61.5 million, which is 11% less than in the same period of 2019. This fall in income affected freight and passenger trains equally (-11).

The amount of the penalty associated with capacity requested and not used totalled €428 thousand in 2020, falling by 21% over 2019, due to cancellations as a result of

strikes, but also following changes in the tariff model, which entered into force the 1st Addendum to the 2019 Network Directory. This amendment viewed to encourage a timely planning of capacity, eliminating the recording of cancellation requests made with over 14 days prior notice and penalising channel requests made with less than 4 days notice, thus increasing the quality of the channels provided to operators.

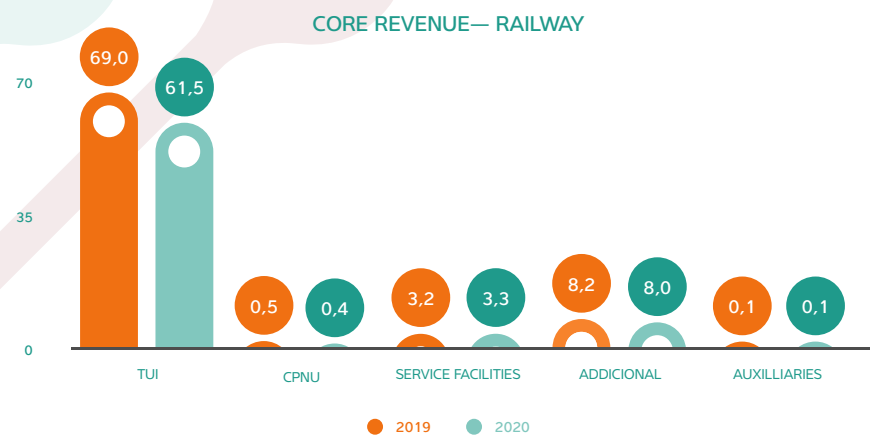
During the National State of Emergency/Calamity, from March to July 2020, in view of the turmoil and uncertainty affecting activity, IP exempted all railway Operators from the penalty associated with Capacity requested and not used (CRNU).

With the entry into force of the 1st Addendum to the 2020 Network Directory in July 2020, as imposed by the regulator, different fees applied to long freight trains (over 500 m) were discontinued, the same fee now applying to all trains up to 500m long.

The Station and Stops Use Service corresponds to the availability in stations or stops of areas allocated to assisting passengers, the display of travel information and by ensuring passenger access to respective platforms and equipment. This service originated revenues of €3.3 million in 2020, in line with the amount recorded in the previous year (€3.2 million)

IP also provides additional and auxiliary services to railway activity, among which the most important are traction power, parking of rolling stock and manoeuvring. Total revenue from these services in 2020 was € 8.1 million, in line with the amount recorded in the previous year (€8.3 million)

The access to the electric power consumption for traction that IP provides to railway operators represents the greater part of the additional and auxiliary services, amounting to € 5.9 million in the period.



STATE GRANTOR

The amounts recorded under Caption State Grantor (LDI Revenue) correspond to internal works charged to investment in long duration infrastructure, namely materials and labour for investment and respective charges, under the terms of IFRIC12.

Income totalled € 33.7 million, increasing 7% over 2019, as a result of the increase in railway investment, pursuant to the **Ferrovias 2020 Programme**.

CONSTRUCTION CONTRACTS

Construction contracts reflect IP's income from its NRN construction activity, as established in the Road Concession Contract. This includes all IP's construction activities, whether carried out directly or sub-concessioned.

The amounts corresponding to the construction of New Infrastructure concern construction activities under IP's direct management, and are calculated based on monthly monitoring reports stating the state of progress of the works and the expenses directly attributable to preparing the asset for its intended use.

The construction of the Sub-Concessioned Network is determined based on the construction values contracted for each sub-concession and the percentage of completion reported to IP by each sub-concessionaire. It therefore reflects the physical evolution of the works and is independent from the billing flow.

Capitalized financial expenses correspond to the financial expenses incurred by IP during the road construction phase and consist of the financial expenses used to finance the acquisition of the State Concession Network.

In 2020 this income totalled € 49.6 million, falling by € 121.1 million in relation to 2019.

CONSTRUCTION CONTRACTS	EFFECTIVE 2019	EFFECTIVE 2020	CHANGE 20/19	Δ% 20/19
Construction contracts for new infrastructures	3,991	36,513	32,523	815%
Construction contracts for the sub-concession network	149,792		-149,792	-100%
Capitalisation of Financial Expenses	16,853	13,071	-3,782	-22%
Total	170,636	49,584	-121,051	-71%

unit: € thousand

This change is explained by two opposing factors:

- i) Conclusion of the renegotiation of the sub-concession contracts during 2019, and subsequent changes in estimated expenses relating to these contracts with direct impact on sales and services, cost of goods sold and materials consumed, which explains the sum of € 149,8 million recorded.
- ii) Conversely, the increase in 2020 in income associated with the Contracts for the Construction of new infrastructures, explained by the investment in the road network directly managed by IP.

OTHER SERVICES RENDERED

OTHER SERVICES RENDERED	EFFECTIVE 2019	EFFECTIVE 2020	% CHANGE 20/19	Δ% 20/19
Property and Commercial Real Estate Management	16,958	12,007	-4,950	-29%
Telecommunications	9,457	9 104	-353	-4%
Engineering and transportation services	364	77	-287	-79%
Transport of goods	2,651	2,227	-425	-16%
Licensing	739	764	26	3%
Service areas	2,084	2,698	613	29%
Technical road channel	2,892	3,021	128	4%
Other	904	1,627	723	80%
Total	36,050	31,525	-4,525	-13%

unit: € thousand

A. Property and Commercial Real Estate Management

This income totalling approximately € 12.0 million comprises the amounts resulting from the lease of commercial areas, sub-concessions, Rental of Parking, Management of Enterprises and Advertising, which fell by 29% over the same period of the previous year, due to the pandemic, as largely explained above.

B. Telecommunications

This segment comprises the provision of telecommunication services to the market, including lease, maintenance and other services associated with optical fibre; it also comprises the development of technological solutions in application areas such as ERP, CRM, Service Management, Cyber Defence, Cyber Security and other. This segment's turnover reached € 9.1 million in 2020, falling by 4% over the previous year.

C. Engineering and Transport Services

This segment covers activities associated with transport engineering services in road and/or rail multidisciplinary projects and respective mobility solutions, at national and international levels.

In 2020 this segment's turnover totalled € 77 thousand, reflecting the strategic allocation of IP En-

genharia's resources to the Ferrovia 2020 Investment Programme, i.e. the provision of intra-group services.

D. Railway Terminals

The operation of the Railway Terminals translated in revenues of € 2.2 million in 2020, less € 425 thousand than in 2019.

This negative change was due to the fact that from June 2020 onwards, MSC/Medway left Bobadela terminal and started to use the South Park, under a concession contract and under its management.

The decrease in revenues from railway terminals could have been higher if it were not for the Leixões Terminal, which started providing increasing revenues from May 2020, following an Operational Protocol entered between IP and Porto de Leixões Terminal.

E. Licensing

The changes introduced by the new legal scheme of the Public Road Domain, in particular with regard to its private use and the procedure for regularisation of access, had some impact on citizens and companies, leading the Portuguese Parliament to decide, 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 in Ordinance 57/2015. As a result, a significant part of the revenue from road licensing was lost.

Revenues from licensing in 2020 totalled € 764 thousand, increasing by 3% in relation to 2019, which is explained by the arrival of new Fuel Filling Stations into the fee collection system, and revision of respective fees based on the CPI.

F. Service areas

Revenue from the Service Areas in 2020 was € 2.7 million, 29% more than in 2019. This performance is explained by an additional invoice relating to the annual rent paid by Loulé service station, settled in 2021.

Therefore, notwithstanding the increase in the fixed component of contracts in line with the CPI, the variable component fell due to the decrease in traffic motivated by the pandemic restrictions.

G. Technical road channel

Turnover from the Technical Road Channel in 2020 totalled € 3.0 million, representing a 4% increase in relation to 2019, as a result of the increase in the number of applications (700 in 2020 vs. 500 in 2019) and the increase in the number of authorised cables, from 2080 in 2019 to 2566 in 2020.

OPERATING SUBSIDIES/COMPENSATORY PAYMENTS

INCOME	EFFECTIVE 2019	EFFECTIVE 2020	% CHANGE 20/19	Δ% 20/19
Compensatory Allowances	59,748	55,055	-4,693	-8%
unit: € thousand				

Income from Operating Grants/Compensatory Payments in 2020 totalled € 55.1 million, falling by 8% over the previous year.

This amount is as determined in the Council of Ministers Resolution 10-A/2016, and the Programme Contract entered into by IP and the Portuguese State in March 2016, concerning the rendering of public railway services.

OTHER INCOME AND GAINS

OTHER INCOME AND GAINS	EFFECTIVE 2019	EFFECTIVE 2020	% CHANGE 20/19	Δ% 20/19
Investment subsidies	63 179	58 548	-4 631	-7%
Income from Concession fees	8 854	8 854	0	0%
Gains on the sale of tangible assets	486	2 033	1 546	318%
Gains on the sale of waste	3 491	3 168	-323	-9%
Concessions and Licences	2 653	4 078	1 425	54%
Accidents	2 212	2 391	179	8%
Other	5 310	15 447	10 137	191%
Total	86 185	94 519	8 334	9.7%

Unit: € thousand

Other Income and Gains totalled € 94.5 million in 2020, i.e. € 8.3 million (+9.7%) above the amount recorded in 2019.

This increase is mainly explained by a change recorded in Item "Others" due to the settlement of accrued expenses relating to the Railway Infrastructure Regulatory Rate (TRIF) from 2013 to 2018 in the amount of € 9.5 million

Investment subsidies correspond to non refundable grants received from the Portuguese State and the European Union for the road sector, which are recognised as profit or loss according to the amortisation or depreciation of the subsidised assets.

Item Concession Signature Fees concerns the amount recognised in 2019 of the Fee assigned when signing the Grande Lisboa and Douro Litoral Concessions.

In 2020 gains on the sale of tangible fixed assets increased by 318% over 2019, following the sale of 24 buildings.

Gains on the sale of waste/used materials in 2020 totalled € 3.2 million, falling by 9% over 2019. This income stems mainly from the sale of ferrous waste.

Caption concessions for use and licences grew by 54% over 2019, mainly driven by income from the concession of land at Bobadela terminal (€ 1.9 million in 2020 and € 1.3 million in 2019).

6.1.2 Operating Expenses

Operating expenses fell by 17% in 2020 vs. 2019, to € 992.5 million.

OPERATING EXPENSES	EFFECTIVE 2019	EFFECTIVE 2020	% CHANGE 20/19	Δ% 20/19
Cost of goods sold	430 148	274 374	-155 774	-36%
Variation in production inventories	101	15	-86	-85%
Maintenance, Repair and Safety of the Road Network	118 016	114 389	-3 627	-3%
Maintenance, Repair and Safety of the Railway Network	65 097	70 872	5 775	9%
Other Supplies and Services	125 445	120 589	-4 856	-4%
Personnel Expenses	138 489	137 620	-870	-1%
Impairments (losses/reversals)	-470	4 272	4 741	-1010%
Expenses/reversals of depreciation and amortisation expenses	284 848	237 628	-47 220	-17%
Provisions (Increase/Decrease)	24 702	22 513	-2 190	-9%
Other expenses and losses	7 954	10 205	2 251	28%
Total	1 194 331	992 477	-201 854	-16.9%

Unit: € thousand

COST OF GOODS SOLD AND MATERIALS CONSUMED

COST OF GOODS SOLD AND MATERIALS CONSUMED	EFFECTIVE 2019	EFFECTIVE 2020	% CHANGE 20/19	Δ% 20/19
Network under sub-concession	149 792		-149 792	-100%
New road infrastructures	3 991	36 513	32 523	815%
Tolls - State Concessions	258 328	213 782	-44 546	-17%
Rail Maintenance Material Consumption	6 773	11 027	4 253	63%
Rail Investment Material Consumption	11 265	13 052	1 788	16%
Total	430 148	274 374	-155 774	-36.2%

Unit: € thousand

In 2020 the Cost of Goods Sold and Materials Consumed caption recorded overall expenses of € 274.4 million, representing a decrease by € 155.8 million (-36.2%) over 2019, mainly due to the "Sub-concession Network" caption, which fell by € 149.8 million.

This decrease is justified by the completion of the renegotiation of the sub-concession contracts during 2019, leading to changes in estimated expenses relating to these contracts, with direct impact on sales and services, cost of goods sold and materials consumed.

The amounts stemming from the construction of New Road Infrastructures concern construction activities under IP's direct management, and are calculated based on monthly monitoring reports stating the state of progress of the works.

The change occurred in the current year vs. the previous year is mainly explained by the increase in investment activity, namely: construction of the stretch of IP5 linking Vilar Formoso to the Spanish border, stretch of by-pass to EN14 from Jumbo Junction to Diagonal Road, Mondim de Basto link to EN210, A32 link to Escariz and levelling of Silvaes junction link to Avepark.

Amounts received by IP relating to tolls in State concessions (net of collection costs) are deducted to IP Group's investment in the acquisition of rights over this concessioned network. This deduction is recorded against "State Concessions Tolls". In 2020 this caption recorded a decrease by € 44.5 million over 2019, as a result of the loss of revenues motivated by the pandemic.

Expenses with railway materials concern mainly various types of materials included in the maintenance and investment in railway infrastructures.

ROAD MAINTENANCE, REPAIR AND SAFETY

Overall expenses with railway maintenance, repair and safety in 2020 amounted to € 114.4 million, falling by € 3.6 million (-3%) over the previous year.

MAINTENANCE, REPAIR AND SAFETY OF THE ROAD NETWORK	EFFECTIVE 2019	EFFECTIVE 2020	% CHANGE 20/19	Δ% 20/19
Regular road maintenance	55 665	55 665		
Road safety	8 610	4 117	-4 493	-52%
Current road maintenance	53 740	54 607	867	2%
Total	118 016	114 389	-3 627	-3%

Unit: € thousand

Regular Maintenance of Roads corresponds to the recognition of the increase in IP's responsibility for the expenditure required to maintain the service level in roads and engineering structures imposed by the Concession Contract. The annualised cost of the programmed maintenance works required to maintain the network's average quality index at the same level as when the network was received is determined based on technical assessments of repair needs and an index of the average quality of road and engineering structures.

The amount recorded in 2020 totalled € 55.7 million, the same as in 2019.

The new **Road Safety** activities are supported by the Road Safety Plan, which includes interventions in the field of vertical and horizontal signalling, traffic lights and the installation of new safety barriers, among others. Expenses recorded in 2020 in this area totalled € 4.1 million, i.e. € 4.5 million less than in 2019.

This difference was mainly due to delays occurred in some awarding proceedings.

Current Conservation corresponds to expenses for the year to ensure the maintenance, repair and replacement, in appropriate conditions of functionality, of all road components. The purpose is to ensure traffic safety and comfort to users and to prevent the deterioration of the roads and service conditions.

In overall terms expenses in Current Maintenance of the Road Network (Conventional and High Performance Network), including Current Maintenance Contracts (with operation on the High Performance Network), specific contracts for the management of vegetation in compliance with fire protection laws, specific contracts for the Corrective Maintenance of Pavements and activities developed under direct administration totalled € 54.6 million in 2020, increasing by 2% over 2019.

RAILWAY MAINTENANCE, REPAIR AND SAFETY

IP has several service contracts in force to ensure the maintenance and repair of the National Railway

Network, complying with the expected levels of service.

Most of these contracts are multi-annual and cover intervention works in the fields of systematic preventive maintenance (SPM), Condition-based Preventive Maintenance (CPM) and Corrective Maintenance (CM) of tracks, signalling, overhead lines, low voltage, substations, civil works, level crossings, lifts and escalators.

Overall expenses with railway maintenance, repair and safety in 2020 amounted to € 70.9 million, increasing by 9% over the previous year.

MAINTENANCE, REPAIR AND SAFETY OF THE RAILWAY NETWORK	EFFECTIVE 2019	EFFECTIVE 2020	% CHANGE 20/19	Δ% 20/19
Carriage way	23 358	32 641	9 284	40%
Signalling	14 288	11 430	-2 858	-20%
Telecommunications	4 142	4 128	-13	0%
Overhead line	5 311	5 407	96	2%
Low tension	1 787	1 776	-11	-1%
Sub-stations	623	593	-30	-5%
Civil works	3 468	3 068	-400	-12%
Engineering works	149	70	-79	-53%
Level Crossings	636	615	-21	-3%
Rec. Materials	371	267	-104	-28%
Emergency train	1 026	972	-53	-5%
Lifts Elevators Escalators	708	685	-23	-3%
Deforestation	7 311	7 407	96	1%
Other	1 920	1 812	-109	-6%
Total	65 097	70 872	5 775	9%

Unit: € thousand

The increase recorded in 2020 is explained with Caption “Track”, which grew by 40% over 2019, as a result of the implementation of the multi annual Track and Catenary contract started in mid 2019.

Conversely, expenses with signalling decreased (-20%), due to delays in awarding processes and the development of ongoing contract works.

OTHER SUPPLIES AND SERVICES

Other external supplies and services totalled € 120.6 million in 2020, decreasing by € 4.9 million in relation to 2019 (-4%).

OTHER SUPPLIES AND SERVICES	EFFECTIVE 2019	EFFECTIVE 2020	% CHANGE 20/19	Δ% 20/19
O&M EP Sub-concessions	40 915	40 846	-69	0%
Toll collection costs	21 738	19 036	-2 703	-12%
RSC Collection costs	14 031	11 682	-2 349	-17%
Electric power	15 642	15 387	-255	-2%
Fees and related expenses Special. work	3 525	3 267	-258	-7%
Car fleet	6 222	5 324	-898	-14%
Surveillance	7 073	7 487	414	6%
IT	3 453	3 938	485	14%
Cleaning	3 128	4 928	1 800	58%
Travelling and accommodation	476	245	-231	-49%
Communications	236	240	3	1%
Remaining Supplies and Services	9 006	8 210	-796	-9%
Total	125 445	120 589	-4 856	-4%

Unit: € thousand

This evolution is motivated by the impact of the COVID-19 pandemic, namely a sharp decrease in road traffic, with direct repercussion on expenses associated with **toll collection** (-€ 2.7 million) and **expenses deriving from the collection of RSC** (-€ 2.3 million).

Conversely, **Cleaning expenses** rose by € 1.8 million, as a result of the cleaning measures taken to fight COVID-19 in railway stations and facilities of the IP Group.

Caption **Surveillance** recorded a 6% rise over 2019, reflecting current market prices.

The **Energy** item comprises the value of electric power and traction electricity of the rolling stock, to be supplied to railway operators. Energy consumption in the period under review amounted to € 15.4 million, 2% less than in the same period of 2019.

Expenses with the **Car Fleet**, which include vehicle lease rents, fuel, tolls and maintenance totalled € 5.3 million, decreasing by 14% over 2019. Note that figures for 2020 and 2019 are not directly comparable as depreciation from the right of use of leased vehicles started being recorded in 2020, in line with revised standards (IAS17-Leases was replaced by IFRS 16 - Leases), to which add expenses recorded as Supplies and Services.

The amount for **Fees, Consultancies and Other Specialist Work** registered in 2020 was € 3.3 million, 7% below the amount recorded in the same period in 2019.

The **Travel and Accommodation** item includes domestic accommodation, international travel, in-

cluding these airfares and respective accommodation abroad. Total expenses in 2020 amounted to € 245 thousand, falling by € 231 thousand over 2019, as a result of a decline in travel due to the pandemic.

Communication expenses totalled € 240 thousand in 2020, in line with 2019.

Expenses with the operation and maintenance of sub-concessions (**O&M - Sub-concessions**) translate the accounting of costs with operation and maintenance carried out by the sub-concessionaires within the scope of the sub-concession contracts in force. The expense recognised in 2020 was €40.8 million, in line with the previous year.

PERSONNEL EXPENSES

In 2020 IP Group recorded personnel expenses of € 137.6 million, i.e. € 870 thousand less (-0.6%) than in 2019.

PERSONNEL EXPENSES	EFFECTIVE 2019	EFFECTIVE 2020	% CHANGE 20/19	Δ% 20/19
Personnel expenses	112 944	113 496	552	0%
Wage expenses	24 118	24 173	55	0%
Indemnities	1 428	-49	-1 477	-103%
Total	138 489	137 620	-870	-0.6%

Unit: € thousand

The decrease in personnel expenses is explained by a decrease in redundancy payments.

Excluding redundancy payments, personnel expenses increased by € 607 thousand, as a result of the wage revision foreseen in the Collective Bargaining Agreement in force at IP Group.

The average workforce changed from 3,599 employees in 2019 to 3582 employees in 2020.

IMPAIRMENT (LOSSES/REVERSALS)

In 2020 changes in impairment losses resulted in an increase by € 4.7 million over 2019, which was due to an increase in other accounts receivable (€ 2.8 million), trade receivables (€ 1.2 million) and inventories (€ 0.7 million).

EXPENSES/REVERSAL OF DEPRECIATION AND AMORTISATION

The amount recorded as depreciation and amortisation expenses fell € 47.2 million in 2020 vs. 2019 (-17%), as a result of a reduction in the concession right amortisation rate, which is determined based on the economic/financial flows over the period of the Road Concession Contract, thereby being directly influenced by a decrease in direct revenues (RSC and tolls).

PROVISIONS (INCREASE/DECREASE)

The total amount of expenses with increase/reduction in provisions in 2020 was € 22.5 million, representing a decrease of € 2.2 million (-9%) compared to 2019.

OTHER EXPENSES AND LOSSES

Other expenses and losses in 2020 totalled € 10.2 million, increasing by 28% over the same period of 2019.

6.1.3 Expenditure

Expenditure carried out until end 2020 totalled € 204.8 million, increasing by 29% over 2019.

This represents the amount of expenditure relating to the works developed in the road and railway infrastructure under direct management of IP, i.e. expansion, modernisation and renovation of the network. It further comprises investment in the equipment needed for the development of IP's activity, as manager of the road and railway infrastructure. It does not comprise the charges assumed with Public-private Partnerships.

INVESTMENTS	EFFECTIVE 2019	EFFECTIVE 2020	% CHANGE 20/19	Δ% 20/19
Railway Investment	107.9	137.3	29.4	27%
Other railway investments (*)	29.7	35.4	5.7	19%
Railway Investment	137.6	172.7	35.1	26%
Road investment PETI3+	5.3	13.8	8.4	158%
Other road investments	10.5	5.1	-6.0	-57%
PVAE investment	2.6	9.2	7.2	273%
Road Investment (**)	18.5	28.1	9.6	52%
Management related investment	2.9	4.0	1.1	37%
Total	159.0	204.8	45.8	29%

Unit: € thousand.

(*) The sum recorded as Other railway investments in 2019 does not include approximately € 40.5 million, which represent the integration in IP's 2019 accounts of asset "Gare do Oriente Station".

(**) Road Investment does not include Expropriation Provisions, which in 2020 totalled approximately € 8.4 million.

Note the increase in expenditure made under the Ferrovia 2020 Plan, which reached € 137.3 million (+27% than in 2019), a trend that will continue in 2021 and subsequent years.

The increase in road expenditure was significant (+52% over 2019), mainly in components relating to PETI3+ and the Business Areas Enhancement programmes.

6.1.4 Financing of the Ferrovia 2020 Investment Plan

IP benefits from a package of community funds to implement the Ferrovia 2020 Investment Plan: "Connecting Europe Facility (CEF)" (general component - 30% to 50% aid and cohesion component - 85% aid) and Portugal 2020 Programme (85% aid), plus the contribution of Infraestruturas de Portugal.

During 2020, as regards the Community Funding associated with investment projects, the most relevant events occurred concern the COMPETE and POSEUR Programmes:

- Application for the Modernisation of Vendas Novas Line
- Approval by the European Commission of application for the Modernisation of Cascais Line

In 2020 IP received community funds for the development of road infrastructures in the overall amount of € 39.22 million.

Applications active in 2020 were as follows:

PROGRAMME		FORM	APPLICATION	STATUS OF APPLICATION	TOTAL COST OF INVESTMENT	EU FUNDING
2014-2020	ECF-GENERAL	Railway	Sines/Elvas (Spain) Railway Connection: Évora-Caia stretch and Technical Station at km 118 of the Southern Line	Active	286 142 571	115 994 394
2014-2020	ECF-GENERAL	Railway	Studies on the Aveiro-Vilar Formoso Railway Connection in the Atlantic Corridor	Completed	4 433 056	2 216 528
2014-2020	ECF-GENERAL	Railway	Leixões Port Multimodal Logistics Platform (2nd phase) –(Studies for the Road/Rail Terminal)	Active	925 000	462 500
2014-2020	ECF-GENERAL	Railway	Studies of road and railway accesses to Leixões harbour ²	Completed	1 400 000	0
2014-2020	ECF-COHESION	Railway	Aveiro-Vilar Formoso Railway Connection in the Atlantic Corridor: Beira Alta Line (Pampilhosa-Vilar Formoso) – Design and Construction;	Active	547 741 250	375 860 046
2014-2020	ECF-COHESION	Railway	Studies for the International South Corridor (Sines/Setúbal/Lisbon-Caia) included in the Atlantic Corridor.	Completed	2 935 000	1 050 726
2014-2020	ECF-COHESION	Railway	Sines/Elvas (Spain) Railway Connection: Évora-Caia section (Phase 2)	Active	73 059 035	55 839 020
2014-2020	ECF-COHESION	Railway	Sines/Elvas (Spain) Railway Connection: Sines-Ermidas-Grândola Section (Works)	Active	44 139 899	33 736 125
2014-2020	COMPETE 2020	Railway	Minho Line – Modernisation of the Nine/Valença border section (Phase 2)	Active	86 408 383	67 858 668
2014-2020	COMPETE 2020	Railway	North Line – Modernisation of the Ovar/Gaia section (Phase 2)	Active	159 357 940	118 738 327
2014-2020	COMPETE 2020	Railway	North Line – Modernisation of the Alfarelos-Pampilhosa section (Phase 2)	Active	61 170 396	45 446 516
2014-2020	COMPETE 2020	Railway	North Line – Modernisation of the Santana Cartaxo/Entroncamento section (Phase 2)	Active	58 968 390	43 937 690
2014-2020	COMPETE 2020	Railway	North Line - Braço de Prata-Alverca Sectiob – Bobadela Railway Terminal	Active	14 265 030	11 059 617
2014-2020	COMPETE 2020	Railway	Algarve Line - Electrification	Active	64 816 921	48 714 673
2014-2020	COMPETE 2020	Railway	Beira Baixa Line - Modernisation of Castelo Branco-Covilhã-Guarda section (Phase 2)	Active	77 123 558	60 571 950
2014-2020	COMPETE 2020	Railway	Douro Line - Modernisation of Caíde-Marco de Canaveses-Régua Section	Active	72 382 140	49 179 171
2014-2020	COMPETE 2020	Railway	West Line - Modernisation of Meleças/ Caldas da Rainha Section	Active	112 417 167	43 520 443
2014-2020	ECF-GENERAL	Road/Railway	Redevelopment of Multi modal platform of Porto de Lisboa - Study of accesses to Container Terminal of Barreiro	Active	600 000	300 000
2014-2020	ECF-GENERAL	Rodovia	Toad trans-border connection in Atlantic Corridor A25-IP5 Vilar Formoso - A-62 Fuentes de Oñoro	Active	13 478 117	1 347 812
2014-2020	POSEUR	Railway	Modernisation of the Cascais Line	Active	77 002 012	50 000 000
2014-2020	POSEUR		Mondego Mobility System - Deployment of System	Active	138 578 411	60 000 000
				Total	1 897 344 276	1 185 834 207

Unit: euros

6.1.5 Equity Structure

By end 2020 Total Assets amounted to € 27,306 million, mainly made up of the intangible assets related to the right provided by the Road Concession Contract.

At 31 December 2020 Equity totalled € 8,528 million (31% of Assets) and Total Liabilities amounted to € 18,777 million (69% of assets).

EQUITY STRUCTURE	2018	2019	2020	% CHANGE 20/19	Δ% 20/19
Assets	26 376.2	26 865.5	27 305.7	440.2	2%
Non current	20 677.8	20 944.0	21 215.6	271.6	1%
Current	5 698.4	5 921.5	6 090.1	168.6	3%
Equity	6 121.1	7 531.4	8 528.4	997.0	13%
Liabilities	20 255.2	19 334.1	18 777.3	-556.8	-3%
Non current	16 271.1	15 745.7	14 740.9	-1 004.8	-6%
Current	3 984.0	3 588.4	4 036.4	448.0	12%

unit: € thousand

Assets as of 31-12-2020 increased by € 440.2 million over 31-12-2019, of which € 247.6 million are Intangible Assets associated with the right provided by the Road Concession Contract.

Current Assets increased by € 168.6 million mainly due to the State and other public entities item (€169.2 million), namely the increase in the VAT amount receivable, as explained in Note 11 to the Accounts.

As far as Liabilities are concerned, note a decrease by € 556.8 million, resulting from a decrease in "Accounts payable for accrued expenses- Sub-concessions", which comprises Group IP's liability towards sub-concessionaires for the construction, operation and maintenance services already provided but not yet invoiced, which fell € 250.9 million over 2019.

The decrease in funding (current and non current) also contributed significantly to the decrease in Liabilities by € 83.2 million and shareholder funding/Shareholder's loans by € 143.2 million.

During 2020 capital increases totalled €1,054,150,000; the share capital at the end of the year stood at € 8,257,530,000.

6.1.6 Results by Domain and Mission

BACKGROUND

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

Public service obligations relating to the management of RFN's infrastructure comprise the following

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

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

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

For the development of its activity in the railway domain IP was structured into two segments:

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

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

METHODOLOGY

As manager of the railway infrastructure, it is the responsibility of IP to ensure access to the infra-

structure by all railway operators, in a transparent and non-discriminatory manner.

One of the mechanisms established by law to ensure this impartiality is the infrastructure manager's obligation to publish the Network Directory, where it informs the market of the conditions of access, services offered and respective tariffs to be charged.

Additionally, the manager must ensure that it complies with the model to determine the costs directly attributable to the Implementing Regulation (EU) 2015/909 of 12 June.

This is made by breaking down spending by railway and road domains, and with regard to railways it has to distinguish between the missions of investment, infrastructure management and other supplementary activities, as shown in the figure below.

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

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

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

Within the scope of the Railway domain, this key does not apply to the expenses directly attributed to the Maintenance and Repair of the Railway Infrastructure, nor the expenses with Substations, Relief Train, Traction Energy, AMT, Compensation for Termination by Mutual Agreement and Transport Concessions, Material Recovery,



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

Expenses relating to Investment mission resulting from the breakdown keys add to the sums relating to investment materials in respective cost centres.

RESULTS

The following table breaks down Operating Results by Domain and Mission, based on IP's separate Financial Statements.

HEADINGS	DESCRIPTION	RAILWAY			ROAD	TOTAL
		INVESTMENT	INFRASTRUCTURE MANAGEMENT	OTHER COMPLEMENTARY ACTIVITIES		
DR10	Sales and services	28 118 425	73 332 977	3 931 169	916 415 799	1 021 798 369
DR101	Operating subsidies (Compensatory Allowances)	0	55 055 058	0	0	55 055 058
DR11	Cost of goods sold and materials consumed	-13 063 365	-10 652 214	-70 663	-250 304 793	-274 091 034
DR121	Maintenance, Repair and Safety of the Road Network	0	0	0	-113 712 367	-113 712 367
DR122	Maintenance, Repair and Safety of the Railway Network	0	-72 599 105	-266 828	0	-72 865 933
DR123	Other Supplies and Services	-1 824 315	-28 932 825	-3 396 777	-80 174 934	-114 328 851
DR13	Staff costs	-11 559 179	-79 255 069	-4 455 139	-31 949 001	-127 218 388
DR14	Depreciation and amortisation for the year	-920 659	-2 911 349	-105 633	-231 410 421	-235 348 062
DR15	Provisions (Increase/Decrease)	0	0	3 605 939	-25 932 735	-22 326 796
DR16	Impairments (losses/reversals)	0	0	-3 472 059	0	-3 472 059
DR17	Other expenses	-750 906	-2 905 635	-1 538 425	-4 532 723	-9 727 690
DR18	Other income	0	0	25 467 786	78 931 937	104 399 723
DR19	Gains/Losses on associates	0	0	370 955	808 066	1 179 020
	Operating Results	-0	-68 868 162	20 070 325	258 138 827	209 340 990

6.1.7 FINANCIAL MANAGEMENT AND DEBT

FINANCIAL MANAGEMENT

IP GROUP

Financial management processes are developed in compliance with the legal framework applicable to the corporate state sector (Decree-law no. 133/2013), namely the obligation to apply the principle of Unity of the State Treasury (article 28) and restrictions in financing operations (article 29). As from 2012, following the integration of IP (former REFER and EP) into the universe of reclassified public entities, in accordance with the Basic Law for the Budget, the Company was included in the State Budget as from that year (under Caption Services and Autonomous Funds); this required the Company to comply with specific laws and to redesign and re-define fiscal and management control processes.

IP

At the end of 2020 IP had total cash and liquid assets of €241 million, broken down as follows:

CASH RESOURCES	
Demand deposits and cash	4.0
Accounting overdrafts	-6.2
Financial applications	243.2
Total	241.0
unit: € million	

The accounting overdraft in the amount of € -6.2 million concerns payments in transit at the end of the year.

Financial applications concern Special Short Term Debt Certificates (CEDIC) issued with IGCP.

The 2020 State Budget (OE2020), approved by Law 2/2020, of 31 March determined IP's overall funding requirements to be of € 1,054 million.

IP implemented its budget in accordance with Law 8/2012 (Law on Commitments and Payments in Arrears) and related legislation, which requires that any expense must be committed prior to its realisation, having the appropriations assigned to the different budget captions in the 2020 State Budget.

In 2020 IP again faced the freezing of funds pursuant to Law no. 2/2020 (3) dated 31 March (2020 SB), thus restraining activity; this year the amount of blocked funds totalled € 80.4 million, i.e. € 22 million more than anticipated.

Additionally, IP had to face delays in the allocation of funds, affecting the allocation of funds to face expenses provided in the business plan.

Adding to the above, as a result of COVID19, main revenues, namely Tolls and User Fee, suffered significant falls. Tolls and RSC.

To face these constraints, IP monitored its treasury budget tighter, and obtained authorisation from the Shareholder to:

- Receive in February an advance on the RSC in the amount of € 322 million;
- Use € 147.2 million of the cash balance for PPP payment for treasury management purposes;
- Use € 132.8 million against the use of the cash balance, exclusively to pay for PPP;
- Unblock € 22 million (requested in May and authorised in December).

This was the backdrop against which IP managed its activity, whilst seeking to minimise the risks of fiscal implementation:

REVENUE	2020
Share capital increase	1 054.2
Road Service Contribution*	609.9
Tolls*	317.3
Network Directory	106.0
Compensatory Allowances	67.7
EU Funds	41.9
Dividends	2.6
Other	34.4
Total	2 234.0
unit: € million	
* Deducted of collection costs	

EXPENSES	2020
Payment of investment in PPP	1 400.8
Other Expenditure Payments**	207.1
Financial Expenses***	95.9
Repayment of EIB loans	89.7
Other	462.6
Total	2 256.1
unit: € million	
** Including Ferrovia 2020, PETI3+ Road and Proximity Plan (road and railway)	
*** Exclui juros referentes a Empréstimos do Estado	

At the end of 2020 IP agreed with the State to settle the debt service on State loans associated with the rail component against expenditure in LDI made on behalf of the Grantor in an equivalent amount. This Agreement became effective on 30 November 2020. This operation has no fiscal relevance, due to its nature.

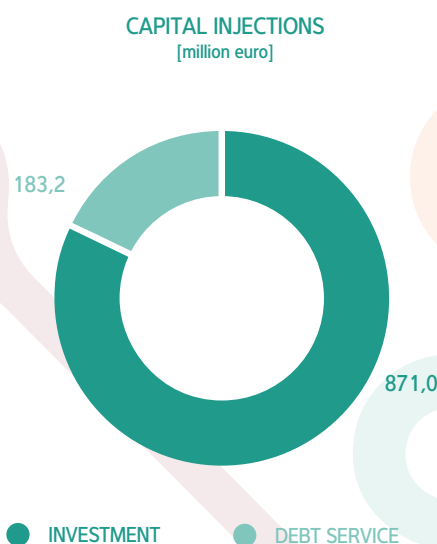
COMPENSATION AGREEMENT WITH THE STATE	
Repayments of State Loans	144.8
Interest on State Loans	2.5
Total	147.3
unit: € million	

SHARE CAPITAL INCREASES

During 2020 share capital increases carried out at IP totalled € 1,054 million. At 31 December 2020 the company's share capital amounted to € 8,257.5 million:

	DATE	IP
Share Capital (DL91/2015)	6/1/2015	2 555 835 000
Increases:	2015	539 540 000
	2016	950 000 000
	2017	880 000 000
	2018	886 135 000
	2019	1 391 870 000
	1º trim. 2020	300 145 000
	2º trim. 2020	54 495 000
	3º trim. 2020	457 925 000
4º trim. 2020	241 585 000	
Share capital	31/12/2020	8 257 530 000
unit: euros		

These operations aimed to meet the following borrowing requirements (note that the debt service does not include loans with the Portuguese State):



The capital allocated to investment was fully used to face payments to State Concessions and Sub-concessions, with State concessions accounting for 84% of this sum.

FINANCIAL DEBT STRUCTURE

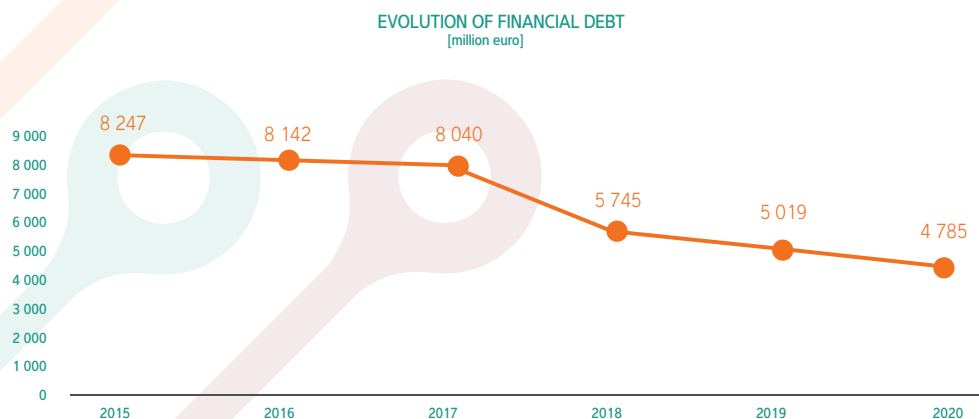
Following Order issued by the Secretary of State for the Treasury 890-A (2020-SET) of 21 December, the Directorate General of the Treasury and Finance (DGTF) granted a moratorium on the payment of debt service for State loans allocated to the road component, which was due on 30 November 2020, and was extended until 30 November 2021. This deferred repayment will not accrue interest.

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

Article 154 of 2020 State Budget approved by Law 2/2020, of 31 March, provided a legal framework for the settlement of credit against debts to public companies resulting from investment in LDI.

On 30 December 2020 IP signed an Agreement with the State to settle the debt service relating to the State loans associated with the rail component (principal of € 144.8 million and interest of € 2.5 million) against expenditure in LDI made on behalf of the Grantor in an equivalent amount. This Agreement became effective on 30 November 2020.

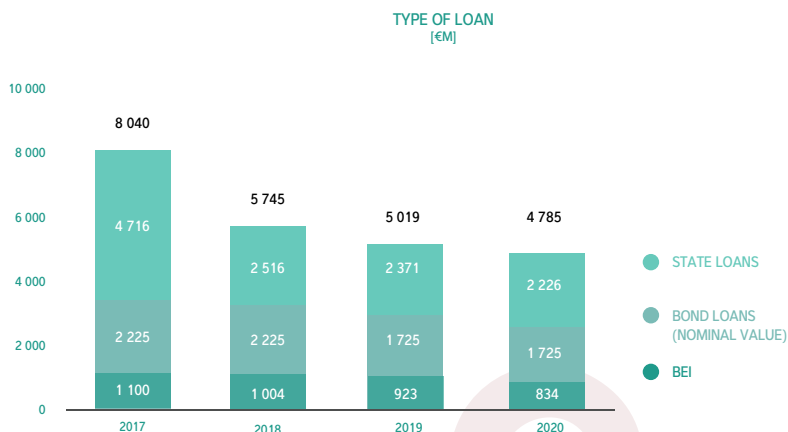
At the end of 2020 the financial debt of IP Group stood at € 4,784.8 million, corresponding to a decrease of € 234.5 million, which compares to € 5,019.3 million in December 2019, as shown in the following graph:



The reduction in debt mentioned above was driven by:

- Repayment of € 144,8 million of State Loans;
- Repayment of € 89.7 million of EIB Loans.

Table below shows total debt by type of loan:



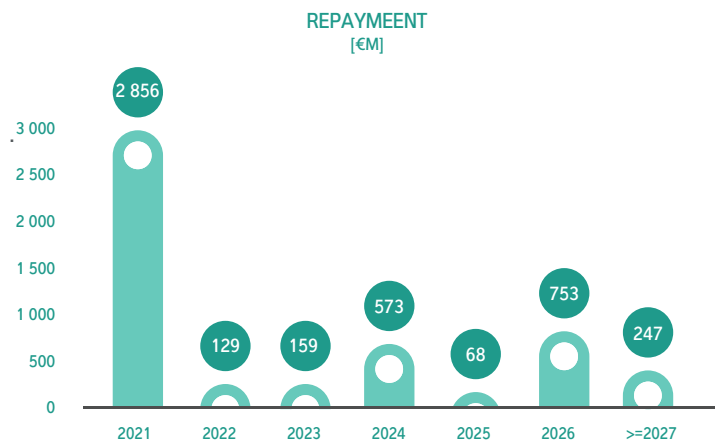
The share of IP's debt guaranteed by the Portuguese State was of 40% of total debt. This universe includes all EIB loans and two bond issues, totalling € 1.6 billion.

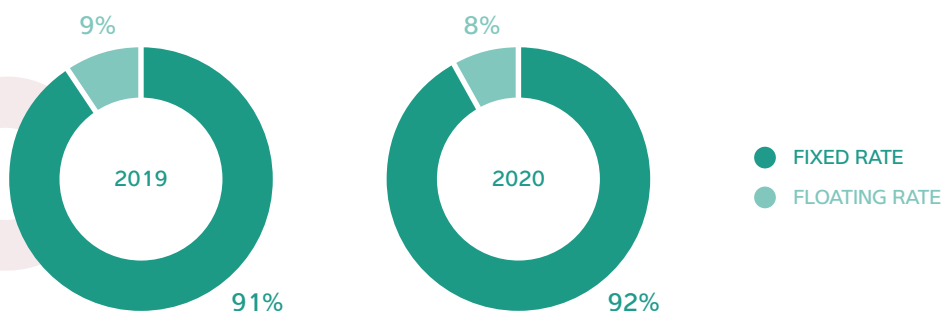
Loans entered with the State since 2011 with maturity in 2016, 2017, 2020 and 2021 have an interest grace period of 12 months and a repayment plan consisting of 8 to 12 equal and consecutive principal instalments. These loans are subject to fixed interest rate.

EIB loans benefit from a repayment plan consisting of equal or different but consecutive principal instalments, thus allowing for a flatter debt repayment profile.

Bond loans are subject to fixed rate, and repayment is to be made in one principal instalment at due date (bullet). The repayment of these loans will occur in 2021, 2024, 2026 and 2030, implying their refinancing in those years.

As seen in the following graph, the amount of debt projected to be paid in 2021 is considerable: € 2,856 million; this comprises the repayment of the Eurobond 06/21 loan in the amount of € 500 million, repayment of € 129,3 million relating to EIB loans and repayment of € 2,226.3 million relating to State Loans





At 31 December 2020 IP had no risk hedging instrument. The level of interest rate risk to which the IP Group is exposed is deemed as very low, considering the composition of the portfolio.

On 20 August 2020 Moody's Investors Service kept its credit rating of IP's at Ba1 with Positive Outlook, on account of the following:

- key role performed by IP in the management of Portugal's road and rail networks;
- effective Government supervision, since IP is included in the State's budget consolidation scope;
- expectations that the State will ensure timely financial support whenever necessary;
- maintenance of high indebtedness level and insufficient cash flow generating capacity.

ANALYSIS OF THE FINANCIAL RESULTS

Our analysis of financial results is made from the standpoint of Global Financial Results, based on the financial results shown in the Statement of Comprehensive Income and ignoring accounting movements (revenues) with impact on the Statement of Financial Position relating to i) debit of interest to the Grantor (in the railway business case), and ii) capitalisation of interest relating to PPPs (in the road business case). This approach gives a true view of the company's debt and risk management performance.

Table below shows the financial performance at 31 December 2020:

FINANCIAL RESULTS	EFFECTIVE 2020	EFFECTIVE 2019	% CHANGE 2020/2019
Financial Results from Investment Activity	-60.6	-65.5	5.0
Financial gains	0.0	0.0	0.0
Financial losses	-60.6	-65.5	5.0
Financial Results from Infrastructure Management Activity	-24.4	-27.37	3.0
Financial gains	0.0	0.0	0.0
Financial losses	-24.4	-27.4	3.0
High Performance Financial Results	-218.0	-207.5	-10.5
Financial gains	0.0	0.0	0.0
Financial losses - sub-concessions	-205.1	-191.7	-13.5
Financial losses - State concessions	-12.8	-15.8	3.0
Financial results - Management of Road Network	-2.5	-2.3	-0.1
Financial gains	0.0	0.0	0.0
Financial losses	-2.5	-2.3	-0.1
Overall Financial Result	-305.4	-302.7	-2.7
Allocated amount - State Grantor*	60.6	65.5	-5.0
Financial result (Comprehensive Income Statement)	-244.8	-237.2	-7.6
Global direct management	-100.2	-111.0	10.8
unit: €M			

As of 31 December 2020 overall Financial Results amounted to € -305.4 million, translating a deterioration of € 2.7 million over the same period of the previous year.

This deterioration was driven by an increase by approximately € 10.5 million in the financial expenses allocated to the high-performance segment, which were partly offset by a decrease in financial losses allocated to the Investment Activity segment and Infrastructure Management Activity, of € 5 million and € 3 million, respectively.





As regards the High-Performance segment, it should be said that the completion in 2019 of the renegotiation of the Sub-concession contracts led to a re-assessment of the base cases, resulting in an increase in interest over the same period of the previous year by approximately € 13.5 million, which was partly offset by a decrease in financial expenses associated with the financing of the concessions, which explains the continued refinancing policy via capital increase operations.

Likewise, the decrease in financial losses in the Investment Activity segment and Infrastructure Management Activity segment is driven by a decrease in debt refinanced via capital increases. This effect is felt on the interest expense charged to the State Grantor, which fell.

If we withdraw from Overall Financial Results the part associated with sub-concessions which concerns amounts due to these companies for works/services (and which will be invoiced in the future, under the terms agreed in respective sub-concession contracts), therefore, not included in the financing contracts entered by former EP, such Overall Financial Results would amount to € -100.2 million as against € -111 million as of December 2019, translating an improvement by € 10.8 million.

6.2 Human Capital

The following table shows a comparative summary for 2019 and 2020, of key indicators relating to Human Resources and Training at the IP Group (figures as of 31 December 2020 and 2019, respectively):

	UNIT	TYPE OF CONTRACT	GENDER	2019	2020
Employment					
Total employees	No			3 628	3 555
Employees by gender	%		F	23.9	24.1
			M	76.1	75.9
Employees by type of contract	%	Fixed term		0.1	0.3
		Open-ended		99.9	99.7
Employees by type of contract (by gender)	%	Fixed term	F	60	30
			M	40	70
		Open-ended	F	23.8	24.1
			M	76.2	75.9
Employees by managerial function	%		F	37.3	36.7
			M	62.7	63.3
Evolution of average age level	years			50.5	51.1
Evolution of seniority level	years			23.6	24.0
Evolution of university degree index	%			35.2	36.0
Training					
Total hours	M		F	24 588	20 774
			M	94 472	107 407
Absenteeism Rate	%			5.33	5.04
Total unionised employees	No			1 765	1 720
Entered	No			115	51
Left	No			131	124

6.2.1 Employment

EVOLUTION OF THE WORKFORCE

In December 2020 the IP Group had 3,555 employees, reflecting a reduction of 73 employees (-2%) as compared to December 2019. This evolution translates the net balance between admissions and exits, plus the personnel having their contractual link to the Company temporarily suspended, as they were assigned to group companies being paid directly by such companies.

	UNIT.	2019	2020
Total employees	No.	3 628	3 555

Table below (including members of the Executive Board of Directors/Board of Directors) shows the breakdown of the workforce by type of contract and functional group.

CHARACTERISATION		EBD	MANAGING STAFF	SENIOR TECHNICIANS	TECHNICAL AS-SIS., INTERM. LEVEL AND ADMIN. PERSONNEL	OPERAT. ASSIS., WORKERS AND AUXILIARY PERSONNEL	TOTAL
Total employees	F	2	83	407	276	90	858
	M	6	143	548	1 075	933	2 705
	Total	8	226	955	1 351	1 023	3 563
Permanent contact	F		83	405	275	90	853
	M		142	541	1,075	933	2 691
	Total	0	225	946	1 350	1 023	3 544
Fixed term contract	F		0	1	0	0	1
	M		0	3	0	0	3
	Total	0	0	4	0	0	4
Open-ended contract	F		0	1	1	0	2
	M		0	4	0	0	4
	Total	0	0	5	1	0	6
Other type of contract	F	2	0	0	0	0	2
	M	6	1	0	0	0	7
	Total	8	1	0	0	0	9

ADMISSIONS AND EXITS

In 2020 124 employees left the IP Group, 19 of whom on the employee's initiative. Group "Other Reasons" includes 76 exits following retirement, reflecting the ageing of the workforce.

MOBILITY	< 30 YEARS		30 TO 50 YEARS		> 50 YEARS		TOTAL
	F	M	F	M	F	M	
Return			3	2	2		7
Hiring	4	13	5	21	1		44
Mutual agreed rescission						1	1
Rescission on the employee's initiative	1	1	5	9	1	2	19
Expiry of contract							
Rescission for other reasons		1	4	5	16	78	104

The company's strategy views the stabilisation of the current workforce, replacing employees and strengthening specific key areas, namely operational areas such as maintenance, inspection and supervision of infrastructure, project and engineering and remaining areas supporting investment.

Additionally, in the short/medium term, a reinforcement in personnel will be needed to meet the increasing amount of work deriving from the ongoing expenditure in infrastructures.

In this respect, the relevant ministerial authorities have already approved the replacement of employees having left the company for reasons not attributable to IP and the additional hiring of 100 employees (of which 30 under indefinite duration contract). IPT was also authorised to hire up to 81 people so as to meet increasing demand and reach the operational goals of improvement in service and business. These recruitment processes are still ongoing.

TURNOVER (TURNOVER RATE)

Turnover allows measuring the relation between admissions and exits:

TURNOVER RATE BY GENDER	F	M
(Hired + left / 2) / final staff by gender	2.45%	2.46%

The analysis of information on turnover shows that the Coverage Ratio between admissions and exits (from 87.8% in 2019 to 41.13% in 2020) reflects a decrease in the number of admissions: 108 in 2019 vs. 51 in 2020.

TURNOVER INDEXES	2019	2020
Staff turnover index Final staff / (initial staff + hired + left)	0.93	0.93
Coverage rate (hired / left x 100)	87.80%	41.13%
Total mobility rate (Hired + left / 2) / final staff x 100	6.78%	4.92%

AGE STRUCTURE AND LENGTH OF SERVICE

The average age of Group IP workforce rose from 50.5 to 51.1 years-old. The pace of the replacement of older by younger employees slowed down in 2020.

Table below shows the distribution by age group of the Group's various functional groups (including member of the Executive Board of Directors/Boards of Directors).

AGE STRUCTURE		EBD	MANAGING STAFF	SENIOR TECHNICIANS	TECHNICAL ASSIS., IN-TERM. LEVEL AND ADMIN PERSONNEL	OPERAT. ASSIS., WORKERS AND AUXILIARY PERSONNEL	TOTAL
Total employees	F	2	83	407	276	90	858
	M	6	143	548	1 075	933	2 705
	Total	8	226	955	1 351	1 023	3 563
< 30 years	F			13	3	2	18
	M			28	2	31	61
	Total			41	5	33	79
30 to 50 years	F	2	49	267	105	10	433
	M		72	311	453	329	1 165
	Total	2	121	578	558	339	1 598
> 50 years	F		34	127	168	78	407
	M	6	71	209	620	573	1 479
	Total	6	105	336	788	651	1 886

The table reveals a predominance of employees aged 50 and over (53%), although it is worth noting that in terms of managerial staff and skilled workers, the most representative age group is intermediate.

The table also shows that the age group below-30 still holds an irrelevant weight (2.2%), even considering the hiring of new workers made in 2019 and 2020.

RECRUITMENT AND INTERNAL MOBILITY IN 2020

In 2020 ministerial approval was given to IP to hire 100 new workers to meet the challenges raised by the huge investments in the railway and road networks in line with national investment plans, from project phase to implementation phase, including planning, hiring and management of community funds.

Accordingly, of the 100 admissions planned, 60 are senior technicians (under indefinite term contract), and 40 concern technical and operational support functions required in the operation and maintenance of infrastructures.

In line with 2019, the company continued to replace employees who left due to reasons not attributable to IP. The number of people in this case totalled 106 in 2020.

IPT was also authorised to increase its workforce to 81 employees (from currently 75). This recruitment is based on demand and the need to improve service and business levels so as to achieve the goals set forth.

The authorisation to recruit was granted at the end of July, but the recruitment process only began in September; the job vacancies to fill require adjusted profiles to the specific infrastructure management activities.

Given the cumulative number of workers not replaced over a large period, despite the recent authorisations to hire personnel, there are still job vacancies to be filled, particularly in certain geographic sites and for specific functions.

It is important to point out the critical aspect of these needs in core areas where the decapitalisation of know-how is more seriously felt and ageing is more acute, translating in continued exits due to retirement.

In line with previous years, part of the needs identified has been met by banking on the professional training and internal selection processes, allowing employees to evolve to more demanding and complex functions.

These internal recruitment processes allow responding to some of the needs, whilst promoting internal mobility and fostering career development. This is achieved based on the assessment of profiles and skills, in order to ensure an adequate selection.

Notwithstanding the problems motivated by the pandemic, namely in the performance of railway activities, the Company managed to complete the integration of 20 employees in the railway maintenance area in 2020.

In the railway traffic area, which is under continuous reorganisation due to the ongoing investment in modernisation and automation, it was necessary to reallocate 40 workstations, moving personnel from stations which were closed to other places, where needed.

As a result, movements in personnel in 2020 concerned 87 jobs, including 17 changes in function, 16 changes of department, and 41 changes within the same area, some of which following internal recruitment processes. Movements to different locations at the worker's request, which we try to meet whenever possible, happened in 30 cases.

Although the provision of Professional Training was affected by the pandemic, it was still possible to ensure 31 professional 1-year internships in different areas of IP Group to recently graduated trainees, enabling the gaining of experience and new skills. Additionally, 15 curricular traineeships were provided.

Finally, six trainees stemming from the professional internship programme have joined the Company's workforce, within the scope of the authorised recruitment mentioned above.

This recruitment process will continue in 2021; 210 new employees will be hired for different functions and locations.

6.2.2 Social Dialogue

The importance of social matters within the Group is translated in the existence of a specific area within the Human Resources Division, responsible for:

- Promoting the dialogue and consensus between the company and the representative workers' organisations, through collective negotiation and meetings whenever necessary;
- Developing actions in respect of social benefits and conditions of social facilities placed at the disposal of all employees; Social facilities in particular, are very important considering the geographical dispersion of the company's working places, namely stations and other railway structures spread across the country.

The area is also responsible for developing activities and actions favouring the social climate and the company's relations with the workers.

LABOUR RELATIONS

Notwithstanding what was said in the previous paragraphs, different labour regimes still coexist within the IP Group, influencing the organisation and provision of labour and the integration and evolution of careers and professional categories.

Briefly, there are three labour frameworks coexisting within the IP Group:

- Labour Code - governs the contractual relationship with Group employees with individual employment contract who did not join the CBA; respective contractual conditions are influenced by the organisational background and periods when they were occurred; at the end of the year, these employees represented only 0.5% of total employees;
- Civil Servants General Employment Law - governs relations with civil service employees stemming from former Junta Autónoma de Estradas (JAE) which preceded former EP (accounting for 11.5% of the workforce);
- Collective Bargaining Agreement - governs relations with employees with individual employment contract who adhered voluntarily thereto.

The Company organises, manages and classifies the provision of labour according to these frameworks, complying with the relevant provisions in each situation.

As regards employees under public sector contracts, namely the Transitional Staff (QPT), in accordance with article 395 of Law 2/2020 of 31 March, they were allowed to opt for the Career

System of the Collective Bargaining Agreement (CBA), which also entitled them to meal allowance, under the terms of Decree Law 91/2015, article 17(2) of 29 May, as amended. As of 31 December 2020 95.2% of these employees had opted for this change.

It should be reminded that in 2019 the signature of the new Collective Bargaining Agreement (CBA) between the 4 companies of the IP Group and 22 trade unions, laid the grounds for a reference employment regime for all employees, including a career system. The adhesion rate to the CBA among the IP Group employees with individual employment contract was 99.7%.

These two elements combined shows that 99.2% of employees are covered by the same Career System.

TRADE UNION MEMBERSHIP

The rate of trade union membership in IP is quite high and the representative workers organisations play an active role mediating issues arising between their members and the Company.

There are communication channels between the Company and the Representative Organisations of Workers (ORT) through which the necessary information and other information are shared, all of which are subject to appropriate processing. Additionally, whenever deemed necessary, meetings can be held to discuss any relevant issue and the Management is available to participate in them, if required.

The trade union membership ratio reflects the importance of unions in the life of the company, mainly in the railway segment. In December 2020 a total of 1,720 workers were trade union members, a figure which accounts for 48% of the Group's workforce, translating a slight decrease compared to the previous year, when the ratio was 49% (1,765 workers who were trade union members).

	No.	%
Trade Union Membership	1 720	48%
Non-unionised	1 835	52%

CORPORATE PEACE

Despite the high percentage of workers who are members of trade union and the high number of union organisations representing them, IP has a good relationship with all (ORT) workers unions and committees (from IP and IPT)

Only one strike was called by one trade union in 2020, and it had no significant impact on the normal operation of the Company. This shows the importance of dialogue and predisposition to social peace.

In 2021 IP will continue working to build a solid Social Peace, strengthening the social dialogue with ORTs, promoting platforms for understanding that will lead to consensual and profitable solutions for IP workers, with impact on their well-being and productivity.

SOCIAL BENEFITS

During 2020 IP maintained the social benefits plan in force in recent years, which offers employees a range of additional support to remuneration in important social areas such as health, education, culture and sports.

Regarding social facilities, the company continued to map them out, having already completed the assessment for the entire road and railway networks and made some critical interventions. Intervention works deemed critical will be carried out in 2021.

SOCIAL BENEFITS		UNID.	2019	2020
Healthcare insurance		€	1 189 740 €	1 200 395 €
Personal injury insurance		€	18 576 €	18 699 €
Nursery	Expenses	€	389 161 €	415 015 €
	Children	No.	61	64
Pre-school allowance	Expenses	€	147 950 €	136 860 €
	Benef (approx.)	No.	294	246
Merit scholarships	Expenses	€	161 850 €	217 900 €
	Beneficiaries	No.	343	479
School passes	Beneficiaries	No.	93	35
Long distance travel (for school)	Beneficiaries	No.	32	30
Support to entities directly linked to the company and employees	Casa do Pessoal	€	155 000 €	150 000 €
	Other entities	€	21 000 €	0 €

HEALTH AREA

It is important to note the geographical spread of IP's workforce, which is subject, moreover, to professional risks and significant physical demands, given the type of the Company's activities. In this sense, a health insurance plan is important as it provides easier access to healthcare anywhere in the country.

- **Health insurance** – IP's health insurance plan provides access to a wide-ranging network of comprehensive health care, with 90% coverage of expenses. Medical consultations outside the plan's network also benefit from reimbursement, limited to 50%. The insurance may cover employee's family members, in which case the premium is borne by the employee;
- **Personal Accident Insurance** - Covers any kind of professional and extra-professional risks of permanent disability or death.

EDUCATION

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

- **Nursery** – IP has its own nursery infrastructure ("O Ninho"), primarily dedicated to the children of its employees, but accepting other children as well, so as to profit from the installed capacity and serve the community; in 2020 the nursery welcomed in average 64 children;
- **Pre-school allowance** - granted to 4-month to 6-year-old children of employees attending nurseries, kindergartens or Social Security-certified nannies. The amount/child of these allowances may vary between €30 and €90, according to the level of remuneration earned by the employee; in 2020 these allowances covered 246 children;

- **Scholarships** - granted to the children of employees with school grade average above 14 (in 20) from the last three high school years until university graduation. In 2020 IP granted 479 merit scholarships relating to 2019/2020 school year.

In addition to these school allowances, IP grants student public travel passes to the children of employees who need them. In 2020, the number of travel passes granted employees' children totalled 35, in addition to 30 recipients of two weekly trips in long-haul trains.

CULTURE AND LEISURE

The company promotes regular initiatives, with a view to bring employees (and their children) closer together, maintaining group spirit (Christmas party), and also providing easier access to services (with no extra cost to the company) viewing to reconcile personal and family life with professional life and enhance well-being.

- **Christmas Party** – In 2020, on account of the pandemic, no event was held for IP Group employees; the Company gave symbolic gifts to all employees and their children (up to 12 years old).
- **Reductions and partnerships** – access to products and services such as fuel, telecommunications, hotels, banking, gym, pharmacy, theatre, among others with reductions and/or other, under protocols entered with several entities from the most different sectors. The company wants to increase the number and quality of these partnerships in 2021, and offer the largest range of advantages to its employees.

TRAVEL ALLOWANCES

Railway workers at the service of the IP have kept the right to travel by train free of charge, under the terms established in the law. This constitutes a relevant benefit, since this activity requires frequent travel throughout the railway network.

As it is not possible, under the law, to extend this benefit to remaining employees, the company grants business travel allowances to employees when necessary.

SUPPORTING INITIATIVES TO SOCIAL, CULTURAL AND SPORTS ENTITIES

IP sponsors social, cultural and sports initiatives undertaken by entities with direct links to the com-

pany and its employees (in respect of clubs, no request for sponsorship was made in time in 2020).

In 2020, a grant was given to “Casa de Pessoal” of IP in the amount of € 150,000, to carry out activities viewing the personal, cultural and social development of associate employees, covering areas as varied as sports, social and leisure activities, medical services and social support to children and young people.

6.2.3 DIVERSITY AND OPPORTUNITIES

GENDER EQUALITY

Historically, the rail sector workforce was mainly male. This is mainly due to the nature of the activity carried out in operational and “on the ground” areas, where most of REFER’s employees were concentrated, requiring considerable physical effort and exposure to risk conditions.

In the road area, the gender imbalance was lower: about 55% males compared to 45% females, at the end of 2014

Five years following the merger, IP gender distribution is 76% (men) / 24% (women).

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

	2019		2020	
	No.	%	No.	%
Managing staff				
F	84	37.3%	83	36.7%
M	141	62.7%	143	63.3%
	225		226	
All employees (not including EBD)				
F	867	23.9%	856	24.1%
M	2 761	76.1%	2 699	75.9%
	3 628		3 555	

Regarding the differences in base salaries between men and women, there are no significant differences except for the Operational Assistants, Work-

ers and Auxiliary Personnel careers, due to the fact that the female population is predominantly concentrated in Level Crossing Guards, a category with a lower wage structure.

WAGE RANGE BY JOB/CAREER AND GENDER		2019		2020	
		AVERAGE WAGE	WAGE RANGE	AVERAGE WAGE	WAGE RANGE
Managing staff	F	3 080 €	0.92	3 102 €	0.92
	M	3 362 €		3 373 €	
Senior technicians	F	2 259 €	0.94	2 285 €	0.95
	M	2 404 €		2 405 €	
Technical assis., Interm. Level and admin. personnel	F	1 194 €	0.92	1 205 €	0.93
	M	1 292 €		1 303 €	
Operat. Assis., workers and auxiliary personnel	F	657 €	0.74	652 €	0.73
	M	887 €		892 €	

PARENTING

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

	UNIT	GENDER	2019	2020
a) No. employees entitled to parental leave during the year	No.	F	22	9
		M	54	48
b) No. employees returning to work after parental leave, during the year	No.	F	17	7
		M	51	43
c) No. employees returning to work after parental leave (enjoyed in the year) and who continue working 12 months after returning	No.	F	9	16
		M	36	51
d) Return to work rate of employees after parental leave	%	F	77	78
(d)= b / a		M	94	90
e) Retention rate 12 months following enjoyment of parental leave	%	F	100	94
(e) = c (n) / b (n-1)		M	95	100

FOREIGN WORKERS

Chart below shows the figures for foreign employees working at the IP Group:

FOREIGN EMPLOYEES	2019	2020
From the European Union	6	6
From Portuguese Speaking Countries	7	7
From other countries	2	2

WITH DISABILITY

Chart below shows the figures for employees with disabilities working at the IP Group:

	2019	2020
Employees with disabilities	75	80

WORK/FAMILY RECONCILIATION

IP has a culture of reconciling work and family that is shown in various practices; the interaction with employees goes beyond the salary component (the relevant social benefits and access to services provided to IP employees was widely described in the previous chapter) and encompasses dimensions that go beyond the professional one.

Some of these initiatives are highlighted below:

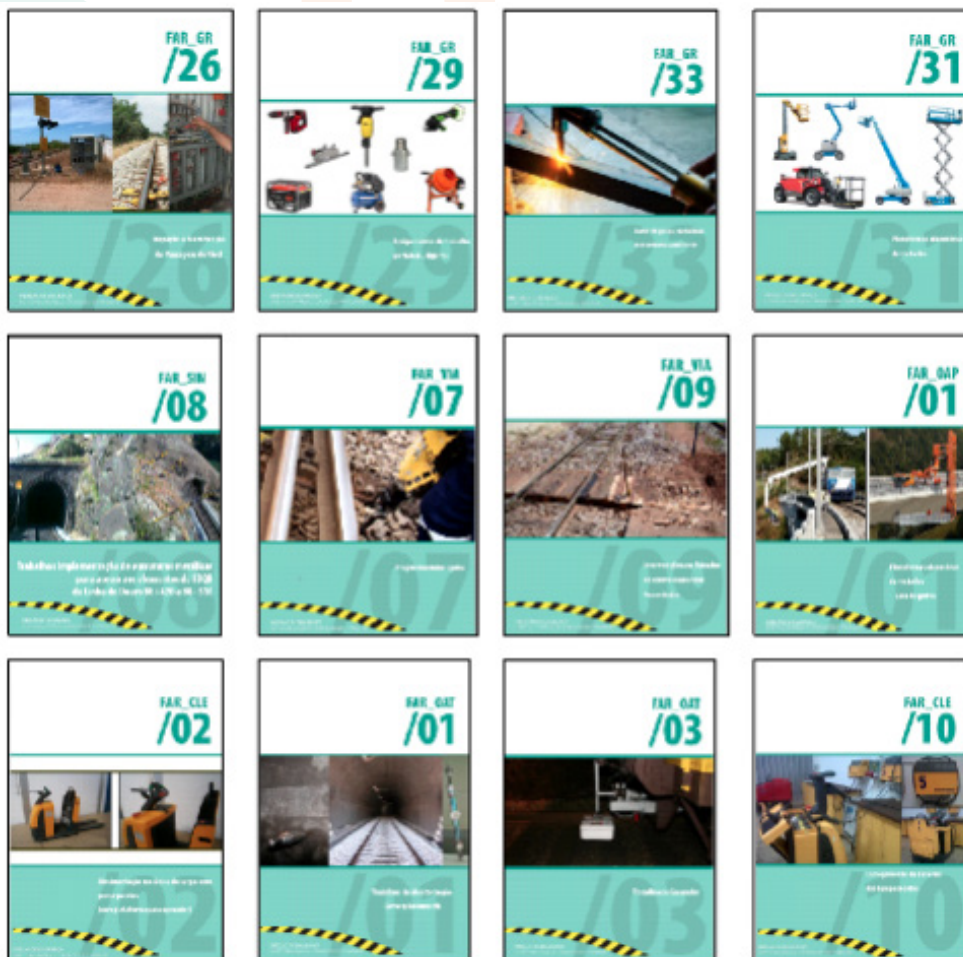
- Internal mobility that allows employees to work closer to home (DCH in articulation with remaining divisions);
- Nursery/kindergarten at the company's headquarters;
- Programmes to stimulate pre-school education, granting of merit scholarships, organisation of cultural activities for children of employees;
- Protocols in the areas of education, health and sports, leisure and utilities, with reductions granted to employees of the IP group;
- Access to cultural and leisure events;
- Transport to workplaces where there is greater concentration of workers and low public transport service coverage, thus improving accessibility;
- Easier access to healthcare (health insurance and other benefits);
- Additional sickness allowance;

- Creation of specific (and non mandatory) measures to increase positive and shared parenting:
 - a) "+ Pai" measure - granting of bonus of 2 days for each period of 30 consecutive days of parental leave enjoyed by the father, in addition to the 15 days to which he is entitled by law, up to a maximum of 4 days bonus.
 - b) "Rights and Duties" Brochure - informing IP workers of their parental rights and duties, according to the law (Labour Code);
 - c) "Congratulations" card - postcard sent to the employee's address to congratulate the family on the birth of their child;
 - d) Welcoming of employees following parental leave - raise the awareness of and bind the direct manager of the employee returning from parental leave to prepare her/his the return to work;
- Internal training on well-being and health at work;
- Measures to allow adapting working hours:
 - a) Flexible working hours;
 - b) Continuous workday scheme;
 - c) Monthly leave of up to ½ of the normal working period for time equivalent credits;
 - d) Teleworking
- Availability of a set of services in the company's headquarters to facilitate daily routines:
 - a) Canteen and coffee bar, and the like;
 - b) Transport (dedicated buses);
 - c) Gym;
 - d) Miscellaneous services (laundry/ironing, shoemaker, manicure, sale of vegetable/organic products, bakery, pharmacy, etc.);
 - e) Internal clinical physician (available twice a week for minor sicknesses and prescriptions).

6.2.4 SAFETY AND CONDITIONS AT WORK

The following major activities were developed in 2020 to promote safety at work:

- Preparation/revision of 44 Risk Analysis Sheets and completion of 5 Safety Procedures Manuals defining preventive and protective measures to be implemented to ensure safety at work:




- Development of information and supporting document to help in the correct filling of the Daily Work Programme, with a view to ensure safety during works.

Como PREENCHER corretamente o PDT · PROGRAMA DIÁRIO DE TRABALHOS

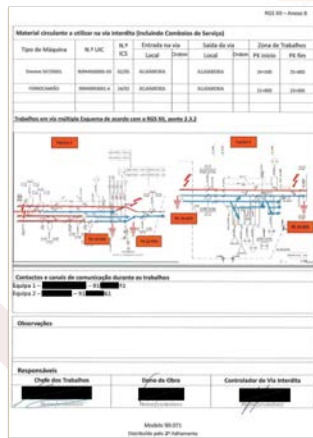
PDT #001

ÁMBITO DE APLICAÇÃO
Trabalhos realizados ao abrigo das medidas de segurança Interdição da Via e/ou Corte de Tensão Elétrica na catenária e/ou feeder (IET77).

Este documento foi desenvolvido tendo como referência o NDS 32 – Regulamento Geral de Segurança – “Vias Interditas à Circulação”, 31.º aditamento, de 28 de agosto de 2016, publicado pelo Instituto de Mobilidade e do Transporte, I.P., e a sua utilização não dispensa a consulta do respetivo documento regulamentar em vigor.




PDT #001 Como PREENCHER corretamente o PDT?



Material circulante a utilizar na via interdita (Incluído Combustível de Serviço)

Tipo de Máquina	N.º F.A.C.	N.º IC	Estação de origem		Estação de destino		Zona de Trabalho	
			Local	Tramo	Local	Tramo	FE Inter	FE Sim
Trator	100000000	0000	ALCANTARA	ALCANTARA	ALCANTARA	ALCANTARA	000000	000000
Trator	100000000	0000	ALCANTARA	ALCANTARA	ALCANTARA	ALCANTARA	000000	000000

Trabalhos em via interdita (Exclusão de acesso aos A.S.S. 2.2)



Condições e estado da infraestrutura durante os trabalhos

Mapa 1: [Redacted]

Mapa 2: [Redacted]

Observações:

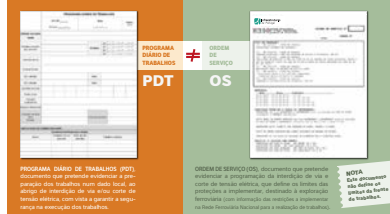
Responsáveis:

Chefe dos Trabalhos: [Redacted] Diretor da Obra: [Redacted] Controlador da Via Interditada: [Redacted]

Mobiliário: [Redacted]

Redigido pelo: [Redacted]

PDT #001 Como PREENCHER corretamente o PDT



PROGRAMA DIÁRIO DE TRABALHOS (PDT)

OS (Ordem de Serviço)

NOTA: O PDT é submetido pelo Chefe dos Trabalhos ao Diretor da Obra e ao Controlador da Via Interditada na reunião prévia.


PDT #001 Como PREENCHER corretamente o PDT

Após o preenchimento do PDT deve ter-se em consideração o seguinte:

- A localização exata dos trabalhos na via, os limites físicos da frente de trabalhos e não os limites da interdição de via e do corte de tensão (grupos limitados de exploração) indicados no OS.
- No caso das linhas eletrificadas, a localização exata dos EP, o Equipamento de Proteção, Cabine (VT - Vias de Tensão e C.T. - Ligarão Complementar) e a coloração e identificação do trabalhador que efetua a sua colocação e retirada.
- A indicação dos condicionamentos existentes e das respetivas medidas de segurança específicas, que sejam necessárias implementar para a realização dos trabalhos, tais como, estado do equipamento elétrico com a indicação das catenárias com e sem tensão elétrica.

O PDT é submetido pelo Chefe dos Trabalhos ao Diretor da Obra e ao Controlador da Via Interditada na reunião prévia.

PDT #001 Como PREENCHER corretamente o PDT



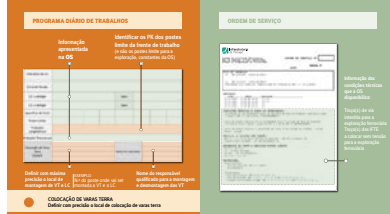
PROGRAMA DIÁRIO DE TRABALHOS

OS (Ordem de Serviço)

Identificar e indicar os equipamentos a utilizar na via interdita.

Identificar os pontos de colocação e retirada dos trabalhadores.

PDT #001 Como PREENCHER corretamente o PDT



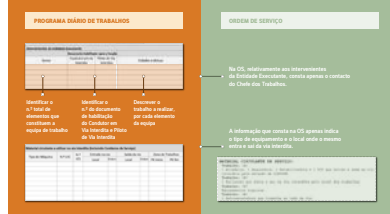
PROGRAMA DIÁRIO DE TRABALHOS

OS (Ordem de Serviço)

Identificar e indicar os equipamentos a utilizar na via interdita.

Identificar os pontos de colocação e retirada dos trabalhadores.

PDT #001 Como PREENCHER corretamente o PDT



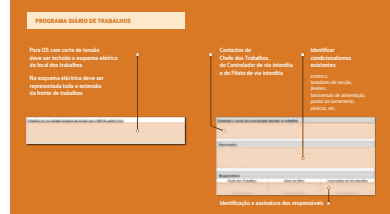
PROGRAMA DIÁRIO DE TRABALHOS

OS (Ordem de Serviço)

Identificar e indicar os equipamentos a utilizar na via interdita.

Identificar os pontos de colocação e retirada dos trabalhadores.

PDT #001 Como PREENCHER corretamente o PDT



PROGRAMA DIÁRIO DE TRABALHOS

OS (Ordem de Serviço)

Identificar e indicar os equipamentos a utilizar na via interdita.

Identificar os pontos de colocação e retirada dos trabalhadores.

- Preparation of complementary document to the Temporary Signalling Manual, aimed to promote a correct identification of temporary signalling to control road run over risks.
- Development of regular safety information directed to operating teams. The information is displayed in panels across nearly 90 facilities where the operational teams work.



From 2017 to 2020 45 different information sheets were made available.

CONSULTA DOS TRABALHADORES Resultados 2020

1. Segurança e saúde no trabalho

2. Consulta e Participação dos Colaboradores

3. Mutua Organizativa e Promoção das Novas Tecnologias

4. Consulta e avaliação independente por terceiros a saúde

5. Formação e Informação

6. EPI, UPE e EPC

7. Acidentes de trabalho

8. Cont'

Infraestruturas de Portugal

Segurança no Trabalho, junto de vós!

CAMPANHA NO ÂMBITO DA SEGURANÇA NO TRABALHO

PAINEL INFORMATIVO

A campanha teve início em 2017 tendo sido desenvolvidas 60 cartazes para 60 instalações.

Esta campanha está disponível em 94 instalações:

TFM - DRF - DRB - DAM - DCL-ARM - DCF - IPT

Infraestruturas de Portugal

Segurança no Trabalho, junto de vós!

TRABALHOS EM ALTURA COM RECURSO A EPI

CONSIDERA-SE TRABALHO EM ALTURA TODO O QUE SEJA REALIZADO A DOIS OU MAIS METROS DE ALTURA, OU PROFUNDIDADE

PRINCÍPIOS DO TRABALHO EM ALTURA

TÉCNICAS DE TRABALHO EM ALTURA

EQUIPAMENTOS ASSOCIADOS AOS SISTEMAS ANTIQUEDA

PLANEAMENTO DE UM SISTEMA ANTIQUEDA

Infraestruturas de Portugal

Segurança no Trabalho, junto de vós!

TRANSPORTE DE GASÓLEO PARA A FRENTE DE TRABALHO

OS QUANTOS em um fluido inflamável são capazes de causar a ignição? Resposta: 1 litro em 1000 litros.

TRANSPORTE

REQUISITOS DE TRANSPORTE

CARACTERÍSTICAS

PERIGOS para a saúde

PERIGOS para o ambiente

PERIGOS para as vias aquedutárias

Infraestruturas de Portugal

Segurança no Trabalho, junto de vós!

EQUIPAMENTOS DE TRABALHO PORTÁTEIS/LIGEIROS

A utilização de equipamentos para a realização de atividades no solo sempre associado com o uso de equipamentos de proteção individual (EPI) e equipamentos de proteção coletiva (EPC) é fundamental para garantir a segurança dos trabalhadores.

FAZ EPI, EPI é essencial para a segurança dos trabalhadores.

COMO USAR O EPI CORRETAMENTE

USO OBRIGATORIO

USO OBRIGATORIO EM CONDIÇÕES ESPECÍFICAS

Infraestruturas de Portugal

Segurança no Trabalho, junto de vós!

CONSULTA DOS TRABALHADORES PORQUE A SUA PARTICIPAÇÃO É IMPORTANTE!

"A segurança e saúde no trabalho diz respeito a todos!"

Uma vez que a segurança e a saúde é um aspeto indispensável da gestão das empresas, faz sentido que as considerações nessa matéria sejam plenamente parte do funcionamento global da sua empresa.

Consulta aos trabalhadores...

O que é?

Para que serve?

Como se faz?

Infraestruturas de Portugal

Segurança no Trabalho, junto de vós!

- Development of campaign called "Snow, ice, fog... work safely" at the Snow Cleaning Centre, viewing to promote workers' collaboration with one another; the campaign involved the preparation of a set of posters based on the contents of the Safety Procedures Manuals regarding activities developed by the SCC.

OPERAR COM O LIMPA-NEVE CUIDADOS A TER

Atenção ao utilizar o Limpa-Neve, a trabalhar!

Atenção ao utilizar o Limpa-Neve, a trabalhar!

Atenção ao utilizar o Limpa-Neve, a trabalhar!

Identifique a estrada

Medire a visibilidade

Atenção ao gelo

Evite Acidentes

Equipamentos de Proteção Individual (EPI)

1. Capacete
2. Luvas
3. Botas
4. Óculos
5. Proteção auditiva
6. Proteção respiratória

OPERAR COM A ROTATIVA CUIDADOS A TER

Atenção ao utilizar a Rotativa, a trabalhar!

Projeção do nevoeiro

Distância do ISO

Identificar a estrada

Atenção ao gelo

Evite Acidentes

Equipamentos de Proteção Individual (EPI)

1. Capacete
2. Luvas
3. Botas
4. Óculos
5. Proteção auditiva
6. Proteção respiratória

TRABALHOS DE SOLDADURA EM OFICINA

Mais vale uma soldadura em segurança do que duas soldaduras com queimaduras!

RISCOS associados à atividade

Atenção ao utilizar a soldadura, a trabalhar!

REGRAS para SOLDAR em segurança

Equipamentos de Proteção Individual (EPI)

1. Capacete
2. Luvas
3. Botas
4. Óculos
5. Proteção auditiva
6. Proteção respiratória

ABASTECIMENTO DE GASÓLEO

Trabalhar com o GASÓLEO, trabalhar sempre pelo SEGURO!

RISCOS associados à atividade

Atenção ao utilizar o abastecimento, a trabalhar!

REGRAS para ABASTECIMENTO em segurança

Equipamentos de Proteção Individual (EPI)

1. Capacete
2. Luvas
3. Botas
4. Óculos
5. Proteção auditiva
6. Proteção respiratória

CARREGAMENTO DE SAL SEMPRE EM AÇÃO E SEGURANÇA

Perigo

Risco

Medidas Preventivas

Equipamentos de Proteção Individual (EPI)

1. Capacete
2. Luvas
3. Botas
4. Óculos
5. Proteção auditiva
6. Proteção respiratória

MUDANÇA DE LÂMINAS SEMPRE EM AÇÃO E SEGURANÇA

Perigo

Risco

Medidas Preventivas

Equipamentos de Proteção Individual (EPI)

1. Capacete
2. Luvas
3. Botas
4. Óculos
5. Proteção auditiva
6. Proteção respiratória

TRABALHAR COM MOTOSERRA CORTE ÁRVORES, SEMPRE EM SEGURANÇA!

Planeamento dos Trabalhos, Verifique

Abate, Concentre-se em duas fases

Cuidados a ter

Equipamentos de Proteção Individual (EPI)

1. Capacete
2. Luvas
3. Botas
4. Óculos
5. Proteção auditiva
6. Proteção respiratória

COLOCAÇÃO DE SINALIZAÇÃO VERTICAL CIRCULAR, SEMPRE EM SEGURANÇA!

Execução de trabalho

Riscos envolvidos

Medidas preventivas

Para trabalhar em segurança, ter sempre em atenção:

Equipamentos de Proteção Individual (EPI)

1. Capacete
2. Luvas
3. Botas
4. Óculos
5. Proteção auditiva
6. Proteção respiratória

- Annual enquiry to employees on occupational safety and health, leading to the following conclusions:
 - 83% of workers are aware of the professional risk to which they are exposed;
 - 77% are aware of the safety measures to be followed in their work activity;
 - 73% usually report situations which they deem of risk to their safety or the safety of their colleagues;
 - 63% feel there is mutual cooperation between colleagues viewing the promotion/improvement of safety conditions at work;
 - 45% (less than half) mention that their hierarchical superiors provide feedback on their performance in terms of occupational safety;
 - 79% are confident to report unsafe actions.
- Training actions in the field of safety at work, to provide employees of the IP Group with the technical skills necessary for them to work safely.



TRAINING	NO. OF SESSIONS	NO. OF TRAINERS
Safety in railway and vicinity works (IET77 and DO-RGS XII)	5	65
Awareness raising for works in the vicinity of electric fac	2	21
Occupational safety welcoming action	6	52
Formação de Motosserras e Motorroçadoras	3	14
Awareness raising IET77	2	33

- Checking of safety conditions in the planning of works on railway track and nearby, with the purpose of ensuring the correct planning of safety measures (477);

2018	2019	2020
109 ODT	386 ODT	477 ODT
49% ODT aprovadas	90% ODT aprovadas	93% ODT aprovadas
51% ODT aprovadas após revisão	10% ODT aprovadas após revisão	3.5% ODT aprovadas após revisão

- Visits to IP teams with the objective of promoting the implementation of safety measures, raising awareness for the adoption of safe behaviours, promoting employee participation and identifying opportunities for improvement (56 visits).
- Analysis of statistical data on work accidents viewing to identify the main causes, the injuries and the severity of work accidents, in order to establish priorities in the prevention and promotion of occupational safety.

OCCUPATIONAL ACCIDENTS - KEY INDICATORS FOR 2020

Table 1 - Results for the last 5 years – IP Group

INDICATORS	2016	2017	2018	2019	2020
Frequency index (IWO)	18.71	16.63	16.9	15.0	12.2
Incidence index (IWO)	31.66	28.67	28.94	25.5	20.7
Severity index (IWO)	464.24	137.63	295.69	172.6	133.6
Severity Index ⁽¹¹⁾	464.24	137.63	1 491.19	172.6	3 849.90
Average number of employees	3 759	3 698	3 663	3 610	3 582
Number of accidents at the workplace	119	106	106	92	74
Number of serious accidents	0	0	0	3	0
Number of fatal accidents	0	0	1	0	3
Total number of days lost at the workplace	2 952	877	1 855	1 055	816
Total number of hours worked	6 358 828	6 372 215	6 273 518	6 113 047	6 112 046

Table 2 - Global figures on occupational accidents at IP Group

INDICATORS	IP GROUP	IP	IP ENGENHARIA	IP PATRIMÓNIO	IP TELECOM
Accidents - Total	88	84	0	2	2
In the workplace	74	71	0	1	2
With sick leave	46	44	0	0	2
Without sick leave	28	27	0	1	0
Fatal accidents	3	3	0	0	0
<i>In Itinere</i>	14	13	0	1	0
Total number of days lost	1 031	1 011	0	0	20
At the workplace	816	796	0	0	20
<i>In Itinere</i>	215	215	0	0	0
Average no. of employees	3 582	3 349	44	113	75
Hours worked	6 112 046	5 726 756	65 393	191 810	128 088
Index					
FI	12.2	12.4	0.0	5.3	15.7
II	20.7	21.3	0.0	8.9	26.4
SI	133.6	139.0	0.0	0.0	156.2
SI ⁽¹²⁾	3 849.9	4 105.5	0.0	0.0	156.2

11 LO Severity Rate = No. of days lost by accidents occurred in the year *1.000.000/ No, hours worked.
This figure comprises 7500 days by each fatal accident, in compliance with Resolution of the 6th International Conference of Labour Statisticians

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Table 3 - Comparison of incidence indexes and average number of days lost at IP, the Group and organisation units with the largest incidence index, with Construction and Transport and Storage Sectors

	INCIDENCE INDEX OF AC (BY 1000 EMPL.)	AVERAGE NUMBER OF DAYS LOST
National Total 2017 ⁽¹³⁾	44.20	37.86
Sector F - Construction	84.45	43.50
Sector H - Transport and storage	66.13	43.43
Sector S - Other service activities	23.49	23.98
Group	20.70	12.00
IP	21.30	12.00
DRF – Railway Network Division	43.60	9.00
DCH – Human Capital Division	31.80	5.00
DCF – Railway Traffic Division	26.90	16.00
DEA – Engineering and Environment Division	20.50	9.00
DRR – Road Network Division	11.60	2.00
IP Engenharia	0.00	0.00
IP Património	8.90	0.00
IP Telecom	26.40	10.00

Table 4 - Causal factors for occupational accidents in the workplace at IP

DESCRIPTION	ACCIDENTS		LOST DAYS	
	No.	(%)	No.	(%)
Total	71		796	
Bad posture	18	25%	297	37%
Falls on ground level	15	21%	216	27%
Falls on lower level	9	13%	102	13%
Handling of objects	6	8%	42	5%
Other causes	4	6%	3	0%
Insect bites	4	6%	2	0%
Car accident	3	4%	52	7%
Hitting of objects	3	4%	0	0%
Collision with railway equipment	2	3%	0	0%
Hit by train	1	1%	0	0%
Punch/Cut	2	3%	10	1%
Aggression	1	1%	40	5%
Falling of objects	1	1%	25	3%
Entrapment	1	1%	7	1%
Projection of materials	1	1%	0	0%

13 Source: Occupational accidents 2017 Published by the Office of Strategy and Planning on 13 September 2020.

Table 5 - Injuries caused by occupational accidents at the workplace

DESCRIPTION	ACCIDENTS		LOST DAYS	
	NO.	(%)	NO.	(%)
Total	71		796	
Ache (pain)	21	30%	150	19%
Sprain	19	27%	278	35%
Fracture	4	6%	157	20%
Multiple injuries	4	6%	74	9%
Non specified	4	6%	53	7%
Strain	3	4%	36	5%
Wound	3	4%	10	1%
Inflammation	3	4%	3	0%
Superficial injuries	3	4%	0	0%
Death	3	4%	0	0%
Bruise	2	3%	35	4%
Backache due to effort	2	3%	0	0%


Table 6 - Parts of body hit by by occupational accidents at the workplace, at IP

DESCRIPTION	ACCIDENTS		LOST DAYS	
	NO.	(%)	NO.	(%)
Total	71		796	
Lower limbs	26	37%	359	45%
Upper limbs	22	31%	253	32%
Multiple limbs	9	13%	103	13%
Upper body	7	10%	71	9%
Non specified	3	4%	0	0%
Head, except eyes	2	3%	10	1%
Eyes	2	3%	0	0%

Table 7 - Breakdown of accidents and accident index, by professional category

DESCRIPTION	ACCIDENTS		LOST DAYS	
	No.	(%)	No.	(%)
Total	71		796	
Infrastructure operator	19	27%	100	13%
Manoeuvring operator	10	14%	223	28%
Level Crossing keeper	9	13%	145	18%
Infrastructure foreman	7	10%	118	15%
Infrastructure supervisor	4	6%	73	9%
Management assistant	4	6%	63	8%
Senior technician II	3	4%	9	1%
Traffic controller	3	4%	7	1%
Operational Technician	3	4%	0	0%
Senior technician III	2	3%	27	3%
General support operator	2	3%	16	2%
Traffic inspector	1	1%	15	2%
Traffic operator	1	1%	0	0%
Railway command operator	1	1%	0	0%
Infrastructure and operation technician	1	1%	0	0%
Management assistant technician	1	1%	0	0%


In 2020 IP Group recorded 88 occupational accidents, 74 of which at the workstation, giving rise to 796 days lost.



From an historical perspective, the Incidence index at IP has evolved downwards; however, considering the % of workers doing on-site work, the expected figure for 2020 would be 30.94 (unfavourably above target II = 29.00 set for 2019). As the pandemic situation led to an increase in the number of employees doing remote work (approx. 50%), exposure to risk declined and the number of occupational accidents fell. The Severity Index, on the other hand, reached its maximum level of the past 5 years due to 3 fatal accidents occurred in 2020 (2 on the North Line, following a train collision and 1 on the Belt Line, following run over by train).

In respect of associate companies, IP Telecom's incidence index was higher than IP Engenharia, IP Património and IP incidence indexes (IP Telecom: 26.4; IP Engenharia: 0.00; IP Património: 8.9 IP: 21.3). Notwithstanding the above, the number of occupational accidents in associate companies is much lower than at IP (Number of OA at associate companies = 3; Number of OA at IP = 71).

A comparative review of occupational accident figures for IP Group nationwide, with the purpose of establishing their positioning in average terms at national level and by reference sector (as published by the Ministry for Solidarity and Social Security) showed the following:

- In terms of Incidence Index (measuring the impact of the frequency of accidents), total figures for IP Group; IP and IP Engenharia and IP Património are below national levels.
- 

- As regards the 5 Divisions of IP recording the highest Incidence indexes:

↓ **RND - Railway Network Division:** Incidence index of 43.6, below the index for the reference sector - Sector F - Construction (II= 84.45);

↑ **HCD- Human Capital Division:** Incidence index of 31.8, higher than the reference sector - Sector S - Other service activities, (II = 23.49);

↓ **RTD - Railway Traffic Division:** Incidence index of 26.9, below the index for the reference sector - Sector H - Transport and Storage (II= 66.13);

↓ **EED - Engineering and Environment Division:** Incidence index of 20.5, below the index for the reference sector - Sector F - Construction (II= 84.45);

↓ **RND - Road Network Division:** Incidence index of 11.6, below the index for the reference sector - Sector F - Construction (II= 84.45).

Despite the higher levels of the Incidence index figures, in the case of HCD, EED and RND, only 2, 3 and 4 accidents, respectively, occurred on site. The high level II described above results of the average number of employees being reduced, comparatively (Number of employees HCD = 63, EED = 147 and RND = 347).

As regards the causes and consequences of the occupational accidents recorded:

- 59% of accidents occurred due to bad posture, falls on ground and falls to lower level;
- 57% of accidents gave rise to ache (pain) and sprains;
- The parts of the body most affected were lower and upper limbs (68%).

The causes and consequences and professional categories are similar to those identified in previous years, showing that occupational accidents are more important in the more operational areas, where exposure to risk is also higher.



6.3 Intellectual Capital

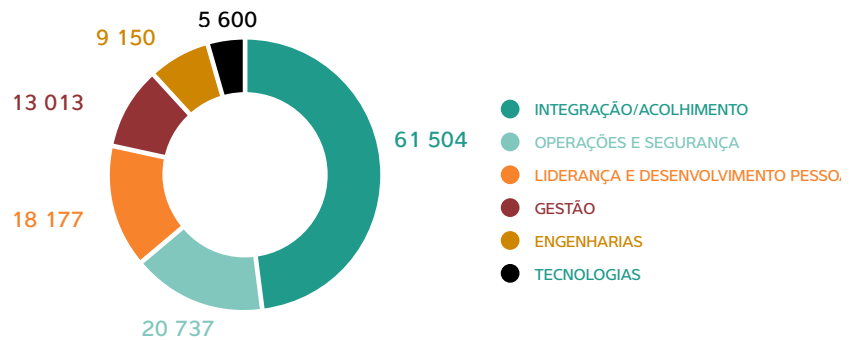
6.3.1 Training and Management

Academia IP continues to promote a development culture based on continuous learning, sharing of knowledge, specifically the technical know-how relating to road and railway activity, innovation, on a par with an internal culture focused on Safety.

In such an atypical year as 2020, the total number of training hours provided to our employees stood at 128,181, with three aims in mind: flexibility, adaptation and resilience. The breakdown of training by professional category and knowledge area is as follows:

PROFESSIONAL CATEGORIES BY GENDER	Volume of training
F	
Operat. Assis., workers and auxiliary personnel	1 875.5
Technical assis., Intern. Level and admin. personnel	3 486.8
Managing staff	4 406.9
Senior technicians	10 896.8
Trainee	75.5
Board of Directors	32.0
M	
Operat. Assis., workers and auxiliary personnel	67 114.8
Technical assis., Intern. Level and admin. personnel	16 043.1
Managing staff	6 315.4
Senior technicians	17 748.8
Trainee	182.5
Board of Directors	2.5
Total	128 180.6

Knowledge areas



New talent

In 2020 we prepared a welcoming programme for the 44 employees who joined IP in the year, which we called “WE ARE IP 2020”.

- Technicians in the engineering, construction and road and railway maintenance areas received **2-week training in broader areas plus 5-week training in technical areas;**
- Operators, foremen and infrastructure supervisors received **2 months training in broader areas plus 6 month of specific training;**
- Level crossing keepers and manoeuvring operators received **1 month training in broader areas plus 1 month of specific training.**

Moving towards automation

- We continued to develop initiatives and innovating training approaches, specifically as regards the **transformation of contents from face-to-face to remote.**
- We banked on improving the skills of internal trainers, particularly **computer skills.**
- We implemented a new application to manage training, making it simpler, faster and more intuitive.
- As the training process was centralised in a **single platform** the contact and exchanges between trainers and trainees improved. **We brought the training community closer.**



The importance of giving back

We continued the Management and Leadership Programmes addressed to senior staff.

In 2020 the Academy developed a training assessment methodology, which will be implemented in 2021, which will allow a more comprehensive and relevant analysis of the factors in the transfer of learning to the workstation.

We grow within

As regards the **professional career advancement** in railway related work, we provided initial training to:

- Operators, foremen and infrastructure supervisors during 2 months on broad areas plus 6 months in a work-context;
- Railway command operators during 1 month on broad areas plus 2 months in work-context.

As regards the development of **new skills in the career of infrastructures** we completed the driving course for 14 engine drivers.

6.3.2 Human Capital Development

In 2020 the Performance Management System was strengthened, becoming a crucial tool to monitor performance, collective and personal goals, development of personal and technical skills, and assess merit as relevant factor in career advancement.

Viewing continuous improvement, the performance management system in force at IP Group is being assessed by an external entity; the purpose is to propose possible adjustments to improve quality and efficacy levels, taking into account the Company needs, culture and the market practices in similar sectors.

Talent Management and Employee Rewarding Programme

Investment in leadership training started in 2019 aimed to improve team leadership and managing skills continued in 2020: whilst in 2019 training had covered all Heads of Division, in 2020 it covered Heads of Departments (50%), who represent the second line of the organisation.

This leadership training developed in partnership with SBE and Indeg is innovating, and focuses subjects relating to Strategy, Business and Personnel Management, having a triple goal:

- Increase awareness to the importance of leadership for obtaining results and improve the efficacy of the organisation;
- Strengthen management and leadership skills;
- Motivate, guide and prepare them to act as agents of change.

In terms of personal development, the programme explores the processes of sponsorship, mentoring, coaching, succession planning, as crucial approaches to the strategic management of people, promoting self-assessment and self-knowledge as crucial personal development tool.

In 2020 the Company also launched a professional development programme addressed to approximately 30 younger technicians referred by their superiors as worthy of recognition and investment in personal and professional development.

A Succession Planning project for senior managers was started, which will be developed in a strategically structured way during 2021.

6.4 Social Capital and Relationships

IP Group is committed to putting in place sustainable policies to address the economic, environmental and social dimensions of sustainability, based on best social responsibility practices both within its business areas and in its external relationships.

The objectives and commitments governing the company's sustainable performance in society, taking into account the public interest, which is our duty to defend, are established in the Declaration of Social Responsibility Policy of the IP Group, of 15 July 2016.

IP Group action is addressed to both internal and external audiences, and it is structured around the following axes: Quality of Life, Environment, Mobility and Safety, based on a set of partnerships and innovating initiatives.

6.4.1 IP Solidarity Programme

In 2020 this axis supported several social initiatives, amongst which the following:

GIVING TUESDAY



The 2nd edition of “GivingTuesday” solidarity movement started on 1 December, under motto “You & Me together we will change the world”, in which IP participated by communicating the campaign and sponsoring the “Make-a-Wish” cause, an association that seeks to answer the wishes of seriously ill children and young people.

CHARITABLE IP LET'S HELP MAKE-A-WISH CHILDREN THIS CHRISTMAS!

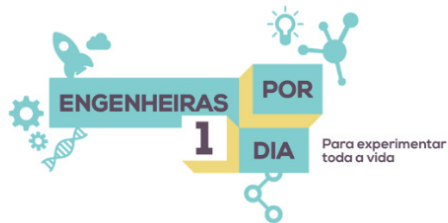


The Christmas charitable campaign was focused on supporting the Make-a-Wish cause, which fulfils the wishes of seriously ill children and young people. A crowdfunding platform was set up through which employees of IP Group could make their donation and contribute to fulfilling the wish of a sick child.

6.4.2 Partnerships (Quality of Life, Environment, Safety and Mobility Axis)

“ENGINEERS FOR A DAY” PROJECT

IP joined the 4th edition of the “Engineers for a Day” project promoted by the Portuguese Chart for Diversity, assuming the commitments set forth in the gender equality and social responsibility policies. This edition is to be carried out throughout 2020/2021 with young girls attending the 3rd grade of basic and secondary schools.



A IP enquanto signatária da Carta participou:

“Girls in ICT Day” | “Engineers for a Day” project



As signatory of the Chart, IP **participated in:**

For the second year in a row, IP participated in the “Girls in ICT Day” project; specifically, Engineer Isabel Ribeiro, from IP IT Systems Division participated in the online discussion held on 23 April - International Girls Day in IT and Communication Systems - promoted by Vila Verde Secondary School, in Braga, where she shared her professional experience and path, viewing to raise the girls awareness to IT and engineering careers.

Additionally, IP **supported** the dissemination of information on:

- European Month of Diversity | Webinar: As regards age
- Engineers for a Day | Workshops "Girls in Engineering and Technology"
- Webinar on “Diversity and inclusion in context of technological adaptation”.

EARTH DAY



DIA MUNDIAL DA TERRA
50 Anos
22 de abril de 2020



IP participated in the Earth Day with a challenge recorded in website Earth Day 2020, launched in social networks Facebook and Instagram. The goal was to share photos and drawings relating to nature protection and fight against climate change, and recommendations on behaviours to help save the Planet.

EARTH HOUR 2020



On 28 March IP joined the largest global movement against climate change - Earth Hour, promoted by the World Wide Fund for Nature, turning off the decoration lights of the 25 de Abril Bridge, in Lisbon, Arrábida, and Freixo Estação Ferroviária de São Bento bridges in Porto, promoting this global cause as socially responsible company.

#MANDELABRIDGES 2020



On 18 July IP associated with IPAV - Instituto Padre António Vieira and Academia de Líderes Ubuntu, to celebrate Mandela Day, with initiative called "Mandela Bridges". The celebration was held at 25 de Abril Bridge, attended by members of Academia Ubuntu and the Vice-Chairman of the Board of Directors of IP, José Serrano Gordo. Symbolically, five emblematic bridges of IP were renamed "Mandela": 25 de Abril, in Lisboa, Arrábida, in Porto, Rainha Santa Isabel, in Coimbra, Salgueiro Maia, in Santarém and the International Bridge over the Guadiana River, in Algarve.

BOOK "THE RAILWAY IN PORTUGAL: PAST, PRESENT AND FUTURE"



The presentation of book "The Railway in Portugal: Past, present and future", by Francisco Furtado took place at the "King's Room" of Rossio Station on 22 January. The event was attended by the Chairman of IP, António Laranjo and the Vice-chairman, Carlos Fernandes. The book, edited by Fundação Francisco Manuel dos Santos, describes the historical evolution of the railway in Portugal, and defends the railway as lever for economic development, analysing priorities and directives to maximise the potential of railway in the 21st century.

EUROPEAN NATURA 2000 DAY



The European Natura 2000 Day was celebrated on 21 May, under motto "young people and nature". To mark the date, LIFE LINES project launched LIFE LINES Drawing competition, to which IP associated as partner of the Project, which views to raise young people awareness to nature protection.

"THE EARTH SHAKES"



National exercise “The Earth Shakes” was carried out on 5 November (World Tsunami Risk Awareness Day”), promoted by the National Emergency and Civil Protection Authority, lasting only one minute, during which participants are invited to perform three life-saving gestures: Crouch, Protect and Wait, which IP joined.

WORLD CIVIL PROTECTION DAY



On World Civil Protection Day celebrated on the 1st of March, the Coimbra Region marked the day with events held from 28 February to 3 March, in the municipality of Penacova. IP participated in event "Display of Means", with the display of a MISU (mobile inspection and support unit).

INTERNATIONAL LEVEL CROSSING AWARENESS DAY



IP joined the International Level Crossing Awareness Day (ILCAD) celebrated on 7 June. The initiative promoted by UIC – Union Internationale des Chemins de Fer, which IP joined from the very first edition, aims to inform and raise the awareness of pedestrians and drivers to the need to comply with rules and adopt safe behaviours when crossing railway tracks.

NATIONAL “AZULEJO” DAY



To mark the National Azulejo” Day celebrated on 6 May, IP and IPP, in association with CP – Comboios de Portugal, launched the “Azulejo Routes” project, with an invitation to a virtual travel across the work of Jorge Colaço.

PUBLIC SERVICE DAY

The United Nations Public Service Day is held on 23 June, and views to celebrates the value and virtue of public service to the community. In a difficult year marked by the Covid-19 pandemic, the role of IP was of resilience to do more and better, as a public and socially responsible company.

CHILDREN'S DAY WITH THE NATIONAL RAILWAY MUSEUM



The World Children's Day was celebrated at the National Railway Museum, with an online programme addressed to children and families. This initiative had the support of IP, CP - Comboios de Portugal and the Municipality of Entroncamento.

VOLUNTEERING FOR NATURE IN MONTEMOR-O-NOVO



On 3 October (Saturday) the 13th edition of Volunteering for Nature was held in Montemor-o-Novo for IP employees and their families, within the scope of the LIFE LINES project, which views to develop measures to mitigate the negative impacts of linear infrastructures on biodiversity.

"ENGINEERING MAKING" CAMPAIGN



IP set up a partnership with the Engineers Association to communicate the "Engineering Making" campaign, launched within the scope of the National Competition for Access to Higher Education 2020/2021, aimed to incentive students to choose engineering degrees.

NATIONAL RAILWAY MUSEUM AND THE "LOCO'MOTIVE PROJECT"



The National Railway Museum and Custom Circus company promoted the "Loco'Motive" project, to bring railway culture to the public. The initiative had the support of IP, CP - Comboios de Portugal, the municipal councils of Entroncamento and Oeiras, among many other institutions and companies. An item from the museum's collection - Steam Locomotive CP 238 - was at the centre of an artistic work available to the public at Nirvana Studios - Centro Cultural Alternativo.

NATIONAL RAILWAY MUSEUM CELEBRATES ITS 5TH ANNIVERSARY WITH ONLINE FESTIVAL



On 18 May the National Railway Museum reopened to the public and marked its 5th anniversary and the International Museum Day with online festival "All Aboard! The Museum celebrates at your place!" IP participated in this initiative. On this special day several entities, partners and friends of the museum gave their testimony, among which the Chairman of IP.

EXHIBITION "ALMADA: A TERRITORY IN SIX ECOLOGIES"



The Almada Museum inaugurated on 10 October its exhibition "Almada: One Territory in Six Ecologies", which will remain available to the public until April 2021, organised by the Municipal Council of Almada, with the collaboration of IP; the exhibition

views to provide a broad and integrated vision of the territory of Almada, using a broadscale vision, based on architecture, historic, social and artistic perspectives.



IP SPONSORS 14TH NATIONAL ADFERSIT CONGRESS



"Sustainable Mobility for All – Challenges for the 2020–2030 Decade" was the theme of the 14th National ADFERSIT (Portuguese Association for the Development of Integrated Transport Systems) Congress, held on 3 and 4 November, aimed to reflect on Mobility for the next decade in Portugal.

NATIONAL AWARENESS TO INVASIVE SPECIES WEEK



IP participated in the National Awareness to Invasive Species Week held from 10 to 18 October 2020, with awareness session dedicated to the *Fallopia japonica* species.

EUROPEAN MOBILITY WEEK



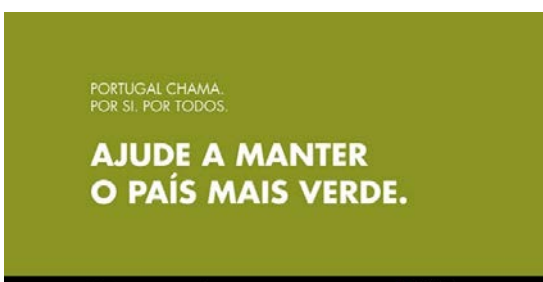
IP joined the European Mobility Week on the theme of 'Mobility with zero emissions for all', reflecting on the ambitious targets for a 0-carbon emission Europe by 2050, as provided in the European Ecological Pact of the European Commission. IP is actively contributing to the materialisation of this European strategy, promoting energy transition, interoperability, active mobility and assuming various commitments towards society.

EUROPEAN CYBER SECURITY MONTH

The European Network and Information Security Agency (ENISA) celebrated the 6th edition of the European Cyber Security Month – ECSM in October, under theme "Cyber Security is a shared responsibility"; IP joined this initiative with the purpose of raising awareness to cyber threats and disclosing good practices to employees.



"PORTUGAL IS CALLING FOR YOU. FOR EVERYBODY."



IP joined the National Mobilisation "Portugal calls For you. For Everybody" campaign, launched by the Agency for the Integrated Management of Rural Fires. Messages were displayed on the variable message screens on roads under IP jurisdiction, across the country.

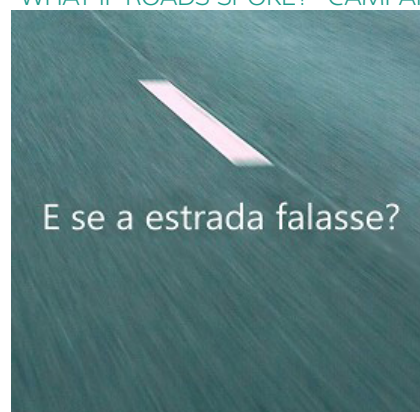
IP in association with the National Road Safety Authority (ANSR), in the communication of several Road Safety Campaigns:

"MOVE SAFELY INTO 2021"



Campaign "Move safely into 2021" took place from 27 December 2020 to 5 January 2021, aimed at safer 2021 at all levels.

"WHAT IF ROADS SPOKE?" CAMPAIGN



This campaign took place from 12 to 22 June, aimed at alerting citizens to give priority to life and comply with safety rules, when returning to the road following the lockdown.

“NEW SIGNS, HIGHER SAFETY”



The first major revision of the Road Signalling Regulation (RSR) entered into force on 20 April; the National Road Safety Authority (ANSR), released the RSR with an information campaign called “New Signs, higher Safety”, with the support of IP.

“DO NOT DRINK AND DRIVE” CAMPAIGN



The National Road Safety Authority (ANSR), in partnership with IMT, IP and the Portuguese Association of Operators of Toll Road Infrastructures (APCAP), launched the “During this Carnival season, do not drink and drive” campaign, to raise drivers awareness to the dangers associated with risk behaviours when driving, namely deriving from alcohol consumption, use of cell phones, excess speed and tiredness”.

6.4.3 Involvement with stakeholders/communities

VULNERABLE GROUPS (LIFE QUALITY AXIS)

FOOD BANK AGAINST HUNGER CAMPAIGN – CONTINUE TO FEED THIS IDEA!



Regarding the support to vulnerable groups, we highlight the partnership with the Food Bank Against Hunger. IP continuously supports this cause by giving permission to using its premises in Lisbon, Caldas da Rainha, Évora and Covilhã. IP encourages its employees to participate in the Food Collection Campaign in supermarkets, which usually takes place twice a year.

DONATION OF 58 LAPTOPS



IP donated 58 laptops to welfare institutions and schools across the country (Almada, Covilhã, Lisboa, Sesimbra, Algarve, Leiria and Porto), through Cooperation Protocols, within the scope of the Company’s Social Responsibility policy, with the purpose of helping institutions dealing with disabled or risk children and young adults.

DONATION OF TRANSPARENCY PAPER FOR FACE SHIELDS



IP provided around five hundred transparencies for the manufacturing of face shields to Oficina de Almada, viewing to promote the well-being of those on the front-line of the fight against Covid-19.

"RADAR PROJECT" – CHILDREN SOS CAMPAIGN



IP joined the RADAR Project - Children SOS campaign, with the display of information posters in Mupis across the National Railway Network. This campaign aims to raise public awareness to the problem of runaway children, a reality where IAC association tries to intervene.

HEALTHCARE AND DISEASE CONTROL (LIFE QUALITY AND SAFETY AXIS)

In relation to issues relating to healthcare and disease control in a year marked by the Covid-19 pandemic, IP was particularly active, having joined several initiatives:

"RACE FOR LIFE" | PORTUGUESE LEAGUE AGAINST CANCER



On 31 May 2020 the Portuguese League Against Cancer promoted a virtual Race for Life. IP joined this solidarity initiative as part of its Social Responsibility policy, which viewed to raise public awareness and raise funds to help needed cancer patients.

"TEMPORARILY OUT OF SERVICE" CAMPAIGN



The European Day against Migraines was celebrated on 12 September. MiGRA Portugal – Portuguese Association of Patients with Migraine Disorders, jointly the Portuguese Neurology Society and the Portuguese Migraine Association, organised Campaign "Temporarily Out of Service - due to Migraine", which IP adhered to, to raise public awareness to this neurological and disabling disease.

APIC "EACH SECOND COUNTS" CAMPAIGN



The Portuguese Cardiovascular Association (APIC) launched the "Each Second Counts" campaign on 14 February, National Heart Patient Day, to raise public awareness to the subject of heart strokes; IP supported the dissemination of the campaign.

COVID-19

Against the background of the Covid-19 pandemic, IP organised and joined several initiatives of the Health Authority (DGS) and the Government on this issue.

THANK YOU #WE'RE ON CAMPAIGN



IP joined the Portuguese Government and other partners in the dissemination of the THANK YOU #We're on Campaign, to thank the collective effort to contain and mitigate Covid-19 infections in Portugal. The campaign was launched on 1 April, with posters displayed in Mupis in national railway stations and major cities saying THANK YOU to all those, who, one way or another, help in the fight against the spreading of the new coronavirus (Covid-19).

"THE PROTECTION OF THE LIFE AND HEALTH OF EVERYONE IS A PRIORITY" CAMPAIGN



IP, CP – Comboios de Portugal and Fertagus have recommended a set of good practices to avoid the spreading of Covid-19 among train station users and travellers.

COVID KIT - AWARENESS RAISING CAMPAIGN



IP joined the Portuguese Government and other partners in another awareness raising campaign, providing a set of graphic materials to disclose, inform and raise awareness to the fight against the Covid-19 Pandemic (2nd Covid kit). In addition to the information made available on digital channels, the Covid Kit was displayed in Mupis in railway stations across the country.

"WE FACE THIS CHALLENGE TOGETHER" CAMPAIGN



#estamosjuntosneste desafio

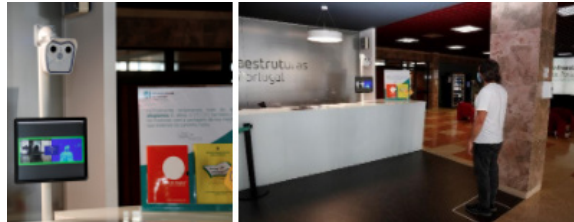
IP promoted "We face this challenge together" campaign, ensuring safe mobility to everyone.

STRENGTHENING OF AWARENESS RAISING SIGNALLING IN RAILWAY STATIONS



IP strengthened the measures against Covid-19, with the display of signs and information material on railway stations, viewing to raise users awareness to the mandatory use of face mask, social distancing, hand hygiene and breathing etiquette, and recommendations regarding the use of stairways and non-use of lifts, and finally, to environmental sustainability.

BODY TEMPERATURE MEASURING SYSTEM



The exceptional situation caused by the Covid-19 pandemic justified the implementation of exceptional health prevention measures and rules in the workplaces of IP Group, while ensuring the people's right to privacy.

DISINFECTION BY NEBULIZATION OF CRITICAL SPACES



Within the scope of IP's Contingency Plan, cleaning measures in continuously occupied workplaces required for the maintenance of rail and road activity were reinforced, namely disinfection by nebulization.

WORLD OCCUPATIONAL HEALTH SAFETY DAY



IP marked the day against a challenging background motivated by the Covid-19 pandemic, following and ensuring the compliance with recommendations issued by the relevant authorities, viewing to ensure the protection of all employees, with a message from the Chairman of IP, António Laranjo. The World Occupational Health Safety Day is celebrated every 28 April since 1996 throughout the world as tribute to all victims of occupational accidents and illnesses. In Portugal, the National Health and Safety at Workday was also celebrated on this day.

"IT'S GOOD TO SEE YOU AGAIN" CAMPAIGN



Following the lifting of the lockdown, IP promoted the "It's Good to See You Again" campaign, reinforcing safety conditions, so that everybody continues to observe and follow safety rules, united in the fight against Covid-19.

"NINHO" KINDERGARTEN RE-OPENS SAFELY



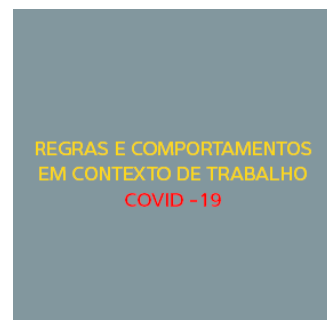
On 18 May "O Ninho" kindergarten re-opened its doors to employees and the community. The kindergarten had closed on 16 March, following mandatory decision of government authorities, reinforced with the declaration of the State of Emergency on 18 March, on the back of the exceptional situation motivated by the Covid-19 pandemic

Additionally, IP issued several normative and programme documents relating to the Covid-19 situation:

COVID-19 CONTINGENCY PLAN

OIP's Contingency Plan provided the strategy, procedures and measures intended to ensure the safety and health of workers, and ensure the operation and functionality of IP during a potential crisis situation caused by the pandemic.

COVID-19 MANUAL - RULES AND BEHAVIOURS IN WORK CONTEXT AT GROUP IP



On 28 May the Board of Directors of IP approved the "Covid-19 Manual - Rules and behaviours in work context at Group IP", laying down a set of guidelines protect the health of everyone working within the Company's premises and facilities.

COVID-19 PANDEMIC RELATED REPORT



In line with its principle of transparent and strict communication, IP published on its intranet key indicators on the impact of the Covid-19 pandemic on IP Group.

"HAIL THE STATION!" (LIFE QUALITY AXIS)



IP promotes and discloses the "Hail the Station!" programme, informing about all social and cultural initiatives held, most of them, in railway stations. From music to dancing, exhibitions, theatre plays and movies, reading and awareness raising sessions in the field of social responsibility, stations are privileged stages for all kinds of events.

"THE SPY" AT SÃO BENTO AND SANTA APOLÓNIA STATIONS



P sponsored the national TV production "the Spy", with the railway stations of São Bento and Santa Apolónia being made available for filming purposes". The series pictured the life of spies in the Second WW in Portugal.

SETE RIOS STATION WELCOMES WALL PAINTING



Sete Rios Station in Lisbon was the location chosen to display a wall painting from artist Ricardo Silva (aka Raps). This initiative is part of a collaboration between IP and GAU, aimed to renovate and enhance train stations, through the display of urban art.

“GUARDA CONVIDA” SOLIDARITY CONCERT



The solidarity concert "Guarda ConVIDA", organised by the National Guards (GNR), took place on 8 February, staging the Symphonic Band of GNR and 14 Portuguese music artists. IP joined the event by communicating the event in mupis in its railway stations.

EUROPEAN HERITAGE DAYS 2020



From 25 to 27 September, we celebrated the European Heritage Days through IP 's intranet, website and social networks, on the theme "Property and Education". We showed several curiosities about the road and railway property through a virtual journey. During 4 days - eve and three days of the event, we shared different contents on our historical and cultural property and offered a Quiz through Instagram stories challenging the knowledge about the vast collection of IP, along with photos that tell stories.

SOCIAL BENEFITS

Measure +Pai

On Father's Day, we congratulated all carer fathers and rewarded the Fathers of the Year 2019, within the scope of +Pai initiative, with 2 days (up to 4 days) for each 30 consecutive days period enjoyed by the father on parental leave. Measure +PAI is provided in the Gender Equality Plan and the Agreement entered by IP and iGen - Fórum das Empresas para a Igualdade, showing year after year, that reconciliation is not only possible but increasingly sought for and practised.

6.5 Natural Capital

Natural capital can be defined as the world's stock of natural assets, which include geology, soil, air, water and all living things, from humans derive a wide range of services and benefits, such as food, water, pharmaceutical and medicinal resources, renewable resources for the production of energy, transport space and space for leisure and sports activities. Other very important but invisible benefits include temperature control, carbon sequestration and oxygen production. All these benefits are vital for human well-being and for a sustainable economy.

IP Group pursues a set of goals related to protecting the environment and human resources impacted by its business activity.

The following table shows a comparative summary of the **ENVIRONMENTAL PERFORMANCE** of IP Group for 2016, 2017, 2018, 2019 and 2020:

ENVIRONMENTAL INDICATORS	Unit	2016	2017	2018	2019	2020
Global energy consumption *	GJ	312 349	325 055	331 462	323 486	288 804
Water used	m ³	243 691	215 780	204 148	226 971	198 316
Greenhouse gas emissions	tonCO ₂ eq	15 079	15 226	15 585	15 349	13 485
Total waste produced	ton	11 376	6 069	6 096	16 036	12 588
Environment-related investment	M€	7	8	17	17	14
Fuel consumption	l	1 554 962	1 680 801	1 746 987	1 778 528	1 454 943

* Based on conversion factors provided in Ordinances 15793-D/2013, of 3 December and 17313/2008, of 26 June

6.5.1 Protection of the Environment

In 2020, despite the pandemic backdrop, IP's environmental protection and sustainable development was marked by the continued pursuit of consolidation of processes related to the company's environmental management in the road and railway fields, fostering innovation and the improvement of services with impact on environmental performance.

These processes cover the whole life cycle of infrastructures, from planning to design, construction, operation and maintenance.

Eco-design principles were reflected in the projects developed, by introducing, whenever possible, the re-use and recycling of raw materials that reconcile environmental protection options with other intervention needs in the network, in line with the principles of the Circular Economy promoted by the EU.

We continue to contribute to the preservation of the environment and biodiversity, directing the company's growth to environmentally sustainable results.

We highlight the environmental **management activities in design, construction and maintenance/repair** carried out in 2020, using the best environmental practices.

In the road segment, we point out a small increase in 2020 as compared to 2019 in the number of projects with environmental management developed internally or via outsourcing, and a slight decrease in the number of works and maintenance services involving environmental management and/or management of the cultural heritage. Differences between 2019 and 2020 figures are irrelevant, and in line with previous years (around two hundred).

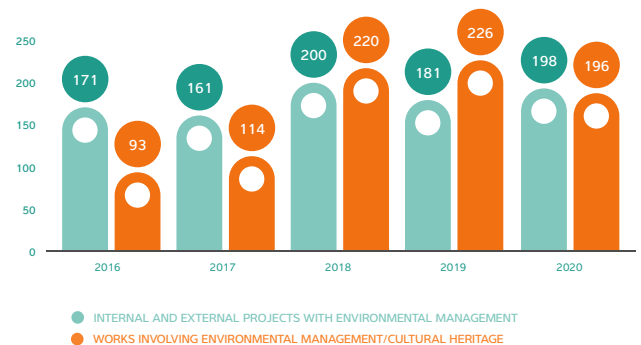
Among the vast range of road projects developed in 2020 we point out the completion of the Environmental Impact Assessment (EIA) of "IP3 – Souselas Junction (IC2)/Viseu Junction (A25) – Widening/Renovation" and IC35 – Rans/Entre-os-Rios, and the approval of environmental impact assessments developed for project such as "ER243 – Accesses to the Industrial Area of Riachos – Improvement Works", "EN14 – Road-railway interface of Trofa – Santana, including bridge over Rio Ave" and "External by-pass of Arruda dos Vinhos".

All 196 road works accounted for as developed in 2020 comprised environmental monitoring, and cultural monitoring as well, a work performed by special teams, supported by technicians from the Environment and Sustainability Department.

The purpose of these works are the following: ensure the implementation of good practices during construction phase, in order to minimize adverse environmental, social and property impacts and maximise positive ones; ensure compliance with all legal requirements imposed in licenses issued by the relevant external entities; ensure compliance with the relevant law.

In terms of contract works, we point out the following: beginning of "EN326 – Feira (A32/IC2)/Escariz" and "Link of Parque Empresarial de Formariz to A3 (Sapardos Junction)" and completion of Bypass to "EN14 – Maia (Jumbo Junction)/Via Diagonal" and "Link of Mondim de Basto to EN 210".

ROAD SECTOR



In the **railway segment**, the number of **environmental management projects** carried out whether using internal or external resources has decreased as compared to 2019, though it remains in line with figures of previous years.

These projects included the Ferrovia 2020 projects, which although not significant in a universe of 104 projects, still require considerable effort in terms of environmental management.

Among the projects developed in 2020, we point out the following: EIA of the "Douro Line – Electrification of Marco de Canavezes/Régua section", completion of EIAs and respective environmental approval of "Electrification of Algarve Line – Faro / Vila Real de Santo António Section and Tunes/Lagos Section", "Évora – Évora / Évora Norte by-pass" and "Modernisation of the road link between Sines and the South Line".

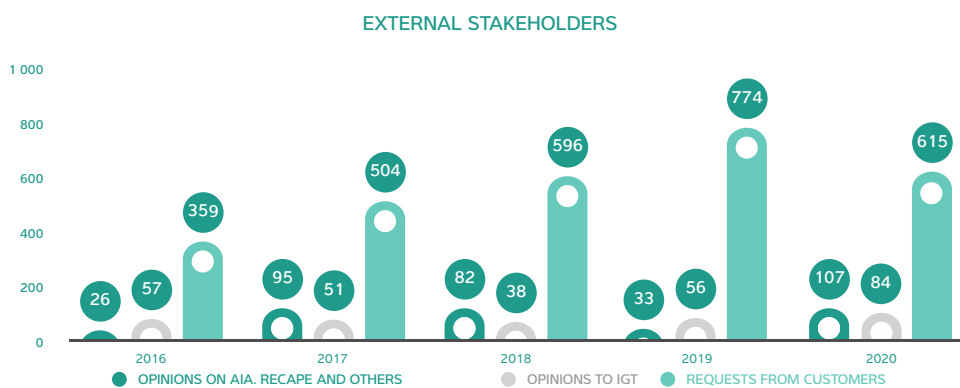
As for the number of works involving environmental management and/or cultural heritage management, their number increased considerably in relation to 2019, exceeding 300, which is explained by the increase in the number of very specific contract works and maintenance services requiring environmental follow-up.

Of the contract works to be developed in 2021, we point out the following: 3 sections of the International South Corridor, between Évora and Elvas (Caia), namely Sections Évora Norte/Freixo, Freixo /Alandroal and Alandroal/East Line, beginning of "North Line – Sub-section 3.3 – Ovar – Gaia" and "Modernisation of the West Line -Mira Sintra (Meleças)/Torres Vedras Section"



Interaction with external stakeholders is increasing at various levels, as shown in the growing number of requests/answers to customers on environmental issues, such as forestation and noise.

Likewise, the company participated in processes relating to Land Management Instruments and procedures promoted by the Environmental Impact Assessment authorities (EIA), within the scope of the EIA legal framework.



In the context of the management of the environmental activities on operating networks, attention should be paid to the landscape integration of roads, bearing in mind the safety of roads and railways and of the neighbouring land.

In 2020 we continued to fulfil the requirements relating to the defence against forest fires, contributing to the revision of Municipal Plans (PMDFCI's), and supporting operational areas in the field of natural fuel management for the prevention and protection against fire in the areas adjacent to the road and rail networks.



In 2020, 409 sight inspections were carried out to forest property, covering a total of 1,259 km of surveyed network.



In the field of **landscape management** IP continued the work relating to the Invasive Plant Control, as provided in current Maintenance Contracts and as relevant authority in the management of road and railway infrastructures in Portugal.

These actions took into account the goals of the "Life Stop Cortaderia" Project. This project views the creation of a Transnational Strategy to manage invasive pampas grass (*Cortaderia selloana*) in the Atlantic Arc. It started in October 2018 and will end in September 2022 and is promoted by Asociación AMICA (Spain) and SEO/BirdLife (Sociedad Española de Ornitología), in cooperation with other Spanish and Portuguese partners, namely Patronato Municipal de Educación SERCA CEE, Escola Superior Agrária de Coimbra/Instituto Politécnico de Coimbra and the Municipal Council of Gaia.

In 2020 IP also participated in the National Invasive Plant Week (10–18 October), viewing to raise the awareness of the population to the challenge of invasive plants, with over 147 initiatives promoted by over 85 entities across the company.



The zoom session organised by IP focused the *Fallopia japonica* species, also known as Japanese Knotweed, an invasive plant which is causing major damage in Central Europe, and is expanding fast, from the Minho River to the Douro River, including the National Park of Peneda-Gerês.

The importance of controlling this highly invasive and difficult to eradicate species was pointed out, and experiences were shared concerning controlling methods used. The session had 80 participants, including technicians from ASCENDI and BRISA, the Intermunicipal Communities of Alto and Cávado, and from other municipal councils.

IP deems this issue as very important, since roads and railways are facilitating dissemination channels and also suffer the adverse impact of the plants.

The Sustainability and Efficiency Programme (SEE) was continued in 2020, as part of the Company's environmental sustainability drive. This programme, which is ongoing since 2017, views increasing optimisation and streamlining of operation-related resources.

The Sustainability and Efficiency Programme (SEE) covers the following themes: energy, water, landscape, mobility and waste.

As regards mobility, 2020 marked an important milestone in IP's operation, since part of its car fleet was renovated with electric and hybrid cars; the fleet is currently made up of 42 100% electric vehicles and 32 hybrid vehicles.

Additionally, IP installed 38 charging stations in its facilities in 20 different locations across the country.

This initiative is in line with IP's commitments in terms of sustainability and mobility, since it will allow a significant reduction of direct emissions of greenhouse gases generated by its fleet, by an estimated amount of approximately 4,900 tonCO_{2eq}/year.



In terms of **Waste** IP has identified five major types of waste generated by its operation:



In 2020 the Company paid special attention to the selective collection of urban waste from its office buildings and encouraged waste separation.

In view of this, the Company purchased 260 containers for paper/cardboard; glass; plastic/metals; undifferentiated.

Additionally, communication and awareness raising actions were carried out with employees, given their relevant role they are called to play for the success we want to achieve.



Selective containers

6.5.2 Key Eco-efficiency Indicators (Detail)

MATERIALS

In terms of innovation and the use of new materials, it is worth mentioning the completion of the Eco Sustainable Rail Project, aimed at finding an alternative to wood sleepers; the respective technical and scientific report was issued on the 1st quarter of 2020.

Deployment on tracks occurred in July and September 2020. The 1st pilot installation on 23 July 2020 consisted of the deployment of 4 Eco Rail sleepers in an Access Line at Entroncamento, used daily by freight trains.



Deployment of the sleepers in access line, at Entroncamento



1st deployment completed in access line, at Entroncamento

The 2nd installation was carried out on 23 September on the East Line, downstream Crato station, used by both passenger and freight trains; it covered 60 metres of track, and the deployment of 100 Eco Rail sleepers. The installation was carried out within the Contract Works for "East Line – PK 197,000/199,815 – Migration of Wood Sleepers to Concrete Sleepers and change in gauges (from BC to BLS).



Replacement of wood sleepers by Eco Rail sleepers.

The works were completed by end November; monitoring was carried out daily, namely in terms of scale and gauge, every 10 Eco Rail sleepers of the track, as well as the adjoining track, viewing to timely detect any defect. No changes in the sleepers' behaviour were detected.



Completion of the works by end November 2020 - Section of the East Line where the Eco Rails were deployed.

In 2021 the monitoring of Eco Rail sleepers' behaviour will be made on a quarterly basis, viewing to check over a period of 1 (one) year if limits provided by ISO/DIS 12856 (International Standard for Plastic Railway Sleepers) are duly complied with.

Different types of materials are used in the current construction and maintenance of roads and railways, and re-used whenever possible.

Several types of materials are consumed in the construction and maintenance of roads and railways, and re-used whenever possible.

On the railway, the following consumption, use and re-use of the following track materials were recorded in the year 2020:

RAIL (km)		
IN (TOTAL)	OUT NEW	OUT USED
39.38	142.2	

SLEEPERS (UNIT)				
WOOD		CONCRETE (MONO AND DUAL BLOCK)		
INFLOW	OUTFLOW	INFLOW	LEFT NEW	USED OUT
6 869	22 884	124 799	90 076	14 927

RE-USE TRACK MATERIAL FOR USE OTHER THAN ORIGINAL USE		
MATERIAL	UNIT.	TOTAL QUANTITY
Rail	Metro	562.5
Connection and fixing material	Unidade	200

The following consumptions of raw materials were recorded in 2020 in the road sector:

RAW MATERIALS	TOTAL
Bituminous mixtures (m ³)	241 369
Concrete (m ³)	19 759
Iron and steel (ton)	5 909
Selected soils for landfills and aggregates (m ³)	351 100

ENERGY CONSUMPTION

IP's energy consumption figures refer mainly to the consumption of electricity, fuel and gas.

Gas consumption

In 2020 the IP Group gas consumption totalled 4,030 GJ, decreasing by 42% over the previous year.

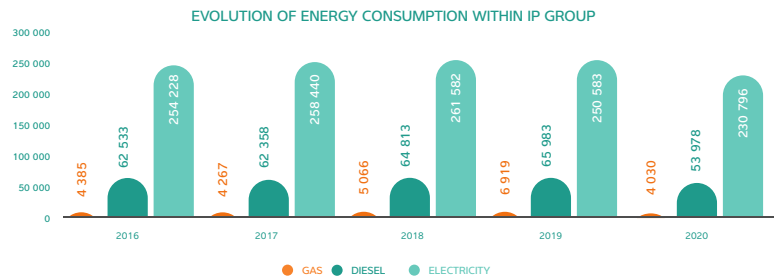
YEAR	GAS CONSUMPTION (GJ)
2017	4 257
2018	5 066
2019	6 919
2020	4 030

Electricity consumption

The overall electric power consumed at IP Group level in 2020 was 64,109,943.00 kWh, falling by 8% in relation to 2019.

Consumption was calculated for low voltage, special low voltage and medium voltage from the operation of buildings, facilities and road and rail equipment (traffic lights, street lighting, etc.).

YEAR	CONSUMPTION (KWh)	CONSUMO (GJ)
2017	71 788 906	258 440
2018	72 661 759	261 582
2019	69 606 456	250 583
2020	64 109 943	230 796



6.5.3. Energy consumption

OVERALL ENERGY CONSUMPTION

Based on the different consumption figures above, the global energy consumption value recorded for the IP group was 288,804.00 in 2020, dropping by 11% over 2019, mainly driven by a reduction in electricity and gas consumed by offices and facilities, since a large share of employees were working remotely.

ENERGY SOURCE (GJ)	2016	2017	2018	2019	2020
Diesel	62 533	62 358	64 813	65 983	53 978
Gas	4 385	4 257	5 066	6 919	4 030
Electricity	254 228	258 440	261 582	250 583	230 796
TOTAL	321 146	325 055	331 461	323 486	288 804

Among energy consumption figures, electricity bears the most relevant weight within the Organisation, in contrast to gas consumption, which is of little relevance compared with remaining energy sources.

The breakdown of the various types of energy consumption is shown in the graph below, which shows that they have remained relatively constant over the last 5 years.

INITIATIVES TO REDUCE ENERGY CONSUMPTION

The annual energy consumption for traction of the NRN is 320 GWh, representing a cost of nearly €30 million for the railway sector. The Ferrovie 2020 Railway Programme, which is under way, banks strongly on sustainable mobility. Under this programme, 83% of the National Railway Network will be electrified, covering over 400 km of railway. According to studies made, the implementation of the Ferrovie 2020 programme will have a very positive impact, reducing/saving 161 thousand of CO₂ equivalent per year.

IP faces a complex challenge in what concerns sustainable management of energy, i.e. reduction of consumption and CO₂ emissions, considering the size of the company’s assets, translated in 15,253 km of roads, of which 13,664 km are under its direct jurisdiction, 2,562 km of railway, 7,392 engineering structures and over 500 train stations. Despite the numerous constraints of which we are well aware, we are acting at strategic, planning and operational levels in line with the Sustainability and Efficiency Programme (SEE).

SUSTAINABILITY AND EFFICIENCY PROGRAMME (SEE) - ENERGY

In 2020 Energy Sustainability at IP Group was in line with its Energy Strategy for 2017-2020. This strategy is guided by 7 main axes that translate the vision, i.e. a set of priorities and measures allowing the implementation of the established guidelines.



The implementation of the Energy Strategy comprised several actions ranging from the analysis and diagnosis of energy consumption within IP Group to the performance of energy audits to facilities and/or equipment, the Energy Certification of Buildings and the implementation of energy efficiency measures.

At renewable energies level, in 2020 the Company installed 2 FV stations for self-consumption, at IP 's facilities at Guarda and Entroncamento, with total power of 43 KW. As regards water heating, thermal solar collectors were installed at Pragal Campus, Almada, providing heated water to the canteen and toilets.



Solar station for auto consumption at Entroncamento Logistics Complex.

Amongst other energy efficiency measures implemented in 2020, we point out the following:

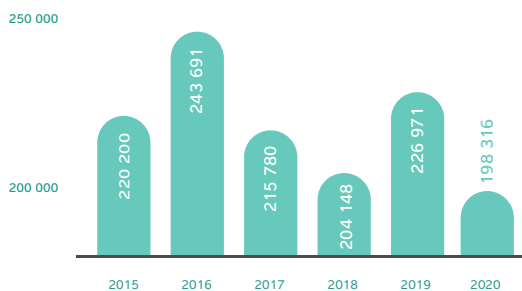
Queluz-Belas Station	Queluz-Belas Station escalator - Deployment of 10 variable speed drives equipped with energy regenerators
Pragal Campus	Conversion from propane gas to natural gas/Pragal Campus Adaptation of existing gas equipment, boiler and kitchen stoves
Monte Abraão Station	Replacement of fluorescent lamps by LED technology
Mercês Station	Replacement of fluorescent lamps by LED technology
Cascais Station	Replacement of fluorescent lamps by LED technology
Abrantes Covered platform and façade	Replacement of sodium vapour lamps by LED technology
Tancos and Abrantes platforms	Replacement of sodium vapour lamps by LED technology
Vale de Figueira Station	Replacement of sodium vapour lamps by LED technology
Alcântara-Terra Station	Replacement of 1000 W SON-T lamps by 350 W LED lighting

6.5.4. Water

In the buildings and facilities belonging to IP, water comes mainly from the public network. In 2020 IP recorded a total water consumption of 198,316.00 m³, decreasing by 13% vs. 2019; This decrease is explained, in part, by the fact that a large percentage of workers were doing remote work, due to the pandemic. .

IP WATER CONSUMPTION (m ³)					
2015	2016	2017	2018	2019	2020
220 200	243 691	215 780	204 148	226 971	198 316

IP WATER CONSUMPTION [m³]



6.5.5. Biodiversity

Recognising the need to monitor the impacts on fauna, IP implemented a fauna mortality monitoring programme on the roads under its jurisdiction, which is in place since 2010. According with this programme, any sighting of animal carcasses during road inspections is recorded in a geo-referenced database and the critical situations and blackspots for fauna mortality are then identified based on these records, with the aim of proposing measures to minimise them.

Over the last few years, the University of Évora has collaborated with IP, within the scope of the LIFE LINES Project, to which IP has adhered. The University team is monitoring the EN114, EN4 and EN18 roads in the district of Évora, sending results to IP, which analyses them together with its own data.

IP updates its data base with data and information from the LIFE LINES app, which is a mobile app for recording animal mortality available to the public through Google Play, developed by IP in collaboration with the University of Évora.



The app gathers all information on fauna mortality recorded by users and validated by the University of Évora. Subsequently to this validation, data are introduced in IP’s database and the Project’s national database and then used for scientific purposes, such as their modelling viewing the implementation of measures to reduce fauna mortality and promote the creation of a Green Infrastructure to preserve and improve biodiversity. Moreover, the data contributes to road safety, as they help to identify critical situations and blackspots for fauna mortality.

For 2020 IP analysed all roadkill data recorded from the three sources mentioned above. The results are shown in an annual summary report soon to be available on IP website.

In brief figures, the number of animal deaths on roads directly managed by IP recorded in 2020 totalled 1812. 265 of these deaths were recorded using the LIFE LINE app and 326 were recorded on EN 114, 4 and 18 by Universidade de Évora. It should be noted that the monitoring carried out by the University is thorough and daily, allowing a high degree of detection, including of smaller animals or less visible ones due to vegetation, etc.

Of the 1812 recorded animals, 70% are wild animals and 30% are domestic animals/pets. Mammals constitute the most recorded group, especially domestic animals and wild carnivores. The number of birds detected was also relevant, particularly night birds of prey.

Recent studies show that, in general, carnivores and other mammals use water drainage tunnels and agricultural passages under the roads to cross them, and that the availability of these structures can positively influence the reduction of their mortality on the roads (e.g., Ascensão, 2005). The results of this programme are taken into consideration in the definition of specific requirements to be included in future works, including measures to minimise the danger to fauna. Measures implemented within this scope include solutions such as the widening of hydraulic crossings and the deployment of gangways for fauna, fences, plant cutting in slopes to improve visibility and prevent the presence of small animals that attract predators, and road signalling to warn drivers in animal risk areas. It is also worth pointing out the specific measures viewing the protection of the Iberian lynx, including special fences, colour bands and specific signalling, and electronic panels for speed control.



Wild carnivores fauna using causeways on Hydraulic Crossings and Engineering works (source: University of Évora)



Wild carnivores fauna using causeways on Hydraulic Crossings and Engineering works (source: University of Évora)

It should also be pointed out that under the LIFE LINES Project, various innovating solutions were also implemented to reduce fauna mortality on roads, such as:

- Nets covering slopes to prevent rabbits and other animals to settle in or being run over;
- Channelling barriers for amphibians in hydraulic crossings under the roads;
- Installation of barriers to make owls fly higher and thus prevent them from being run over;
- Deployment of specific reflectors to reflect car lights off the roads, timely alerting night birds;
- Creation of new road sign specific for amphibians.



Channelling barriers for amphibians in hydraulic crossings under the roads



Installation of barriers to make night birds fly higher and thus prevent them from being run over



New road sign specific for amphibians

These measures are currently being monitored in terms of their efficacy and cost/benefit ratio, taking into account corporate sustainability objectives.

So far, monitoring has shown a significant reduction in the mortality rates of fauna where minimisation measures were implemented. For instance, in sections where channelling barriers for amphibians in hydraulic crossings under the roads were installed, mortality in this group fell by 90% and in sections where gangways for fauna were installed in hydraulic crossings / engineering works, mortality of carnivorous animals fell 50% (according to LIFE LINES project data).

6.5.6. Emissions

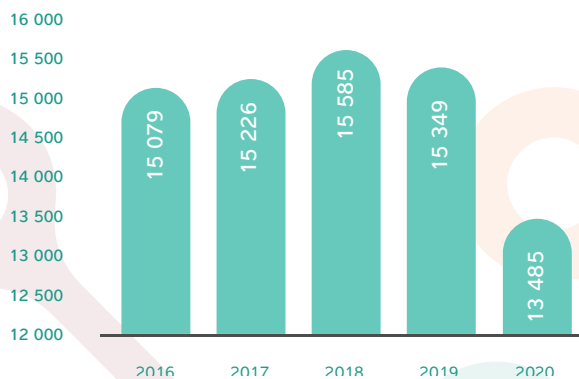
Greenhouse gas emissions

Both direct and indirect emissions were considered for the quantification of GHG emissions.

Direct emissions recorded comprise the GHG emissions generated by the burning of fossil fuels from the IP Group's vehicle fleet and also gas consumption. Indirect emissions were determined taking into account the electricity consumed in buildings, facilities and by equipments.

EVOLUTION OF TOTAL EMISSIONS (ton CO ₂)				
2016	2017	2018	2019	2020
15 079	15 226	15 585	15 349	13 485

GREENHOUSE GAS EMISSIONS AT IP, SA

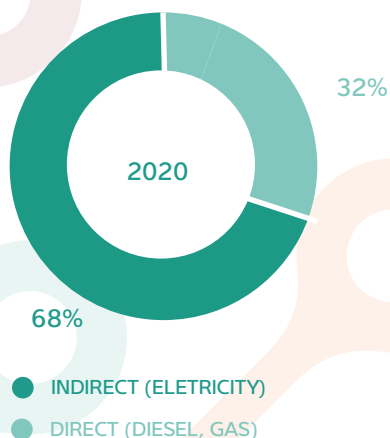


Total emissions in 2020 stood at 13,485 tonCO₂eq, dropping by 12% over 2019, as a result of a decrease in energy consumption.

As in previous years, indirect emissions (electricity) continued to be the most relevant emissions arising from the IP group's activity in 2020.

	2019	%	2020	%
DIRECT (Diesel, Gas)	5 325	35%	4 254	32%
INDIRECT (Electricity)	10 023	65%	9 231	68%
Total	15 348	100%	13 485	100%

DIRECT AND INDIRECT EMISSIONS OF GREENHOUSE GAS 2020



Based on the 2020 emissions, carbon intensity was 47 kg CO₂/GJ

6.5.7. Effluents and waste

In 2020 the production of waste resulting from the operation of IP's facilities and infrastructure was as follows:

	2017	2018	2019	2020
Total waste produced	6 069.9	6 096.2	16 036.3	12 588.0
Total waste for recovery	6 046.5	6 042.1	16 033.7	12 577.6
Total waste for disposal	23.4	54.1	2 580.0	11.0
Total hazardous waste	6.3	44.5	79.7	106.9
Total non hazardous waste	6 063.5	6 051.7	15 956.5	12 481.5
Total waste for recovery				

Summing up, overall waste production decreased in 2020, in part due to the disruption felt in some activities, mainly during the initial phases of the pandemic. The waste was largely recovered.

There were no records of spills of hazardous waste in 2020. As regards water, since the water consumed at IP is essentially from the public network, no significant impacts were recorded. The discharge of urban waste water from IP's facilities is mainly carried out using municipal networks, although coexisting with connections to septic tanks in some cases.

6.5.8. Environmentally related capital expenditure

Environment-related investment covers numerous aspects, although the largest slice goes to current maintenance of infrastructures, where expenditure totalled nearly €13.5 million:

	2017	2018	2019	2020
Current environmental-related maintenance activities	7.4	16.6	17.04	13.50
Management of cultural property during works				0.35
Environmental management of works				0.34

Valores em milhões de euros.

6.5.9 Compliance

IP's activity is subject to various different legal requirements and environmental rules, which must be taken into account carefully. Notwithstanding, in 2020 IP was charged with 6 environmental administrative offences, most of which concerned the management of natural fuel on the road network, in the overall amount of € 6,340.

The fulfilment of this requirement constitutes a technical challenge, given the length of the road network (over 15,000 km); moreover, access to private property is often difficult to perform the cutting of vegetation on 10 m of road edges.

6.5.10 Awareness raising

We highlight some of the awareness raising actions carried out during the year under review:

- Awareness raising campaigns carried out using IP 's internal communication means for the selective discarding of urban waste (paper/cardboard; plastic and metallic packaging; glass) , following the purchase of 260 containers installed on IP facilities across the country.
- Awareness raising campaign for the collection of batteries and report on 1 year of selective collection, using IP's internal communication means.
- Environmental diagnosis carried out in May, covering IP 's head-office at Pragal and facilities in Lisbon and Entroncamento.
- 1st line audits continued to be carried out viewing to meet provisions in the Waste Management Manual; in 2020 it was the South Operational Centre that was audited.
- Session dedicated to "Fallopia japonica" on 15 October, during the National Invasive Species Week.
- Implementation of 3 awareness raising actions addressed to IP employees working in operational areas, within the scope of the "Life Stop Cortaderia" project, on the theme of Invasive Species.
- Holding of volunteer action in October, within the scope of LIFELINES – LIFE14 NAT/PT/001081 – Institutional Volunteer Programme 2020.



Selective containers





7. GOVERNANCE MODEL AND ORGANISATIONAL STRUCTURE

IP takes the form of a state-owned enterprise set up as a public limited company. It is governed by: Decree-Law 91/2015 of 29 May, which created it; its bylaws, as approved in annex to said law; the legal scheme for the state-owned business sector, as approved by Decree-Law 133/2013 of 3 October; the good practices of corporate governance applicable to the sector; the provisions of the Portuguese Commercial Companies Code, as well as internal regulations and national and European legal norms underlying its business activity.

IP adopted a two-tier corporate governance model, allowing the effective separation of supervision from management in the pursuit of the objectives and interests of the company, its shareholder, employees and other stakeholders, in order to achieve the degree of trust and transparency necessary for its adequate functioning and optimisation.

IP is subject to the supervision of the Ministry of Planning and Infrastructures and, under the terms of the legal scheme of the state-owned business sector, is subject to the jurisdiction and control exercised by the Audit Court, as well as to the supervision of the General Inspectorate of Finance, pursuant to law.

The share capital is represented by nominative shares in book-entered form, owned by the Portuguese State and held by the Directorate-General for Treasury and Finance.

At 31 December 2020 the share capital totalled € 8,257,530,000, fully subscribed and paid up by the State. The number of shares issued totalled 1,651,506, at a nominal value of € 5,000 each.

CORPORATE BODIES

IP's corporate bodies are the General Meeting, the Executive Board of Directors, the General and Supervisory Board, including the Financial Matters Committee, and the Statutory Auditor.

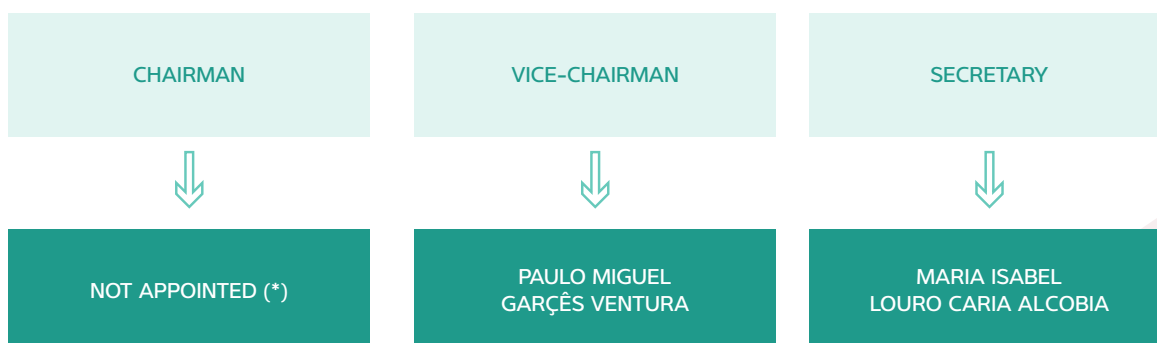
GENERAL MEETING

É composta pelos acionistas, sendo a Mesa da Assembleia Geral constituída por presidente, vice-presidente e secretário.

EXECUTIVE BOARD OF DIRECTORS

The General Meeting is made up of the shareholders. The Board of the General Meeting consists of the Chairman, Vice-Chairman and Secretary.

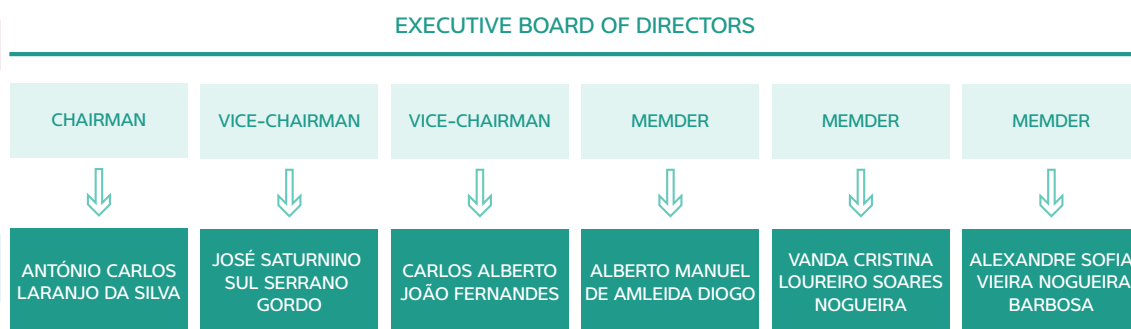
GENERAL MEETING



(*) the former chairman of the General Meeting resigned on 24 January 2020.

EXECUTIVE BOARD OF DIRECTORS

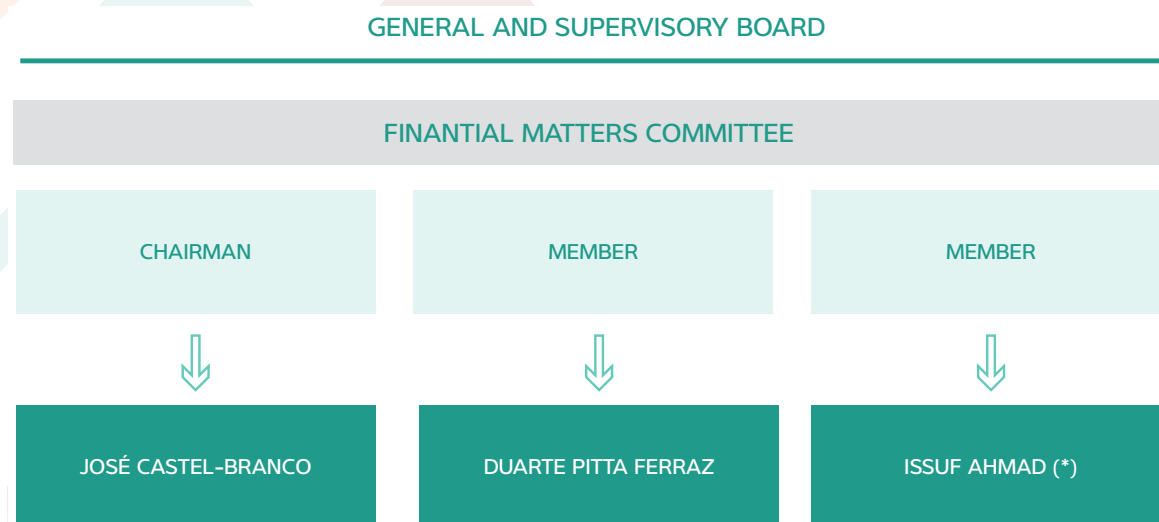
The Executive Board of Directors was appointed in 2018, comprising the Chairman, two Vice-Chairmen and three Directors, as follows:



GENERAL AND SUPERVISORY BOARD

The General and Supervisory Board (GSB) is made up of six to nine members, appointed at a General Meeting, which also designates the Chairman from among them.

The General and Supervisory Board is currently made up of two members, who are also members of the Financial Matters Committee:



(*) Mr. Issuf Ahmad resigned on 23 November 2020, (effective date as of 31 December 2021) from office for which he had been elected - 2015-2017 mandate, following Unanimous Corporate Resolution in Writing 28/08/2015, as member of the CSB of IP, SA, but joined the Committee for Financial Matters.

STATUTORY AUDITOR

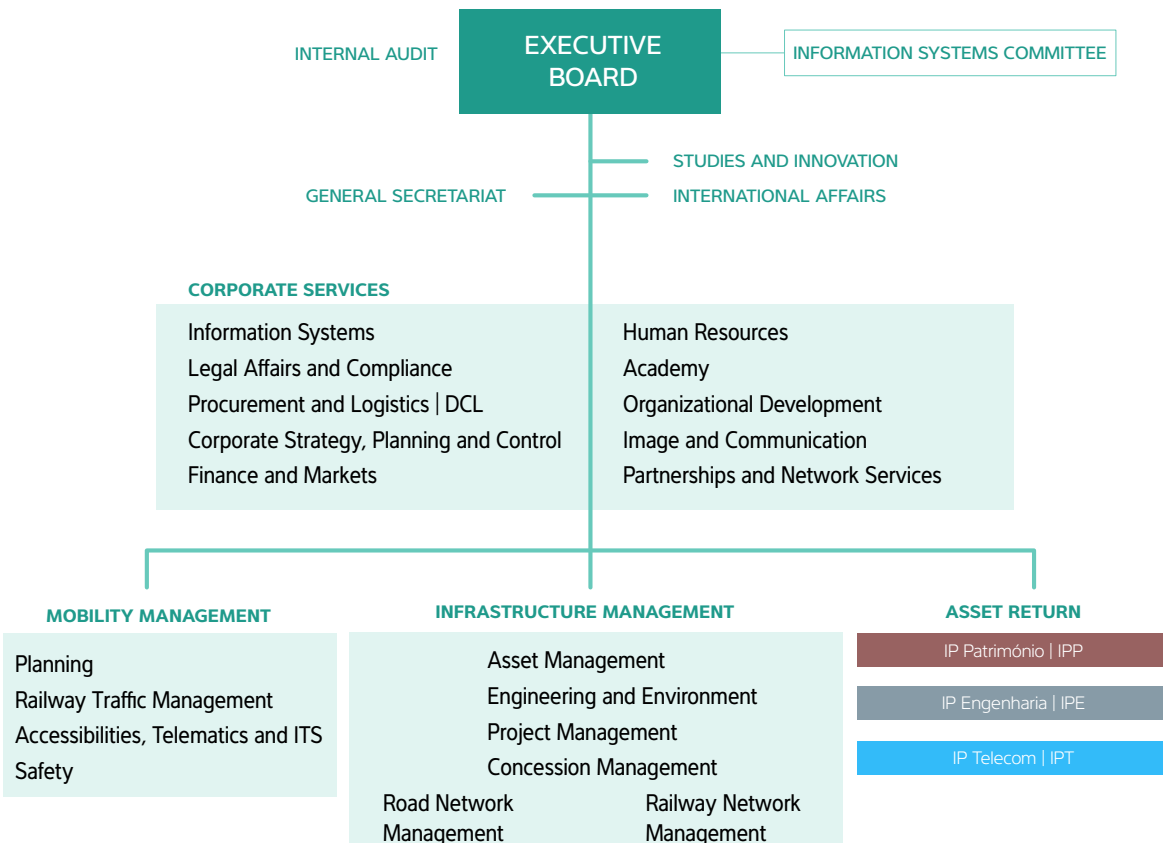
At the General Meeting of 19 March 2019 the Shareholder appointed firm Vitor Almeida e Associados, SROC, Lda (SROC no. 191, registered with the CMVM under no. 20161491), represented by partner Vitor Manuel Batista de Almeida (ROC no. 691, registered with the CMVM under no. 20160331) as Statutory Auditor of IP. This appointment was made for the 2018-2020 mandate.

ORGANIZATIONAL STRUCTURE

Four years following the merger, and the adjustments introduced in 2018, in line with its mission, vision and values, IP Group's organisational structure is now consolidated. These adjustments viewed to enhance the generation/creation of value against the needs and expectations of the stakeholders, promoting greater efficiency among the various areas and companies of IP Group.

Thus, the macro structure of IP Group is made up of:

- Divisions and Offices to directly assist the Executive Board of Directors (EBD);
- Information Systems Committee (ISC): connecting and interface management instrument, with representation of the EBD and the Divisions;
- Corporate Centre;
- Business areas: Mobility Management; Infrastructure Management; Asset Management (Subsidiaries).





Business areas are organic units dedicated to:

MANAGING MOBILITY, ensuring that the integrated planning of networks is implemented and managing road and rail mobility, in accordance with principles of safety, sustainability and core revenue optimisation;

MANAGING THE INFRASTRUCTURE, with efficiency gains expected to materialise, based on asset management principles;

ASSET MONETISATION, where the subsidiaries are geared towards optimising non-core revenues, to the benefit of the core services, which have the following features:

- They view to optimise non-core revenues of IP Group, taking advantage of the excess capacity of assets not used in core activities and non-core assets;
- Their Boards of Directors are made up of a member of the EBD of IP, who is the chairman, and two executive members;
- The organic structure of subsidiaries comprises a General-Directorate (except for IP Engenharia) and several hierarchic levels: Divisions, Departments, Units and even Functions (whether shown or not in the Organisation Chart);
- IP's Corporate Centre provides support and a framework to the activity of subsidiaries, which can thus focus on their core activities.

8. COMPLIANCE WITH LEGAL GUIDELINES

The following chapter, which deals with compliance with legal guidelines, views to meet the directives issued by DGTF concerning the preparation of reporting documents for 2020.

Figures in this chapter refer to the Separate Financial Statements of IP.

8.1 Management objectives/Business Plan and Budget

MANAGEMENT GOALS

IP Group's management objectives comprise a set of corporate indicators that together encompass the Group's entire activity and allow controlling the the company's performance over the year, based on the Management Control System.

Six of these indicators, called "**Shareholder Indicators**", are those at the highest level; they are crucial for the achievement of financial and operational objectives, corresponding to the targets which the Company has undertaken to attain before its Shareholder.

Accordingly, shareholder indicators for 2020 and justification of any deviation are as follows:

INDICATOR	UNIT	2020 GOAL	2020 RESULTS	DEVIATION (%)
Core revenues (cash)	(€m)	1 092	1 136	4%
Total Cash Flow	(€m)	-1 287	-989	23%
Aggregate indicator FERROVIA 2020/PETI3+	%	85%	75%	-12%
Aggregate indicator PIR (except FERROVIA 2020/PETI3+)	%	85%	76%	-11%
Level of compliance w ith road service levels	%	100%	100%	0%
Rate of compliance w ith railway service levels	%	100%	73%	-27%

CORE REVENUES - CASH (€M)

IP Core Revenues at end 2020 totalled €M 1,135.9, which is more €M 44 (+4%) than had been estimated in the revised 20-22 Business Plan.

This performance is explained by a positive deviation in revenue from Tolls (+€M 9), Network Directory (+€M 14.7) and RSC (+€M 20).

The amount of Compensatory Allowances was in line with the Framework Programme.

Despite the positive change in relation to the revised 20-22 Business Plan, toll revenues are being hit since March 2020 by the drop in road traffic motivated by the SARS-CoV-2 pandemic.

Up to end December toll revenues, in cumulative terms, stood at €M 339.8 (including VAT), which is €M 9 more than provided in the budget. A direct comparison with 2019 shows a decrease of €M 81 (-19%).

Transactions at 31 December had fallen by €M 134, in cumulative terms, compared to 2019; traffic on Algarve, Grande Porto and North Concessions account for 56% of this loss (-63 million transactions).

Overall toll transactions volume, taking into account operations whose revenues belong to IP, dropped by 12 million, i.e., less 22.5% compared to the same period of 2019, due to the consecutive state of emergencies implemented, including traffic restrictions between municipalities.

In overall terms, the volume of travel made by light vehicles and motorcycles (classes 1 and 2) fell by 23%, and these account for over 90% of overall traffic.

The largest decline happened on A22 - Algarve, which recorded a decrease by 34% as of December 2020 as compared to December 2019.

Overall revenue from DR Services (cash, including VAT) up to December was €M 106, showing a positive deviation by €M 14.7 in relation to projections (€M 91.3). Railway Operators FERTAGUS and MEDWAY paid debt amounts from previous years above what had been estimated.

Amounts received relating to RSC up to December 2020 totalled €M 622.4, standing €M20 above the revised target for 2020.

TOTAL CASH FLOW (€M)

IP Total Cash Flow reached -€M 989.1, in cumulative terms, representing a deviation of +€M 298 in relation to the budget (-€M 1,287) focused mainly on the following:

- Operational payments standing €M 60 below projections;
- Ferrovias 2020/PETI3+/PP investment payments, standing €M 85 below projections;
- Financial payments standing €M 120 below projections.

FERROVIA 2020/PETI3+ AGGREGATE INDICATOR (%)

This indicator, which monitors the implementation of Ferrovias 2020/PETI3+ Investment plan, stood at 75%, which is 10 pp below the target established for the year.

The negative deviation from the established target was mainly due to the level of budget implementation, which was 63%. The 37% deviation in the budget implementation is mainly explained, as in 2019, by the under implementation of ongoing contracts, which account for nearly 60% of the financial deviation; this is mainly due to a lower implementation capacity of contractors, boosted by the cascading effect on contracts of the same undertaking. The re-programming of signalling and telecommunications contracts, which often follow overall contracts, account for 15% of the financial deviation mentioned.

Additionally, the number of works whose contracting process started in 2020 was below estimates, however, the most relevant works were almost all launched in the year; therefore, the amount of new works with procurement process started in 2020 was in line with defined target (implementation of 84% vs. target of 85%).

The parameter measuring the level of compliance with deadlines (contract and works) stood at 76%.

The parameter measuring the evolution of the financial implementation vis-à-vis the previous stood at 132%, reflecting an increase in implementation by 32% in 2020 over the previous year.

AGGREGATE INDICATOR NIP FERROVIA 2020 / PETI3+ (%)

At the end of 2020 this indicator, which monitors the implementation of the Network Intervention Plan (except for Ferrovias 2020/PETI3+), stood at 76%, which is 9 pp below the target established for the year.

This negative deviation in relation to the established target is mainly explained by the number of work that started their procurement processes in 2020, as well as respective value, having remained below expectations. The two parameters contributing to the overall result of this indicator stood at respectively, 58% and 51%.

The main causes for this performance were delays in completion of the design projects, most of which are developed by external designers, but also optimistic projections in the face of existing resources, combined with the complexity associated to public contract awarding processes.

Conversely, the budget implementation rate stood at 78%, close to the established target.

The parameter measuring the level of compliance with deadlines (contract and works) stood at 85%.

The parameter measuring the financial implementation against the previous year stood at 115%, reflecting an increase in implementation by 15% over 2019.

LEVEL OF COMPLIANCE WITH ROAD SERVICE LEVELS (%)

The level of compliance with road service levels is determined against the established targets for the "Road Safety Index" (RSI) and "Management of Road Assets" (MRA). The road service level recorded in 2020 evolved as planned.

ROAD SAFETY INDEX

The value of the road safety index (RSI) is determined on the basis of weighted results of the following indices (basis 100 - as from the benchmark year): number of blackspots (BS), Severity Index in built-up areas (SI, BA), and number of fatal victims (FV), based on ANSR data.

- $RSI = BS \times 0.2 + SI,BA \times 0.4 + FV \times 0.4$
- Target: BS (2019) = 31; SI,BA = 16,831; FV = 134

The 129 target was reached, mainly on the back of a significant decline in the severity index in built-up areas, notwithstanding the failure to meet the blackspots target (of 2019).

The overall improvement in road accident indicators over 2019 and 2018 was due to the decline in traffic motivated by the COVID-19 pandemic.

QUALITY OF THE ROAD NETWORK

The indicator on the Performance of the Road Network is based on two (weighted) components:

- State and condition of pavements: all sections of the NRN under IP jurisdiction;
- State and condition of Engineering works: all bridges, viaducts and tunnels on the NRN, in operation.

The final figure of this indicator was 4.9, which is in line with the target, meaning that the objective was achieved.

The number of EC4/EC5 engineering works is in line with 2019.

LEVEL OF COMPLIANCE WITH RAILWAY SERVICE LEVELS (%)

The level of compliance with railway service levels is determined based on the achievement of the targets established for the following corporate indicators:

- Railway Safety Index (RSI);
- Quality of the Railway Infrastructure;
- Reliability of the Railway Infrastructure;
- Additional margins;
- Network Availability;
- Customer satisfaction;
- Environment protection;
- Business volumes.

The overall result for the period under review was 73.4%, i.e., 26.6 p.p. below target.

RAILWAY SAFETY INDEX (SA/mtk)

In 2020 this index stood at 1,303 SA/MCK, standing 38% above the target established in the Framework Contract (0,942 SA / MCK).

The 43 accidents occurred in the period (-8 SA than in the same period of previous year) account for 84% of total accidents in 2019 (51 SA) and 126% overall accidents admitted to fulfil the target for 2020, considering the limit of 34 SA for the same Tk recorded in 2019. Moreover, we saw a decline in external factors and an increase in factors intrinsic to the railway system (collisions and derailments).

QUALITY OF THE RAILWAY INFRASTRUCTURE (%)

This indicator views to assess the conservation status of the railway infrastructure. Its initial scope was widened to include the status of the Railway Track and Engineering Works and the assessment of remaining assets, namely: protection structures and stabilisation of platform, track, points and crossings, tunnels, signalling failures, ATP system, catenary and traction sub-stations.

In 2020 this indicator stood at 61.89%, translating a performance slightly above the established target of 61.30%. This performance was possible thanks to the implementation of planned investments, and maintenance contracts.

BREAKDOWN BY CLASS OF ASSET:

	EFFECTIVE 2020
Status of Track	52.25%
Status of Bridges	71.75%
Status of Tunnels	58.63%
Status of points and crossings	62.88%
Status of interlocks	61.38%
Status of ATP system	66.63%
Status of Catenary	82.00%
Status of Traction sub-stations	66.75%
Status of Platform Protection Structures and Sabalisation	72.75%
GAF	61.89%

RELIABILITY OF THE RAILWAY INFRASTRUCTURE (%)

The Overall Punctuality Index in 2020 stood at 91.6%, which is 4% above the target.

Taking into account 2020's performance we see that the resumption of the commercial offer by CP, and consequent increase in traffic, led to a decline in performance in July, specially in respect of Alfa, IC and Porto urban traffic, specifically in Guimarães Line.

Performance increased slightly in December for High Quality Trains, Intercity Trains and Freight Trains.

As compared to the same period of 2019 we see an improvement (91.6% vs. 88.0%), boosted by both passenger trains (+3.4 p.p.) and freight trains (+7.3 p.p.).

Analysing IP's responsibility in delays, we see that it increased in passenger trains (24.0% in 2020 vs. 21.3% in 2019) and decreased in freight trains (7.76% in 2020 vs. 10.5% in 2019).

ADDITIONAL MARGINS (MINUTES)

Additional Margins correspond to the travel times added to planned timetables to reflect speed limitations imposed on the infrastructure by scheduled works; Additional margins are fixed annually in the Network Directory, according to planned interventions. Only the level of additional margins effectively considered in the timetable in force is considered to determine this indicator.

Accordingly, the indicator was determined based on the additional margins used in 2020 Timetable (44 minutes), amounting to 88 minutes. Additional margins have increased mainly in the North Line and Beira Alta Line.

NETWORK AVAILABILITY (%)

Network Availability reflects the percentage of time the infrastructure was effectively available for operation; The network's availability in 2020 stood nearly 3 p.p. below established target (85.7% % vs. 88.4%).

Main reasons:

- Close down of Beira Alta Line in August, and interruptions on the North Line (Soure-Pombal section) during period from 31/07 to 02/08 due to accident, and on the Vouga Line (Oliveira de Azeméis-Sernada do Vouga section) during period from 12/11 to 23/12 due to derailment;
- Interdiction Periods outside Blue Periods, mainly on the North Line (Modernisation works Ovar – Gaia and maintenance works Alfarelos – Pampilhosa), Minho Line (Viana do Castelo – Valença), and Beira Baixa Line (Belver – Rodão).

RAILWAY CUSTOMER SATISFACTION (%)

The Railway Customer Satisfaction indicator in 2020 stood at 62.5%, which is 6.5 p.p. above the established target (56%). This indicator is deter-

mined based on the arithmetical average of results from 2 annual surveys:

- Railway Operators Satisfaction Survey: overall satisfaction grew by 7 p.p. over 2018 (48%). This performance is driven by a significant rise in the level of satisfaction of freight operators, particularly MEDWAY's, which doubled. The increase in railway freight operators satisfaction more than offset that of passenger operators. This survey is made every two years.
- End Customer (Passenger) Satisfaction Survey, 70% (7,0). Data above concern 2019 results.

ENVIRONMENTAL PROTECTION (%)

The Environmental Protection Indicator measures IP's performance in its effort to reduce exposure to noise. The number of people exposed to high noise levels decreases when the interventions provided in the NIP focus directly the improvement or modernisation of the railway track, in the relevant components.

2020 recorded a 0.47% decline in people exposed to higher noise levels than those provided in the relevant law.

At the beginning of 2020 the following interventions were planned to start/were ongoing: North-South Line - ESPINHO-GAIA - RIV / North-South Corridor - North Line; North Line - Improvement of superstructure and track infrastructure PK 2,040 and PK 3,900; Cascais Line - Improvement of track superstructure PK 7+400 and PK 16+000; Minho Line - Repair of track superstructure between PK5,050 and PK 7,705.

Almost all interventions above suffered delays, which adversely affected the performance of this indicator.

BUSINESS VOLUME (TK)

The traffic volume on the railway infrastructure in 2020 totalled 32.8 million train-kilometre (TK), standing 12% below what was provided in the Framework Contract; -1.5% vis-à-vis revised 20-22 budget, and -10% over same period of 2019. This significant reduction was driven by the COVID-19 pandemic; the largest impact was felt from 18 March to 31 July, with a decrease in used capacity of nearly 2.4 million train-kilometre.

IMPLEMENTATION OF THE 2020 BUSINESS AND BUDGET PLAN

OPERATING INCOME

Operating income in 2020 totalled € 1,181 million, standing 0.27% below the budget.

OPERATING INCOME	2020			
	EFFECTIVE	BUDGET	BUDGET DEVIATION	%
Sales and services	1 021 798	1 033 182	-11 384	-1%
Road Service Contribution (RSC)	584 089	602 683	-18 595	-3.1%
Tolls	278 835	268 841	9 994	4%
Rail Services	73 277	74 164	-887	-1%
State Grantor - Revenue LDI	28 118	37 086	-8 968	-24%
Construction contracts	49 585	43 489	6 096	14%
Other rendered services	7 895	6 919	976	14%
Operating subsidies	55 055	55 055	0	0%
Other Income and gains	104 400	96 196	8 204	9%
Total Operating Income	1 181 253	1 184 433	-3 180	-0.27%

Unit: € thousand

The most significant change was recorded by Road Service Contribution (RSC), which fell by € 18.6 million against the budget, mainly explained by the State of Emergency and restriction measures motivated by the COVID-19 pandemic, which had a significant impact on traffic and fuel consumption.

Additionally, the amounts recorded under Caption State Grantor (LDI Revenue) also fell significantly; this caption records internal works charged to investment in long duration infrastructure, namely materials and labour for investment and respective charges, under the terms of IFRIC12. During 2020 this caption fell by 24% over 2019.

Conversely, toll income increased by € 10 million; the largest slice of toll income derives from the use of the State concession network, and the collection of toll rates that belong to IP; this caption totalled € 229 million, increasing by 3.2% vis-à-vis the budget.

Toll collection in motorways under sub concession by IP generated € 23.8 million, representing 9% of total toll income, having fallen by 15% compared to 2019, but standing 7% above the budget.

OPERATING EXPENSES

Operating expenses reached €M 973 in 2020, which was 7% and €M 73 below budget estimates.

The largest negative change in relation to the budget was recorded by Depreciation and Amortisation Expenses (-€M 45), mainly explained by the reduction in the depreciation rate of the concession right, which is determined based on the economic/financial flows over the period of the concession, and directly hit by decreasing revenue from RSC and Tolls.

Captions Road and Railway Maintenance, Repair and Safety Expenses of the Road Network stood respectively, 8% and 9% below budget figures.

Road safety shows a negative change of 61% in relation to the budget. This change was mainly due to the following: non implementation of the 2020-2023 Signalling and Safety Equipment contract, in the amount of €M 2.8; non implementation of Measure 11.44 - PENSE 2020, and acquisition and transport of vertical signs 2020, in the amount of €M 2.5, due to delays in tenders / contract awarding.

Road Telematics Maintenance also contributed to the deviation vis-à-vis the budget.

As regards the Railway segment, item "Signalling" contributed to a deviation by -€M 1.5 vis-à-vis the budget, mainly due to low implementation of Contract for the Acquisition of Services relating to natural fuel maintenance on the National Railway Network, and delays in the Procurement of Services relating to plant control.

Other Supplies and Services fell by €M 13 vis-à-vis the budget, as a result of decrease in operation and maintenance expenses of sub-concessions, deriving from the accounting recognition of the operation and maintenance costs of sub-concessionaires, within the scope of current sub-concession contracts.

OPERATING EXPENSES	2020			
	EFFECTIVE	BUDGET	BUDGET DEVIATION	%
Cost of goods sold	274 091	264 258	9 833	4%
Maintenance, Repair and Safety of the Road Network	113 712	123 231	-9 519	-8%
Maintenance, Repair and Safety of the Railway Network	72 866	80 470	-7 604	-9%
Other ESS	114 329	127 796	-13 467	-11%
Personnel expenses	127 218	130 307	-3 089	-2.4%
Impairments (losses/reversals)	3 472	0	3 472	0%
Expenses/reversals of depreciation and amortisation	235 348	280 459	-45 111	-16%
Provisions (Increase/Decrease)	22 327	32 078	-9 751	-30%
Other expenses and losses	9 728	7 191	2 536	35%
Total Operating Expenses	973 091	1 045 791	-72 700	-7%
Unit: € thousand				

INVESTMENT

Investment carried out in 2020 (except for road PPPs) totalled €M 204.8, accounting for 71% of the estimated amount. A percentage of 67% corresponds to Ferrovias

2020 Investment: €M 137.5.

INVESTMENTS	EFFECTIVE 2020	BUDGET 2020	IMPLEMENTATION %
Railway Investment	137.3	189.1	73%
Road investment PETI3+	13.8	14.3	96%
Investments PETI3+	151.1	203.4	74%
Other railway investments	35.4	55.0	64%
Other road investments	5.1	12.6	40%
PVAE investment	9.2	8.3	110%
Other investments	49.8	75.9	65%
Management related investment	4.0	10.7	38%
Total	204.8	290.0	71%

Unit: € M
 Note: Road Investment does not include Provisions for Expropriation, which in 2020 totalled approximately € 8.4 million.

PUBLIC-PRIVATE PARTNERSHIPS

Payments made during 2020 relating to road concessions and sub-concessions totalled €1,139.4 million (excluding VAT), corresponding to a budget implementation of nearly 98%.

CONCESSIONS AND SUB-CONCESSIONS	EFFECTIVE 2019	2020		
		EFFECTIVE	BUDGET	IMPLEMENTATION %
Concessions - Availability + Availability B	601.3	610.5	614.0	99%
Algarve	42.1	42.7	42.7	100%
Beira Interior	67.6	46.0	45.7	101%
Beira Litoral and Beira Alta	102.8	111.9	112.4	100%
Costa de Prata	47.0	48.4	49.2	98%
Greater Lisbon	26.8	26.7	27.1	99%
Greater Porto Region	67.9	70.5	71.2	99%
Interior Norte	73.2	69.9	69.9	100%
North	122.0	141.8	143.2	99%
Norte Litoral	51.8	52.6	52.6	100%
Sub-concessions - Availability+Service	528.7	496.6	497.8	100%
AE Transmontana	57.3	52.7	52.7	100%
Baixo Alentejo	45.8	42.7	42.7	100%
Baixo Tejo	89.9	73.5	74.7	98%
Douro Interior	81.3	81.8	81.8	100%
Litoral Oeste	125.4	126.6	126.6	100%
Pinhal Interior	129.0	119.3	119.3	100%
Algarve Litoral	0.0	0.0	0.0	0%
Contributions and Rebalances	7.5	29.3	33.6	87%
Major Repairs	3.0	3.0	16.0	19%
Total	1 140.5	1 139.4	1 161.4	98%

unit: €M (excluding VAT)

Payments relating to Availability and Availability B of Road Concessions show an implementation rate of 99% of the budget for the period. Deviations are mainly explained by the following situations:

- Withholding of toll revenues, a contractually established mechanism translated in a advance for availability; impact of -€M 4;
- A more favourable effect of CPI (CPI in budget was 2% flat).

In respect of sub-concessions, the implementation was practically 100%.

As regards caption Contributions and Rebalances, the €M 4.3 deviation is mainly explained by the payment foreseen in the budget of €M 3.5 to Beira Interior sub-concession, as compensation for the reduction in tolls and sharing of revenues that failed to happen in 2020.

Payments relating to Major Repairs totalled €M 3.0, accounting for 19% of the amount foreseen in the budget. It should be noted that the budget implementation concerning major repairs depends on a number of external factors, namely the approval by IMT of the scope and amount of the interventions, the development by concessionaires of contract procedures and the performance of the works, which is also the responsibility of concessionaires.

Information relating to benchmark financial principles, workforce and debt levels is shown in the following paragraphs of this Chapter.

Level of Budget Implementation downloaded in SIGO/SOE

	EFFECTIVE 2018	EFFECTIVE 2019	2020			IMPLEMENTATION DEC 2020	DEVIATION DEC 2020/2019	DEVIATION DEC 2020/2019 (ABS AND %)	
			BUDGET APPROVED	BUDGET CORRIGIDO	EFFECTIVE 2020				
Cash Flow Operacional	826.20	845.20	822.74	813.34	690.82	84%	-154.39	-131.92	-16%
Despesa Operacional	-475.64	-471.08	-572.66	-561.42	-474.73	83%	-3.64	97.93	-17%
Receita Operacional	1 301.83	1 316.29	1 395.39	1 374.76	1 165.54	84%	-150.74	-229.85	-16%
Outros Investimentos Funcionamento	-5.13	-3.14	-6.03	-10.27	-4.53	75%	-1.40	1.50	-25%
Invest. Ferroviários liq. FC	-20.94	-132.61	-150.37	-174.63	-138.22	92%	-5.61	12.15	-8%
Invest. Rodoviários liq. FC	-15.48	-21.99	-52.00	-35.12	-33.71	65%	-11.72	18.29	-35%
Concessões e Subconcessões	-1 473.32	-1 402.44	-1 482.17	-1 522.39	-1 409.62	95%	-7.19	72.55	-5%
Serviço da Dívida	-225.54	-708.30	-186.31	-186.31	-185.65	100%	522.65	0.66	0%
Total Necessidades	-914.22	-1 423.27	-1 054.15	-1 115.38	-1 080.93	103%	342.34	-26.78	3%
Dotações de Capital	886.14	1 391.87	1 054.15	1 091.84	1 054.15	100%	-337.72	0.00	0%
Operações Tesouraria	0.17	-6.53	0.00	0.00	-2.33	-	4.20	-2.3	-
Saldo Gerência Final	320.36	288.79	0.00	271.78	268.54				

Receita Efetiva	1 400.03	1 328.43	1 526.01	1 488.32	1 222.62
Despesa Efetiva	2 219.10	2 213.82	2 490.43	2 513.97	2 211.51
Défice IP	-819.06	-885.39	-964.42	-1 025.65	-988.89
Unit: € M					

The overall balance for 2020 shows a deterioration of €M 103.50 over the same period of 2019, and translates an implementation rate of 103% in relation to the 2020 SB. This performance was due to a fall in revenues, since expenses remained practically unchanged in relation to 2019.

IP achieved 88% of projected revenue; the fall in revenue in relation to the budget was mainly driven by the following: IP achieved 88% of projected revenue; the fall in revenue in relation to the budget was mainly driven by the following.

- Inflow of 84% of sums relating to RSC;
- Inflow of 73% of sums relating to tolls;
- Inflow of merely 31% of sums relating to community funds;

Conversely,

- Inflow of 100% of sums relating to CI's;
- Inflow of 101% of sums relating to sales and services, including the user fee, via payment of pending invoices by operators;
- Inflow of 100% of capital injections foreseen, in the amount of €M 1,054.14, which allowed to face the debt service and expenses with public-private partnerships.

8.2 Management of financial risk

With a view to a stricter financial control of the public corporate sector, and to establish governance requirements and strengthening the power and duties of the Shareholder, the Government issued Decree Law 133/2013, of 3 October. Article 29(1) provides that non financial state companies that were or are integrated in the public administration sector, under the terms of the European System of National and Regional Accounts, cannot apply for funding with credit institutions, unless these are multilateral financial institutions. IP has not applied to new funding since 2009.

The following table shows the evolution of the annual average interest rate on financial debt for the 2016-2020 period:

YEARS	2020	2019	2018	2017	2016
Financial Expenses	97.8	108.7	142.7	157.5	194.2
Average financing rate	1.9%	2.0%	1.8%	1.9%	2.3%
Unit: € M					

In 2020 the average interest rate on financial debt stood at 1.9%, which was possible thanks to the moratorium granted on State Loans (road component).

8.3 Limits to indebtedness growth

In 2020 the State Budget Law established that the overall growth of the indebtedness of public undertakings is limited to 2%, considering the interest-bearing financing adjusted to the paid-up share capital.

Article 159(4) of 2019 Budget Implementation Decree Law provides the formula to determine overall growth of indebtedness of state-owned companies:

$$\frac{(RF_t - RF_{t-1}) + (Capital_t - Capital_{t-1}) - New\ Investments_t}{RF_{t-1} + Capital_{t-1}}$$

Where:

RF – Remunerated Funding;

Capital – Share capital or Statutory Capital Paid up;

New investment – new relevant investment)

CHANGE IN INDEBTEDNESS (IMPLEMENTATION)	2020	2019	% CHANGE 20/19	
	AMOUNT (€M)		AMOUNT €M	%
Interest bearing loans (current and non current)*	4 784.8	5 019.3	(234.5)	-5%
· of which granted by DGTF	2 226.2	2 371,0	(144.8)	-6%
Share Capital	8 257.5	7 203.4	1 054.2	15%
New expenditure for the year (relevant)	-			
Change in indebtedness	6.7%			

*Ao valor nominal.

According to the Investment Plan, IP does not consider the existence of “new investment” to determine this indicator, since:

- Investments are considered from a point of view of investment project;
- IP materially relevant investments, namely undertakings comprised in the Ferrovia 2020 Investment Plan, were already provided for and identified in previous Investment Plans.

The growth rate determined relating to 2020 considers the part of the capital allocated to finance payments to road concessions and sub-concessions. According to law in force IP 's autonomy to manage these contracts is limited; therefore, if we adjust the calculation not considering capital injections to meet requirements relating to such payments, the ratio stands at -0.4%, thus enabling IP to keep within the overall limits defined for public companies: 2%.

CHANGE IN INDEBTEDNESS (IMPLEMENTATION)	2020	2019	% CHANGE 20/19	
	AMOUNT (€M)		AMOUNT (€M)	%
Interest bearing loans (current and non current)*	4 784.8	5 019.3	(234.5)	-5%
· of which granted by DGTF	2 226.2	2 371,0	(144.8)	-6%
Share Capital**	7 386.6	7 203.4	183.2	3%
New expenditure for the year (relevant)	-			
Change in indebtedness	-0.4%			

* Ao valor nominal.
** Excluding amount allocated to PPPs.

The following table shows the evolution of indebtedness since 2018:

	2020	2019	2018
Indebtedness growth rate	6.7%	5.8%	-11.3%
Indebtedness growth rate(%)	-0.4%	-0.2%	-16.4%

(*) Excluding amount allocated to PPPs

8.4 Evolution of Average Payment Period to Suppliers

Council of Ministers Resolution ("RCM") 34/2008 of 22 February provided the "Timely Payment Programme" aimed to significantly reduce payment periods to public companies' suppliers of goods and services. This Resolution established objectives for average payment periods (APP) to suppliers, and the monitoring and disclosure of the evolution of average payment periods. This indicator outperforms whenever APP is less than 20 days.

Ministerial Order 9870/2009, of 13 April, revised the determination of the APP ratio, and considers the average of amounts payable to suppliers at the end of each quarter.

IP discloses its APP in its Annual Report and Accounts.

The evolution of the Average Payment Period in 2020 as compared to 2019 was as follows:

APP	2020	2019 RE-DETERMINED	CHANGE 20/19	
			FIGURE	%
Period (days)	5	12	-7	-58%

The reduction by 7 days in 2020 as compared to 2019 derived for the measure adopted to encourage invoice payment before due date. This measure aimed to inject liquidity in the economy, in order to mitigate the effects of the Covid-19 pandemic.

Decree-Law 65-A/2011 provides that "Delay in payment means the failure to pay any invoice for the supply of goods and services within 90 days or more from the payment date specified in respective invoice, if any, or of the invoice".

Payment periods are contractually agreed by IP and its suppliers. Where invoices are correct and comply with the legal and tax requirements they are paid up to due date (or approximate date). As result, IP does not have overdue payments.

8.5 Shareholder Recommendations

In General Meeting 5/2020 the Shareholder recommended IP to:

- Strengthen the internal control system associated to the car fleet, comprising vehicle location monitoring system, optimisation and monitoring of services, energy efficiency control and costs, to allow for:
 - (i) effective cost reduction;
 - (ii) route optimisation;
 - (iii) increase in productivity;
 - (iv) fuel supply control;
 - (v) assistance, possibly including implementation of a car-sharing system, where viable.
- In 2021, IP should report on a quarterly basis, the work developed and efficiency gains achieved."

A brief description of the measures already implemented by IP in line with the Shareholder Recommendations is provided below.

Internal control system relating to the Car Fleet

IP has a vehicle location system since 2015 as well as fleet management software to monitor and control the fleet.

The fleet management system issues reports and sends non-intrusive alerts, allowing to monitor the type of use of vehicles. It is possible to instantaneously know the location of cars and verify speeds; among other aspects, this control is important to improve energy efficiency and contribute to safer driving.

To fight against fraud in fuel supply, the system allows crossing information, and preventing abusive use of fuel cards. Moreover, cards have daily and monthly spending ceilings, in accordance with the specific activity of each vehicle.

A new fleet management application software is under development, to improve the control and management of the car fleet. It will consist of three modules: pool management (already operating); inventory (under development); and, cost (still to be developed).

This new application will enable IP to adopt the best practices relating to car fleet management, collecting and crossing data from different sources, such as the monitoring system (odometer information), data from the fossil fuel or power suppliers (including internal filling/charging stations), and the Company's ERP.

This will pave the way to higher efficiency gains, as well as to improving the fleet's efficiency and reduce accidents.

Cost reduction

IP (and former companies) have made continuous efforts over the past few years to improve the efficiency of the car fleet from an operating perspective, whether by reducing the number of vehicles or adopting good practices, including monitoring and control practices.

In this light, it is worth noting that the car fleet in 2010 (of former REFER and Estradas de Portugal) was made up of 888 vehicles; this number fell to 743 in the past few years, and down to 727 in 2020, following renewal for the fleet.

This long ongoing effort to have a more efficient and effective car fleet in operation, consequently reducing costs, was one of the base assumptions of IP's approval request to the relevant ministerial authorities made in September 2017, viewing the

full renewal of the car fleet. This approval was granted by the Finance Ministry in 2020, as mentioned above.

In addition to a reduction in the number of vehicles, 96 vehicles in advanced state of deterioration were replaced by leased cars, leading to significant reductions in maintenance costs; leased vehicles are much more efficient from an energy and maintenance point of view.

Moreover, a total of 71 electric, plug-in and hybrid cars were added to the fleet, including 39 100% electric (42 at group level), contributing to an increasingly sustainable fleet, given the significant decrease in GHG emissions. It is estimated that the annual fossil fuel consumption generated by this renewal/replacement will be reduced by approximately 110,000 litres/year, i.e. approximately 210 tons of CO₂/year.

In line with this environmental commitment, IP installed 38 charging stations for 65 cars, in 20 different locations across the country.

Summing up, taking into account the prices of the current lease contract, which are more advantageous than the previous, as well as the significant cut in maintenance costs, decrease in fuel consumption and the elimination of repairs at end of leases, the final cost reduction is estimated at €M 3 million over a period of 48 months.

This overall reduction in costs with the fleet is already reflected in the Business and Budget Plan for 2021-2023, starting as from 2021.

Car fleet	EFFECTIVE		BBP 21/23		
	2019	2020	2021	2022	2023
Gastos Totais Frota	5 864	6 828	5 466	5 343	5 231
unit: € thousand					

It is important to point out that the largest reduction, in comparative terms, will only be seen in 2024, as car repairs at the end of leases will be eliminated.

It was precisely the repair costs occurred in 2020 - end of existing leases, which triggered the expenses with the fleet in 2020, which is why this year cannot be considered as benchmark year.

Car-sharing

Car-sharing is another measure which IP is implementing since 2015, to obtain efficiency gains. The model was revised and strengthened in 2020.

Following the renewal of the fleet in 2020, the number of cars shared was increased, in both relative and absolute terms, as shown in the following table:

IP Car fleet	Former fleet	Current fleet
Total vehicles	743	727
No. of shared cars	90	128
Relative weight of shared cars	12%	18%

This management model provides operational mobility to all IP employees all over the country, through of the cars parked in 21 different locations/facilities of IP.

Car-sharing is possible thanks to an app through which employees can make their reservation; the fleet management team then manages the requests according to availability. The acceptance rate of car reservation requests was 97% in 2020.

Route Productivity and Optimisation

IP's current car fleet renewed in 2020 provides a much higher operational rate than the previous fleet, since a significant part of former cars were constantly undergoing repairs, as they were old and used out.

On the other hand, the choice of the 21 locations where cars to be shared are parked took into consideration, among other aspects, the optimisation of routes.

In this respect, we point out the activity developed by the 43 inspection and support mobile units (ISMU). Routes were defined based on two objectives: ensure patrolling of the network on a regular pre-defined basis, according to type of road; and reduce the number of km travelled, optimising established routes.

Summing up, we believe to have shown how IP implemented as recommended by its Shareholder, a broad set of measures to ensure a more efficient and cost-efficient fleet, from an operational point of view; this is particular relevant since the Company is active in 18 districts of the country. Patrolling 14,000 km of roads and 2,500 km of railway.

Finally, IP will present the work developed and efficiency gains achieved in its quarter budget implementation reports in 2021.

8.6 Remuneration

IP, S.A.

In the period from 1 January to 31 December 2020

CORPORATE BODIES

EXECUTIVE BOARD OF DIRECTORS

Chairman

Mr. António Carlos Laranjo da Silva

Vice-Chairman

Mr. José Serrano Gordo and Carlos Alberto João Fernandes

Members

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

The terms of the mandate and the remuneration scheme associated with the exercise of the positions were established at the general meeting of 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.

IP did not pay any variable performance bonus to its managers.

SUPERVISORY BOARD AND OFFICIAL AUDITOR

The remuneration of the members of the General and Supervisory Board, which comprises a Committee for Financial Matters, was defined at the General Meeting of 28 August 2015.

Members of the General and Supervisory Board identified below did not receive any remuneration for their office, as requested by them:

- José Emilio 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.

- Issuf Ahmad, following retirement effective as of 1 December 2019, by order dated 25 March 2020 issued by Direção da Caixa Geral de Aposentações, which was only available in April 2020.

As a result, following official acknowledgement of retirement, Mr. Issuf Ahmad returned in full the amounts earned from December 2019 to March 2020, holding his office though without pay.

Mr. Issuf Ahmad resigned as member of the General and Supervisory Board, joining the Committee for financial matters as of 31 December 2020.

In accordance with article 391 (4) of the Companies Code, approved by Decree Law 262/86, of 2 September, by reference to article 435 (2) of the same Code, the members of the General and Supervisory Board will remain in office until such time as they are replaced. Since no new members were elected when members of remaining corporate bodies were elected, the members of the General and Supervisory Board did not change.

The remuneration of the Statutory Auditor fixed at the General Meeting of 19 March 2019 (Minutes 03/2019 of the General Meeting) a maximum fee for this office equivalent to 35% of the overall remuneration of the Chairman of the Executive Board of Directors, added of VAT at the legal rate in force.

Board of the General Meeting (2018-2020)

Chairman

Paulo Manuel Marques Fernandes. a)

Vice-Chairman

Paulo Miguel Garcês Ventura.

Secretary

Maria Isabel Louro Caria Alcobia.

a) The Chairman of the Board of the General Meeting resigned from office on 24 January 2020

ANNEX 1

Board of the General Meeting

TERM OF OFFICE (BEGINNING/END)	POSITION	NAME	FIXED ATTENDANCE FEE (€)	2020 ANNUAL REMUNERATION (€) GROSS
2018-2020	Chairman	Not Appointed (*)	650.00	
2018-2020	Vice-Chairman	Paulo Miguel Garcês Ventura	525,00	1 575,00
2018-2020	Secretary	Maria Isabel Louro Caria Alcobia	400.00	
				1 575,00

* Former Chairman resigned on 24 January 2020.

Executive Board of Directors

TERM OF OFFICE (BEGINNING/END)	POSITION	NAME	NAME		OPRLO OR OPTION FOR AVERAGE OF LAST 3 YEARS ⁽²⁾				TOTAL NUMBER OF MANDATES
			FORM ⁽¹⁾	DATE	YES/NO	ENTITY OF ORIGIN	PAYING COMPANY (O/D)	AUTHORISATION AND FORM	
2018-2020	Chairman	António Carlos Laranjo da Silva	AG	29/03/2018	No	n.a	n.a	n.a	2
2018-2020	Vice-Chairman	José Saturnino Sul Serrano Gordo	AG	29/03/2018	No	n.a	n.a	n.a	2
2018-2020	Vice-Chairman	Carlos Alberto João Fernandes	AG	29/03/2018	No	n.a	n.a	n.a	2
2018-2020	Member	Alberto Manuel de Almeida Diogo	AG	29/03/2018	No	n.a	n.a	n.a	3
2018-2020	Member	Vanda Cristina Loureiro Soares Nogueira	AG	29/03/2018	No	n.a	n.a	n.a	2
2018-2020	Member	Alexandra Sofia Vieira Nogueira Barbosa	AG	29/03/2018	No	n.a	n.a	n.a	1

⁽¹⁾ Specify Resolution (R)/AG/DUE/Despacho (D)
⁽²⁾ Opted for remuneration of place of origin - as provided in article 28(8) of EGP; refer paying entity (O-Origin/D-Destination)

MEMBER OF THE BOARD OF DIRECTORS	ACCUMULATION OF FUNCTIONS			
	COMPANY	FUNCTION	REGIME	IDENTIFICATION OF AUTHORIZATION AND FORM
[NAME]	[SPECIFY]	[SPECIFY]	[PUBLIC/PRIVATE]	[AG/DUE/D]
António Carlos Laranjo da Silva	IP Engenharia	Chairman of the Board of Directors	Public	DUE
	AEIE-CFM4	Chairman of the General Meeting of AEIE - Corredor Ferroviário de Mercadorias nº 04 (CFM4) and Atlantic Corridor	Public	
	AEIE-AVEP	Chairman of Alta Velocidade Espanha-Portugal (AEIE-AVEP)	Public	
José Saturnino Sul Serrano Gordo	UTAP	Chairman of the negotiation committee, viewing the renegotiation of the Reformed Sub-concession contract of Baixo Tejo (Order 7169/2019)	Public	Order 7169/2019
Carlos Alberto João Fernandes	IP Património	Chairman of the Board of Directors	Public	DUE
	IP Telecom	Member of the Board of Directors	Public	DUE
Alberto Manuel de Almeida Diogo	IP Telecom	Member of the Board of Directors	Public	DUE
	FMNF	Chairman of the Board of Directors of Fundação Museu Nacional Ferroviário Armando Ginestal Machado (since 31 October 2012);	Public	
Vanda Cristina Loureiro Soares Nogueira	IP Telecom	Chairman of the Board of Directors	Public	DUE
Alexandra Sofia Vieira Nogueira Barbosa	IP Engenharia	Member of the Board of Directors	Public	DUE
	IP Património	Member of the Board of Directors	Public	DUE

MEMBER OF THE BOARD OF DIRECTORS	PUBLIC MANAGER STATUTE			
	FIXED (Y/N)	GRADE (A/B/C)	GROSS MONTHLY SUMS (€)	
			BASE REMUNERATION	REPRESENTATION FEES
António Carlos Laranjo da Silva	Yes	A	5 722.75	2 289.10
José Saturnino Sul Serrano Gordo	Yes	A	5 150.48	2 060.19
Carlos Alberto João Fernandes	Yes	A	5 150.48	2 060.19
Alberto Manuel de Almeida Diogo	Yes	A	4 578.20	1 831.28
Vanda Cristina Loureiro Soares Nogueira	Yes	A	4 578.20	1 831.28
Alexandra Sofia Vieira Nogueira Barbosa	Yes	A	4 578.20	1 831.28

MEMBER OF THE BOARD OF DIRECTORS [NAME]	2020 ANNUAL REMUNERATION (€)		
	FIXED (*)	VARIABLE	GROSS
António Carlos Laranjo da Silva	102 208.22		102 208.22
José Saturnino Sul Serrano Gordo	91 987.60		91 987.60
Carlos Alberto João Fernandes	91 987.60		91 987.60
Alberto Manuel de Almeida Diogo	81 766.70		81 766.70
Vanda Cristina Loureiro Soares Nogueira	81 766.70		81 766.70
Alexandra Sofia Vieira Nogueira Barbosa	81 766.70		81 766.70
			531 483.52

(*) Foi incorporado o efeito da Redução Remuneratória prevista no artigo 12.º da Lei n.º 12-A/2010, de 30 de junho.

MEMBER OF THE BD (NAME)	VEHICLE EXPENSES								
	ASSIGNED VEHICLE	DATE OF CONTRACT	VEHICLE REFERENCE VALUE	FORM ⁽¹⁾	YEAR OF BEGINNING	YEAR OF TERMINATION	MONTHLY INSTALMENT ⁽³⁾	ANNUAL EXPENSES WITH INSTALMENTS ⁽²⁾	REMAINING INSTALMENTS
	(Y/N)	(Y/N)	[€]	[SPECIFY]			[€]	[€]	(No.)
António Carlos Laranjo da Silva	Y	Y	45 589.74	Leases	2020	2024	564.39	3 591.65	45
José Saturnino Sul Serrano Gordo	Y	Y	27 986.87	Leases	2020	2024	303.82	10 387.60	42
Carlos Alberto João Fernandes	Y	Y	27 986.87	Leases	2020	2024	303.82	2 123.10	42
Alberto Manuel de Almeida Diogo	Y	Y	27 986.87	Leases	2020	2024	303.82	2 123.10	42
Vanda Cristina Loureiro Soares Nogueira	Y	Y	27 986.87	Leases	2020	2024	303.82	8 576.14	42
Alexandra Sofia Vieira Nogueira Barbosa	Y	Y	27 986.87	Leases	2020	2024	303.82	17 328.64	42

⁽¹⁾ acquisition; ALD; Leasing or other.

⁽²⁾ Dados SAP. Contém aluguer e fecho de 3 viaturas AOV do VPCAE SG e das VCAE AB e VN. Contém amortização e juros do novo contrato.

⁽³⁾ Sem IVA inc.

MEMBER OF THE BD (NAME)	ANNUAL TRAVEL EXPENSES (€)					TOTAL TRAVEL EXPENSES (Σ)
	TRAVELS	ACCOMMODA- TION	SUBSISTENCE ALLOWANCES	OTHER		
				IDENTIFY	FIGURE	
António Carlos Laranjo da Silva		218.87				218.87
José Saturnino Sul Serrano Gordo		141.51				141.51
Carlos Alberto João Fernandes		218.87				218.87
Alberto Manuel de Almeida Diogo		124.53				124.53
Vanda Cristina Loureiro Soares Nogueira		141.51				141.51
Alexandra Sofia Vieira Nogueira Barbosa		171.70				171.70
						1 016.99

General Supervisory Council of IP (*)

TERM OF OFFICE (BEGINNING/ END)	POSITION	NAME	NAME		ESTATUTO REMUNERATÓRIO MENSAL FIXADO (€)	N.º DE MANDATOS
			FORM ⁽¹⁾	DATE		
2015	Presidente	José Emílio Coutinho Garrido Castel-Branco	AG	28/08/2015	1 716.83	2
2015	Vogal	Duarte Manuel Ivens Pitta Ferraz	AG	28/08/2015	1 526.07	2
2015	Vogal	Issuf Ahmad*	AG	28/08/2015	1 526.07	2

⁽¹⁾ Resolution (R)/General Meeting (AG)/Unanimous Resolution in Writing (DUE)/Order (D)
* Resigned by letter dated 23-11-2020 (effective as of 31-12-2020)

(*) In accordance with article 391(4) of the Companies Code, approved by Decree Law 262/86, of 2 September, by reference to article 435(2) of the same Code, the members of the General and Supervisory Board will remain in office until such time as they are replaced. Since no new members were elected when members of remaining corporate bodies were elected, the members of the General and Supervisory Board did not change.

MEMBER OF THE GENERAL AND SUPERVISORY BOARD	2020 ANNUAL REMUNERATION (€)
	GROSS
José Emílio Coutinho Garrido Castel-Branco	
Duarte Manuel Ivens Pitta Ferraz	
Issuf Ahmad*	-1 526.07
	-1 526.07

* Figures are negative following settlement of remuneration effective as of 1 December, date of retirement of GSB member.

Statutory Auditor

According to the statutory framework established for IP, the responsibility for the company's audit falls to an official auditor or firm of official auditors appointed by Shareholder, upon the proposal of the General and Supervisory Board, in line with the powers and duties provided by law and these by-laws.

At the General Meeting of 19 March 2019 the Shareholder appointed firm Vitor Almeida e Associados, SROC, Lda (SROC no. 191, registered with the CMVM under no. 20161491), represented by partner Vitor Manuel Batista de Almeida (ROC no. 691, registered with the CMVM under no. 20160331) as Statutory Auditor of IP. This appointment was made for the 2018-2020 mandate.

TERM OF OFFICE (BEGINNING/ END)	POSITION	NAME OF STATUTORY AUDIT FIRM (SROC/ROC)			NAME			NO. OF YEARS AS STATUTORY AUDITOR IN THE GROUP	NO. OF YEARS AS STATUTORY AUDITOR IN THE COM- PANY
		NAME	STATUTORY AUDIT FIRM REGIS- TRATION NUMBER	CMVM REGIS- TRATION NUMBER	FORM (¹)	DATE	DATE OF CONTRACT		
2018-2020	Effective ROC	Vitor Almeida & Associados, SROC, LDA.	191	20161491	GM	19/03/2019	03/09/2019	4	4
2018-2020	Effective ROC	Vitor Manuel Batista de Almeida	691	20160331	GM	19/03/2019	03/09/2019	4	4
2018-2020	ROC Alternate	Not appointed							
2018-2020	ROC Alternate	Not appointed							

(*) General Meeting (AG)/Unanimous Resolution in Writing (DUE)/Order (D)
Note: effective (SROC and ROC) and alternate (SROC and ROC)

The Official Auditor's fees relating to the audit of the accounts were as follows:

NAME OF STATUTORY AUDITOR	ANNUAL VALUE OF SERVICE CONTRACT 2020 (€)			ANNUAL VALUE OF ADDITIONAL SERVICES 2020 (€)			
	AMOUNT (1)	REDUCTIONS (2)	FINAL AMOUNT (3) = (1) - (2)	SERVICE ID	AMOUNT (1)	REDUCTIONS (2)	FINAL AMOUNT (3) = (1) - (2)
Vitor Manuel Batista de Almeida	37 655.62	1 882.78	35 772.84	n.a.	n.a.	n.a.	n.a.

VITOR ALMEIDA & ASSOCIADOS, SROC, LDA		
FEES PAID TO THE OFFICIAL AUDITOR'S FIRM (for separate and consolidated accounts)		
(1) figure of the provision of audit services	47,667.35	86%
Tax consultancy services	0.00	0%
Figure for other services except for those in previous sub-paragraphs	7,933.50	14%
Total amount paid to audit firm	55,600.85	100%
BY ENTITIES WITHIN THE GROUP (including separate and consolidated accounts)		
Figure of the provision of audit services	0.00	
Tax consultancy services	0.00	
Figure for other services except for those in previous sub-paragraphs	0.00	
Total amount paid by Group entities to audit firm	0.00	

unit: €

External Auditor

The Statutes of IP, Article 21(q) provides that the General and Supervisory Board must select and replace the external auditor of IP, instructing the Executive Board of Directors thereon.

Following Restricted Tender launched by IP at national level, on 24 June 2020, the Company hired BDO & Associados, Sociedade de Revisores Oficiais de Contas, Lda to provide external audit services in 2020, 2021 and 2022.

The firm is registered with the Official Auditors Association under number 29 and with the Securities Commission (CMVM) under number 20161384.

IDENTIFICATION OF AUDITOR			CONTRACT DATE	DURATION OF CONTRACT	No. OF YEARS AS EXTERNAL AUDITOR IN THE GROUP	No. OF YEARS AS EXTERNAL AUDITOR IN THE COMPANY
NAME OF EXTERNAL AUDITOR	OROC No.	No. CMVM				
BDO & Associados, Sociedade de Revisores Oficiais de Contas, Lda.	29	20161384	24/06/2020	2020-2021-2022	1	1

NAME OF EXTERNAL AUDITOR	ANNUAL VALUE OF SERVICE CONTRACT 2020 (€)			ANNUAL VALUE OF ADDITIONAL SERVICES 2020 (€)			
	AMOUNT (1)	REDUCTIONS (2)	FINAL AMOUNT (3) = (1) - (2)	SERVICE ID	AMOUNT (1)	REDUCTIONS (2)	FINAL AMOUNT (3) = (1) - (2)
BDO & Associados, Sociedade de Revisores Oficiais de Contas, Lda.	13,642.20	-	13,642.20	-	-	-	-

8.7 Application of provisions in articles 32 and 33 of the Statute of Public Management Bodies (EGP)

The Public Manager Statute approved by Decree-Law no. 71/2007 of 27 March, as amended by Law no 64 -A/2008 of 31 December, re-enacted by Decree-Law no. 8/2016 of 28 January, and Decree Law 39/2016 of 28 July, provides as follows (article 32):

1. Public managers cannot use credit cards and other payment instruments to pay for expenses made on the company's behalf.
2. The refund of representation fees to public managers is not permitted.
3. The ceiling for communication expenses, including mobile and fixed telephone and internet is fixed by resolution of the general meeting, in the case of public limited companies, or by order of the relevant government member responsible for finance, in the case of public corporations, as published in the Official Gazette.
4. The sum in the previous paragraph is fixed according to the guidelines established for the purpose by shareholders or by Government decree, published in the Official Gazette, issued by the Government member responsible for the finance area, taking into account the ceiling set forth for the use of fixed and mobile telephones by key function holders (above 1st degree)."

Members of the Executive Board of Directors of IP do not use any credit cards or other payment cards to pay for any expenses made on the company's behalf.

IP does not refund any representation fees to members of the Executive Board of Directors.

As regards communication related expenses, in 2020 they were as follows:

MEMBER OF THE BD (NAME)	EXPENSES WITH MOBILE COMMUNICATIONS (€)		
	MONTHLY CEILING	ANNUAL AMOUNT	NOTES
António Laranjo	80.00	126.24	
José Saturnino Sul Serrano Gordo	80.00	168.12	
Carlos Alberto João Fernandes	80.00	104.37	
Alberto Manuel de Almeida Diogo	80.00	234.80	
Vanda Cristina Loureiro Soares Nogueira	80.00	117.48	
Alexandra Sofia Vieira Nogueira Barbosa	80.00	71.99	
		823,00	

Article 33 further provides that:

1. The ceiling for car related expenses of public managers is fixed by resolution of the general meeting, in the case of public limited companies, or by order of the relevant government member responsible for finance, in the case of public corporations, as published in the Official Gazette.
2. The sum mentioned in the previous paragraph is established in accordance with the guidelines issued by the Shareholder, or decreed by the relevant ministerial authority, and published in the Official Gazette.
3. The ceiling for fuel and toll expenses of allocated cars is fixed at one quarter of respective monthly representation allowances.
4. Managers cannot opt for the purchase of the vehicle allocated to their use.

MEMBER OF THE BD (NAME)	MONTHLY CEILING FOR FUEL AND TOLLS*	ANNUAL VEHICLE RELATED EXPENSES (€)			
		FUEL****	TOLLS	TOTAL***	NOTES**
António Laranjo	572.28	3 847.82	52.71	3 900.53	6 867.30
José Saturnino Sul Serrano Gordo	515.05	2 220.31	0.00	2 220.31	6 180.57
Carlos Alberto João Fernandes	515.05	1 844.06	0.00	1 844.06	6 180.57
Alberto Manuel de Almeida Diogo	457.82	3 027.00	0.00	3 027.00	5 493.84
Vanda Cristina Loureiro Soares Nogueira	457.82	2 453.81	220.35	2 674.16	5 493.84
Alexandra Sofia Vieira Nogueira Barbosa	457.82	1 539.34	96.13	1 635.47	5 493.84
				15 301.53	

* 25% of Representation fees
 ** Annual ceiling
 *** Total for 2 cars used in 2020
 **** Including electric power

8.8 Undocumented Expenses

According to provisions in Article 16(2) of Decree Law 133/2013, of 3 October, in line with the principle of financial transparency, public companies cannot have undocumented expenses.

Accordingly, IP did not record any undocumented expenses in 2020.

8.9 Report on Remuneration paid to Women and Men

In 2020 IP continued to follow good practices in what concerns gender equality, mutual respect and refusal of any discriminatory behaviours, including on the basis of gender.

IP 's active underwriting of gender equality principles is particularly shown in the activities and responsibilities assumed with CITE (Commission for Equality in Labour and Employment (CITE) and IGEN (Gender Equality Organisations Forum).

Reconciliation between personal, family and professional life has also gained a relevant place in the Company's concerns, following IP 's commitment to the implementation of 4552:2016 Standard pilot project (system for the reconciliation of professional, family and personal life).

The internal audit phase was successfully completed in 2020, and certification according to 4552:2016 Standard is expected to be completed during 2021.

In December 2020 IP Group had 3,555 employees, 856 of whom were women (24% of the total).

The imbalance between the number of men and women in IP Group reflects the asymmetry which characterises professional groups working in railway traffic control or road maintenance, which are typically more physically demanding, and where the weight of men is traditionally higher; the higher levels of seniority and lower turnovers are also a characteristic of these professional groups.

Legal constrains have prevented a natural renewal and rejuvenation of the workforce; this trend started being reversed in 2017, increased in 2019, and was continued in 2020; it is expected to be maintained in the next few years.

Additionally, following Council of Ministers Resolution 18/2014 (of 7 March), providing the adoption of measures viewing promoting equal pay of men and women, IP Group has issued on a regular basis its report on the remuneration of its workforce, viewing to identify and mitigate situations of wage inequality associated with gender. These reports are published on the Company's website:

<http://www.infraestruturasdeportugal.pt/pt-pt/sobre-nos/governo-societario/plano-para-igualdade>

8.10 Annual Report on the Prevention of Corruption

IP Group's Annual Report on the Implementation of the Risk Management Plan for Corruption and Related Offences (available for consultation on the website of Infraestruturas de Portugal, SA).

This reflects a pro-active, integrated and structured management approach of corporate risks, contributing moreover to a better understanding or business and supporting processes, and to the mitigation and prevention of fraud related phenomena.

Additionally, in February 2016 IP Group approved its Irregularities Disclosure Policy - based on the best practices recommended by the Portuguese Companies Code concerning Corporate Governance; in line with this policy, the Group has a direct, independent and confidential channel to communicate any situation detected or substantiated suspicion violating or jeopardizing:

- (i) Legal, regulatory, ethic principles, as well as internal rules and guidelines;
- (ii) the integrity of financial information and accounting practices;
- (iii) The property of IP Group Companies;
- (iv) The image of IP Group companies or good management practices, including areas such as conflicts of interest, mismanagement of funds, bad management and abuse of power.

Any irregularity detected must be reported in writing to the following addresses:

comunicacao.irregularidades@infraestruturasdeportugal.pt

or by post to:

Infraestruturas de Portugal, S.A.
Apartado 000533
EC Pragal - Almada
2801-602 ALMADA

8.11 Public procurement

Infraestruturas de Portugal is covered by the Public Procurement Code (PPC) approved by Decree Law 18/2008, of 29 January as amended by Decree Law 111-B/2017, of 31 August (as amended by correction notes 36-A/2017, of 30 October and

42/2017, of 30 November). In accordance with the PCC, the company adopted pre-procurement procedures, namely public tender, public tender with previous qualification, direct settlement (Criteria: Amount and Material) and Simplified Direct Settlement.

The company's procurement policy is based on the promotion of competition to ensure the best market conditions; accordingly, (national and international) public tenders are the preferred procurement method; direct settlements are restricted to specific cases, according to the subject of the contract and its framework.

As a rule, IP uses the electronic platform Anogov in its procurement procedures, ensuring strictness and transparency in contract procedures.

IP has a **Procurement Manual** governing all procurement activity of the Company and its subsidiaries, which is continuously revised to adjust to the current reality of IP's activity; the latest revisions of the Public Procurement Code dates from 2018. This document, which governs internal procedures relating to contract works, acquisition or lease of moveable assets and services, including a set of standard forms relating to documentation required in award processes, was approved in the first half of 2020.

In line with previous years, at the end of 2020 the Company prepared its Procurement Plan for 2021 for IP Group, revised according to the needs of each company, allowing to improve the planning and development of future procurement processes.

At the beginning of 2020 IP Group inaugurated a new procurement application, based on the company's activity, the new Public Procurement Code, and the Procurement Manual. This application further includes a tool for the assessment of suppliers and to identify those suppliers that better contribute to the company's efficient development. In 2020 several supporting sheets relating to this application were issued.

Additionally, two Technical Instructions were revised, which are crucial for Procurement processes:

- **Technical Instruction (GR.IT.018)** providing the information required to include in Procurement Applications concerning Multi Annual Commit-

ments. IP is subject to budget management mechanisms, among which those provided in Law 8/2012 – Law on Commitments and Arrears (as amended), which governs multi annual commitments. The Directorate-General for the Budget defined new communication and information procedures, which must instruct the application for multi annual expenses, subject to the relevant ministerial approval.

- **Technical Instruction (GR.PR.014)** concerning contracts subject to the Audit Court’s control, which clarifies the scope of application of Audit Court rules and other requirements to which the company is subject.

Additionally, Technical Instruction (GR.PR.016) which provides the methodology and criteria to assess the performance of suppliers.

Contracts above € 5 million:

OBJECT	TYPE OF PROCEDURE	SUPPLIER	TAX NUMBER	DATE OF AWARD	DATE OF CONTRACT	CONTRACT PRICE (€)
LBA Contract MAN-CLB section	International Public Tender	MOTA-ENGIL RAILWAY ENGINEERING S.A.	514950994	03/09/2020	30/12/2020	€ 68,850,000.00
F-LO023-MEL.TVE - Modernisation	International Public Tender	M.Couto Alves, S.A.	504213709	26/03/2020	23/07/2020	€ 61,527,907
LBA contract, SCD - MAN section	International Public Tender	Sacyr Somague, S.A.	503156000	15/10/2020	28/12/2020	€ 57,562,907
LBA contract, CLB - GUA section	International Public Tender	Somafel - Eng.Obras Ferroviárias SA	500272557	27/08/2020	16/11/2020	€ 53,112,000.00
LBA – Mod. Cerdeira/Vilar Formoso	International Public Tender	Somafel - Eng.Obras Ferroviárias SA	500272557	06/08/2020	15/12/2020	€ 42,897,907
SST Alandroal Protocol	Direct Settlement	REN - Rede Eléctrica Nacional, SA	507866673	24/06/2020	30/10/2020	€ 21,132,907
2020/2023 Cleaning IP Group facilities	International Public Tender	Ambiente & Jardim, II Multiservices	510314910	30/07/2020	28/09/2020	€ 15,351,103.04
Maintenance of points and crossings - NRN 2020/25	International Public Tender	Futrifer-Indústrias Ferroviárias SA	503038113	23/04/2020	03/07/2020	€ 12,626,820.26
Security and surveillance services 2020-2022	International Public Tender	PSG - Segurança Privada, SA	508170710	17/12/2019	04/03/2020	€ 11,228,560.92
		Delta Force, Unipessoal Lda.	513100369	17/12/2019	04/03/2020	€ 10,273,907
CCO RAPGL - 2020/2023	International Public Tender	INTEVIAL Gestão Integral Rodoviária	503970352	24/09/2020	24/11/2020	€ 10,025,213.61
Operation and Conservation Contract	International Public Tender	Construções J.J.R. & Filhos, SA	502197714	21/11/2019	06/02/2020	€ 9,680,000.01
O&M RAP Norte-Grande Porto,Braga,Viana	International Public Tender	INTEVIAL Gestão Integral Rodoviária	503970352	28/05/2020	06/07/2020	€ 8,297,379.33
Signalling of Entroncamento Station	Direct Settlement	Siemens Mobility, Unip. Lda	514750901	04/06/2020	24/08/2020	€ 7,982,051.00
Natural Fuel Management Services	International Public Tender	PERENE, SA	504338854	05/09/2019	11/03/2020	€ 7,590,059.75
Automatic Speed Control (ATPN)	Direct Settlement	Bombardier Transportation Portugal,	500274371	30/01/2020	08/04/2020	€ 6,970,765.79
Plant control services	International Public Tender	Grouping: Somafel – Engenharia e Obras Ferroviárias, SA/Floresta Bem Cuidada, Lda.		13/08/2020	12/11/2020	€ 6,589,122.90
		PERENE, SA	504338854	13/08/2020	12/11/2020	€ 6,202,977.75
		PERENE, SA	504338854	13/08/2020	12/11/2020	€ 4,989,796.58

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continuation

OBJECT	TYPE OF PROCEDURE	SUPPLIER	TAX NUMBER	DATE OF AWARD	DATE OF CONTRACT	CONTRACT PRICE (€)
F-LO023-MEL.CRA – Overall Supervision	Restricted Tender subject to pre-qualification	APPLUS NORCONTROL S.L.U.	B15044357	07/05/2020	27/11/2020	€ 6,524,308.70
Combustíveis Rodoviários 2019-2021	International Public Tender	Petróleos de Portugal-Petrogal-SA	500697370	07/11/2019	03/01/2020	€ 5,422,267.80
F-LO023-MEL.CRA – SST Runa e PAT	International Public Tender	Efacec Engenharia e Sistemas, S.A	502533447	07/05/2020	20/10/2020	€ 5,321,384.38
NRN Main. 1st line Electric Sign. system	Restricted Tender subject to pre-qualification	Grouping: Thales Portugal, SA / SISINT – Supervisão, Conservação, Manutenção e Gestão de Redes de Energia, Lda		13/02/2020	11/03/2020	€ 4,911,064.32
		Siemens Mobility, Unip. Lda	514750901	13/02/2020	11/03/2020	€ 4,600,699.19
		Siemens Mobility, Unip. Lda	514750901	13/02/2020	11/03/2020	€ 4,256,358.42
		Grouping: Thales Portugal, SA / SISINT – Supervisão, Conservação, Manutenção e Gestão de Redes de Energia, Lda		13/02/2020	11/03/2020	€ 4,140,767.25
Aq. AV para RIV Espinho / Gaia	Restricted Tender subject to pre-qualification	Futrifer-Indústrias Ferroviárias SA	503038113	26/12/2019	23/07/2020	€ 4,832,419.49
Toll Collection Services on A23	International Public Tender	Ascendi O&M	508677688	02/07/2020	20/08/2020	€ 4,410,000.00
Chemical Weeding 2019-2024 NRN	International Public Tender	MOTA-ENGL RAILWAY ENGINEERING S.a.	514950994	02/04/2020	12/05/2020	€ 3,847,859.01
Supervision RIV Espinho - Gaia	Restricted Tender subject to pre-qualification	COBA - Consultores de Engenharia	507826507	13/02/2020	26/10/2020	€ 3,751,575.00
L.Douro-Track renovation Pinhão/Tua	Public Tender	Ramalho Rosa Cobetar	500226504	27/08/2020	12/11/2020	€ 3,599,000.00
Slope Stabilisation - Lot 3 Régua-Ferrão	Restricted Tender subject to pre-qualification	Afávias - Eng e Construções, S.A	511023723	10/09/2020	18/11/2020	€ 3,558,056.89
Limpeza Higieneização Instalações IP	Direct Settlement	Ambiente & Jardim, II Multiservices	510314910	09/01/2020	09/03/2020	€ 3,408,134.40
Link to Avepark, Silvares Section	Public Tender	CANDIDO JOSÉ RODRIGUES, LDA	500326517	25/07/2019	26/03/2020	€ 3,378,882.90
Beira Alta Line - Cerdeira-Vilar Formoso - Supervision	Restricted Tender subject to pre-qualification	APPLUS NORCONTROL, S.L.	B15044357	09/07/2020	23/10/2020	€ 3,355,406.20
Acq. Material for Convel system	Direct Settlement	Bombardier Transportation Portugal,	500274371	25/06/2020	24/08/2020	€ 3,322,475.15
Aq. Beira Baixa Line AV	Restricted Tender subject to pre-qualification	Futrifer-Indústrias Ferroviárias SA	503038113	24/09/2020	11/11/2020	€ 3,309,944.14
Acq. Bibloc sleepers (TBBG)	International Public Tender	Satepor-Indústria de Travessas de	506528286	02/04/2020	15/05/2020	€ 3,120,907
NI-track imp. 2,040-3,900	Public Tender	MOTA-ENGL RAILWAY ENGINEERING S.a.	514950994	15/10/2020	18/11/2020	€ 2,993,546.48

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OBJECT	TYPE OF PROCEDURE	SUPPLIER	TAX NUMBER	DATE OF AWARD	DATE OF CONTRACT	CONTRACT PRICE (€)
Security and surveillance services -20-22	International Public Tender	PSG - Segurança Privada, SA	508170710	17/12/2019	04/03/2020	€ 2,595,505.32
EN13, km 25+335 to km 36+380 renovation	Public Tender	Construções Carlos Pinho Lda	503369489	07/05/2020	15/06/2020	€ 2,344,635.42
Maintenance services Acq. ETR 18-21	International Public Tender	Efacec Engenharia e Sistemas, SA	502533447	07/05/2020	28/07/2020	€ 2,288,510.73
Acq. Maintenance services 1 Line	Restricted Tender subject to pre-qualification	Grouping: Thales Portugal, SA/VIATEL - Tecnologia de Comunicações, SA		16/07/2020	27/10/2020	€ 2,269,390.30
		Efacec Engenharia e Sistemas, SA	502533447	16/07/2020	27/10/2020	€ 2,174,479.04
		Grouping: Thales Portugal, SA/VIATEL - Tecnologia de Comunicações, SA		16/07/2020	27/10/2020	€ 1,476,590.12
Slope stabilisation works-Douro Line	Public Tender	Domingos da Silva Teixeira SA	501489126	18/06/2020	19/08/2020	€ 2, 231,531.90
Acq. Noble Components for AV	International Public Tender	Futrifer-Indústrias Ferroviárias SA	503038113	10/09/2020	28/12/2020	€ 2,220,057.63
Domi IP/M.Setúbal-EN10-4	Direct Settlement	Municipality of Setúbal	501294104	24/01/2020	05/03/2020	€ 2,000,000.00
Cascais Line - Superstructure	Public Tender	MOTA-ENGIL RAILWAY ENGINEERING S.a.	514950994	16/07/2020	20/10/2020	€ 1,735,354.46
Toll Collection IP4 (A4) Marão Tunnel	International Public Tender	Ascendi O&M	508677688	09/01/2020	11/02/2020	€ 1,680,000.00
Renewal Microsoft license	International Public Tender	ITEN SOLUTIONS - SISTEMAS DE INFORMAÇÃO, S.A.	510728189	30/04/2020	22/05/2020	€ 1,645,433.26
NL- Contain. Works -Portas do Sol	Public Tender	Extrato - Const. Proxectos, S.A.	980427568	23/04/2020	10/11/2020	€ 1,571,289.81
Stabilisation of excavation slopes	Public Tender	Construções Pragosa, SA	502496878	16/04/2020	15/05/2020	€ 1,538,988.75

Resolution 1/2020 published on 4 May 2020 by the Audit Court governs the use of electronic means for prior supervision proceedings. This resolution was amended on 14 July, by Resolution 2/2020 and on 4 January 2021, by Resolution 4/2020.

Law 27- A/2020 was enacted on 24 July 2020, amending Law 2/2020, of 31 March (2020 State Budget), and additional laws. Article 7 of the said Law exempts from prior supervision contracts below € 750,000.

All contracts entered by IP in 2020 comply with the Organisational and Procedure Law of the Audit Court; accordingly, all contracts priced over the amount provided in article 48 of the said law were subject to the Audit Court's approval.

8.12 IP's Adhesion to the Public Procurement System

In line with CAE directives, the Public Procurement System is followed, whenever economically advantageous.

8.13 Measures to reduce operating expenses

The Business and Budget for 2020-2022 (20/22 BBP) was approved by Ministerial Order 991/2020 – SET, from the Secretary of State for the Treasury, on 31 December 2020, authorising:

- i) increase in personnel expenses by €M 3.1;
- ii) increase in travel expenses and allowances and expenses associated with the car fleet, by €M 1.8.

Against this background, the set of indicators identified by DGTF to assess the evolution of operational efficiency are shown below.

OPERATIONAL EFFICIENCY	2020	2020	2019	2018	CH IMPL.2020/ IMPL. 2019	
	BUDGET	IMPLEMENTATION	IMPLEMENTATION	IMPLEMENTATION	VALUE	%
(0) EBITDA	421 778 421	444 689 052	589 689 083	640 611 318	-145 000 032	-24.6%
(1) COGS	264 258 415	274 091 034	429 896 687	272 381 442	-155 805 653	-36.2%
(2) Supplies and services	333 656 636	303 256 156	304 085 896	271 318 846	-829 740	-0.3%
(3) Personnel expenses	130 307 171	127 218 388	127 320 165	125 784 428	-101 777	-0.1%
(3.i) Severance payments		-49 290	1 428 012	1 208 318	-1 477 303	-103.5%
(3.ii) Wage rises						
(3.iii) Impact of application of CBA	12 863 466	12 844 604	11 547 310	8 666 228	1 297 294	11.2%
(4) Personnel expenses for the purposes of determining operational efficiency (3 - 3.i) - 3.ii) - 3.iii))	117 443 705	114 423 075	114 344 843	115 909 883	78 232	0.1%
(5) Impacts of COVID-19 pandemic on operating expenses (Cost of Goods Sold, ESS, Personnel expenses) ^(a)	1 054 433	1 231 441			1 231 441	
(6) Operating expenses for the purposes of determining operational efficiency = (1) + (2) + (4) - (5)	714 304 323	690 538 823	848 327 426	659 610 171	-157 788 603	-18.6%
(7) Turnover (T) ^(b)	1 033 182 464	1 021 798 369	1 319 954 921	1 150 664 188	-298 156 552	-22.6%
(7.i) Loss of revenue due to COVID-19 pandemic	125 614 404	136 288 902			136 288 902	
(8) Turnover for the purposes of determining operational efficiency (7 + 7.i)	1 158 796 868	1 158 087 271	1 319 954 921	1 150 664 188	-161 867 650	-12.3%
(9) Weight of expenses / T = (6) / (8)	61.6%	59.6%	64.3%	57.3%	-4.6%	-7.2%
(i) Travel and Accommodation Expenses (ESS)	329 994	179 047	316 192	304 883	-137 144	-43.4%
(ii) Travel allowances (expenses with staff)	666 473	521 589	684 484	768 373	-162 894	-23.8%
(iii) Expenses with car fleet ^(c)	7 688 314	6 828 131	5 863 624	5 241 497	964 508	16.4%
(10) Total = (i) + (ii) + (iii)	8 684 781	7 528 768	6 864 299	6 314 754	664 469	9.7%
(11) Expenses with consultancy, studies and projects	2 275 806	1 230 479	1 470 248	1 658 116	-239 769	-16.3%
Total number of HR (CBS+MB+Employees)	3 424	3 359	3 369	3 430	-10	-0.3%
Number of corporate bodies (CB)	9	9	9	9	0	0.0%
Number of Management Offices (MB)	191	192	193	195	-1	-0.5%
Number of employees (excluding CB and MB)	3 224	3 158	3 167	3 226	-9	-0.3%
Number of employees / No. of managing posts	16.9	16.4	16.4	16.5	0	0.2%
Number of vehicles	724	727	743	743	-16	-2.2%

unit: €

a) The impacts of the measures taken to face the COVID-19 pandemic must be duly explained, broken down by measures taken

b) Turnover is corrected of operating subsidies, and compensatory allowances (-), as well as impacts for COVID-19 on sales and services (+). These impacts must be duly explained, broken down by measures taken

c) Expenses with vehicles include rents/payments, inspections, insurance, maintenance, repair, tires, taxes and duties

EBITDA

EBITDA in 2020, remains positive, despite the pandemic backdrop, reaching € 444.7 million, exceeding the amount foreseen in the approved 20/22 BBP (€ 421.8 million).

In comparative terms with 2019 EBITDA fell by € 145.0 million, which is mainly explained by the loss of revenue motivated by the pandemic; The impact on the Financial Statement was determined at € 136 million.

Weight of operating expenses on turnover

The weight of operating expenses on turnover adjusted for the Covid-19 impact, as determined by DGTF in 2020, stood at 59.6%, 2 p.p. less than provided in the approved 20/22 BBP, and 2.6 p.p. less vis-à-vis 2019.

In both cases, the operational efficiency indicator evolved favourably, in line with target.

The adjustment to turnover and operating expenses was made according to the terms described in chapters 6.6.1 and 6.6.2.

Travel and subsistence allowances and expenses, and fleet expenses

Travel expenses totalled € 179 thousand in 2020, less € 137 thousand than in 2019, and less € 151 thousand than estimated in the 20/22 BBP.

Subsistence expenses totalled € 552 thousand in 2020, less € 163 thousand than in 2019, and less € 145 thousand than estimated in the 20/22 BBP.

Expenses with the car fleet, including lease rent / payments, inspections, insurance, tolls, fuel, maintenance, repair, tires and taxes in 2020, totalled € 6.8 million, increasing by € 964 thousand in relation to 2019, but falling by € 860 thousand in relation to the 20/22 BBP.

This rise in relation to 2019 was provided for in 20/22 BBP, based on the following factors:

- Projected (and accomplished) renewal of the fleet in 2020, giving rise to increased extraordinary costs with repairs of vehicles to leasing companies;
- Increase in the cost of lease rents of existing leases (renegotiated at the end of 2019, beginning of 2020) and unforeseen contract extensions required until the delivery of the new vehicles;
- Impact of the COVID-19 pandemic on the delivery of the new vehicles, which required allocating vehicles to crucial operating functions/activities.

Against this background, when the 20/22 BBP was approved, the Secretary of State for the Treasury authorised an increase in travel expenses and allowances and expenses associated with the car fleet by €M 1.8.

This indicator was also fulfilled, since total travel and subsistence expenses and fleet expenses totalled € 7.5 million, i.e., € 665 thousand above 2019.

Expenses with consultancy studies, opinions and projects

Expenses with **Consultancy Studies, Opinions and Projects** totalled € 1.23 million in 2020, decreasing by € 240 thousand in relation to 2019, in line with the projected target.

Personnel expenses

Personnel expenses in 2020 totalled € 127.2 million, which is € 102 million less than in 2019.

Corrected of expenses associated with redundancy payments and wage increases defined pursuant to the Company's Collective Bargaining Agreement in force, personnel expenses totalled € 114.4 million, increasing by € 78 thousand over 2019 (+0,1%).

This indicator was also met, given that the Secretary of State for the Treasury had authorised an increase by € 3.1 million in these expenses.

8.14 Hiring of Consultancy Studies, Opinions and Projects, as provided in Article 49(7) of DLEO 2019

With a view to comply with article 49(7) of DLEO 2019, IP consulted Párpública about 14 procedures in 2020, namely:

PROCESSES	DESCRIPTION
5010044118	Acquisition of services for the design project for "EN222 - Ponte das Bateiras (km 152+490) and São João da Pesqueira (km 169+140), Renovation".
5010044645	Acquisition of services for the design project "EN118 - Samora Correia (km 35+200) / Salvaterra de Magos (km 53+000) - Improvement works"
5010044644	Acquisition of services for the design project "EN118 - Salvaterra de Magos (km 53+000)/Almeirim (km 74+070) - Improvement works"
5010041547	Acquisition of services for the renewal of IP Group websites.
10000035	Implementation of management training system;
5010044575	Acquisition of services for the design project " - IP 2 - Portalegre/Évora (km 209+510) and Estremoz (km 225+740) - improvement works (km 174+428) - Portalegre by-pass"
10000106	Acquisition of Landscape Assessment services Sap and Sap4Hana
10000047	Preparation of design project "ER 228 - Slope stabilisation: km 28+000 and 36 +000"
5010044120	Acquisition of services for "integrated Road Safety Study of IP7 - Eixo N/S, Km 5+720 km 6+400: Rearrangement of Telheiras/Carnide junction - Link to 2a Circular Km 5+720 to km 6+100 and pavement diagnosis of access to 2a Circular Km 6+400"
10003212	Acquisition of urgent and programmed disinfection of IP Group facilities, due to COVID-19
10003450	Beira Baixa Line - geotechnical survey Ponte do Tejo, PK 2,930
10003461	Revision of design project "IC15, km 000+000, Viaduto Engenheiro Duarte Pacheco. Seismic reinforcement
10003240	Technical Support to Supervision of Works - IP 1, km 132+500, Guadiana International Bridge. Renovations and replacement of bridge cables
10003618	Specialized consultancy on GEE - BUSINESS AMBITION 1.5C

8.15 State's Treasury Unit principle

The State Budget Law for 2020, in article 160, kept the obligation of public corporate companies to comply with the State's Treasury Unit principle. Accordingly, IP must keep its cash flows and financial applications in accounts with IGCP, whatever their origin or nature, and move any funds using the bank services made available by this entity.

The Company has been using all banking resources and functionalities made available by the IGCP, namely home banking services to pay the State and suppliers, employees and other entities or perform other banking operations.

Notwithstanding, the Company still has to use commercial banking services, where IGCP does not provide them. Every quarter IP reports the corresponding quarterly balances, using the online services of Directorate-General of the Treasury and Finance (DGTF) and the Directorate-General for the Budget (DGO).

In exceptional cases, as provided in article 115(5) of Decree Law 84 of 28 June 2019, the IGPC may waive compliance with the State's Treasury Unit principles for no more than two years, upon communication to DGO and DGTF.

Notice 1881/2020 of 31 December issued by IGPC authorised the waiving of compliance with the TUP din 2020 and 2021, in relation to the following banking services:

- a) Bank guarantees that cannot be replaced by security deposits;
- b) Paying agent service;
- c) Custody of securities that are not public debt.

As of 31 December 2020 the company held € 246.7 million with IGPC.

IGCP(**)	1 st QUARTER € thousand	2 nd QUARTER € thousand	3 rd QUARTER € thousand	4 th QUARTER € thousand
Demand deposits	381 779.0	162 203.2	156 310.0	3 492.0
Financial applications	-	-	-	243 250.0
Total	381 779.0	162 203.2	156 310.0	246 742.0

Liquid assets with commercial banks are distributed as follows:

RETAIL BANKING	1 st QUARTER € thousand	2 nd QUARTER € thousand	3 rd QUARTER € thousand	4 th QUARTER € thousand
Novo Banco	22.2	22.1	0.4	0.6
BBPI	162.6	255.9	433.4	109.2
Santander	130.4	28.3	43.8	1.6
BBVA	35.2	33.1	33.3	32.9
CBI	0.8	0.8	0.8	0.3
BCP	110.8	66.4	61.4	13.4
CGD	453.9	276.0	572.1	-5 925.7
Total	915.9	682.7	1 145.2	-5 767.7
Juros auferidos				

Nota: Os valores considerados referem-se aos saldos contabilísticos no final de cada um dos períodos indicados.

8.16 Recommendations deriving from audits carried out by the Audit Court

In respect of recommendations issued by the AC in reports of the last three years, we point out the following:

COMPLIANCE WITH LEGAL GUIDELINES 2020	FULFILMENT			QUANTIFICATION/IDENTIFICATION	JUSTIFICATION/REPORT SECTION
	Y	N	NA		
2018					
Audit to implementation of Contract Works "EN10 - Porto Alto (km 110+646)/Vila Franca de Xira (km 118+560) - Renovation" Additional Contract - Audit Court Report 2/2018					
Recommendation 1 Strictness in the preparation and control of public works projects, as provided in Article 43(1) of the Code of Public Contracts, as amended in Annex III to Decree Law 111-B/2017, of 31 August;	Y				Measures adopted <ul style="list-style-type: none"> Set up of work group to analyse the conclusions of the said report and prepare proposals, in the light of the recommended review of practices/procedures. Upon the proposals of the work group, the EBD issued Resolution 26.IP.2018, of 29/11/2018, which provides a set of directives to adjust IP's procedures to the new guidelines conveyed by the Audit Court
Recommendation 2 Awarding of additional works, namely as regards the legal assumptions and limits provided in article 370 to 378 of the CPC;	Y				
Recommendation 3 In respect of awarding procedures of public contract works (article 19 and following of CPC);	Y				
Recommendation 4 Powers relating to the authorisation of expenses for additional works and/or works to correct errors or omissions, taking into account the rules governing IP, SA and powers of respective corporate bodies;	Y				
Recommendation 5 Responsibility of the co-contracting partner and third entities, as regards works to correct errors or omissions, in the light of the existing legal framework (article 378 of the CPC)."	Y				
2019					
Audit to the development of contract works "Current maintenance under 2013/2016 Contract - Santarém District" Additional Contracts - Audit Court Report 4/2017					
Recommendation 1 Strictness in the preparation and control of public works projects, as provided in Article 43(1) of the Code of Public Contracts, as amended in Annex III to Decree Law 111-B/2017, of 31.08 August;	Y				Measures adopted <ul style="list-style-type: none"> The implementation of these recommendations was subject to the measures adopted in 2018, following the directives of the Audit Court in its report no. 2/2018.
Recommendation 2 Awarding of additional works, namely as regards the legal assumptions and limits provided in article 370 to 378 of the CPC;	Y				
Recommendation 3 In respect of awarding procedures of public contract works (article 19 and following of CPC);	Y				
Recommendation 4 Powers relating to the authorisation of expenses for additional works and/or works to correct errors or omissions, taking into account the rules governing IP, SA and powers of respective corporate bodies;	Y				

to be continued

continuation

COMPLIANCE WITH LEGAL GUIDELINES 2020	FULFILMENT			QUANTIFICATION/IDENTIFICATION	JUSTIFICATION/REPORT SECTION
	Y	N	NA		
2020					
Audit "Opinion on CGE – Operability of Infrastructures and Transports" Report 1/2020 – 2nd Section					
RECOMMENDATIONS To the Government, through officials responsible for the areas of finance and infrastructures					Measures adopted
Recommendation 1 Promote the conditions necessary to carry out the investment provided in PETI3+ 2014/2020, revised in NIP 2030 released on 12/01/2019 (without financing deficit).	Y				Measures adopted – Recommendations 1, 3 and 4 The following measures are being implemented: 1. Authorisation to Strengthen IP workforce; 2. Orders on the delegation of powers to IP's EBD – Commitment of Expenditure
Recommendation 3 Urgently obtain the funding necessary to at least, change the status of the assessed infrastructures from "non satisfactory" to "satisfactory".	Y				
Recommendation 4 Obtain, in the short-term, the funding necessary to at least, change the status of the assessed infrastructures from "requiring attention" to "satisfactory".	Y				
Recommendation 2 Ensure that the information on the implementation of PETI3+ is reliable and complete.	Y				Measures adopted – Recommendation 2 Viewing to comply with control procedures currently in force at IP, the following measures are being implemented: 1. Half-year report on the Financial Development of PETI3+ for the AC 2. Completion of the Integrated Global Planning
Recommendation 5 Promote the improvement of the risk management relating to the operability of transport infrastructure, in order to strengthen user confidence.	Y				Measures adopted – Recommendations 5, 6 and 7 As regards the assets under IP's direct management, IP has implemented 2 dedicated management systems, supported by 3 applications. The EWMS (Engineering Works Management System), covering the railway and road networks, which is supported by GOA application as concerns roads, and GOA Web, as regards the railway, and SGPav (Pavement Management System), for the road network. As regards the assets under sub-concession, respective sub-concessionaires, as responsible for their management, also have management systems implemented; IP has access to such information, which allows it to monitor quality, on a regular basis, checking the fulfilment of standards, as provided in the Quality Control Plans (QCP) established in each Sub-concession Contract. IP processes are audited and certified by an external entity according to ISO 9001:2015 and ISO55001:2014, thus fulfilling international good practices relating to Quality Management and Asset Management, respectively. These processes ensure the availability of infrastructures in adequate operating conditions.
Recommendation 6 Implement a management system for the universe of transport infrastructures (whether under state company management or subject to concession) providing regular information on their status (conservation and condition) and inspection (major, routine and underwater, if applicable), to ensure a timely assessment and efficiently prevent non-operability.	Y				
Recommendation 7 Create and disclose on a regular basis, risk matrices by segment, of transport infrastructures by risk group, according to the probability and risk of their non-operability, as well as the measures taken and to be taken to mitigate such risk, if material.	Y				

8.17 Preparation and Disclosure of the Equality Plan

The Group's Equality Plan Report for 2020 is available on IP website:

<https://www.infraestruturasdeportugal.pt/pt-pt/sobre-nos/governo-societario/plano-para-igualdade>

8.18 Non-Financial Statement

This Management Report included in Annual Report and Accounts for 2020 includes the non-financial statement, in accordance with article 66B(1)(2) and article 508G of the Companies Code, following the guiding principles of the Global Reporting Initiative (GRI).

The report makes explicit reference to the disclosure of non-financial information, specifically in chapter 1, where the integrated reporting model adopted by IP is explained, and where non-financial information is subject to a new approach.

The information is duly described in GRI table (Part V of the report, by reference to the different subjects provided in article 66B and article 508G of the Companies Code and respective disclosure in the integrated report.

8.19 Information available on the State-owned company sector (SEE) website

INFORMATION TO BE PROVIDED ON THE SEE WEBSITE	DISCLOSURE	NOTES
	Y/N/NA	
Articles of Association	Y	on SEE website
Company characteristics	Y	www.infraestruturasdeportugal.pt/
Supervising and shareholder function	Y	on SEE website
Governance model/Members of governing bodies		
Identification of Governing Bodies	Y	SIRIEF Report and Accounts published on IP website Corporate Governance Report published on IP website
Fixed remuneration regime	Y	SIRIEF Report and Accounts published on IP website Corporate Governance Report published on IP website
Disclosure of remuneration of Corporate Bodies	Y	SIRIEF Report and Accounts published on IP website Corporate Governance Report published on IP website
Identification of functions and duties of members of the Board of Directors	Y	SIRIEF Relatório e Contas divulgado no site da IP Relatório Governo Societário divulgado no site da IP
Resumés of the members of governing bodies	Y	SIRIEF Report and Accounts published on IP website Corporate Governance Report published on IP website

to be continued

continuation

INFORMATION TO BE PROVIDED ON THE SEE WEBSITE	DISCLOSURE	NOTES
	Y/N/NA	
Public financial effort	Y	SIRIEF Report and Accounts published on IP website Corporate Governance Report published on IP website
Summary	Y	SIRIEF Report and Accounts published on IP website Corporate Governance Report published on IP website
Historic and current financial information	Y	SIRIEF Report and Accounts published on IP website Corporate Governance Report published on IP website
Good governance principles		
Internal and external regulations which the Company must comply with	Y	SIRIEF Report and Accounts published on IP website Corporate Governance Report published on IP website
Relevant transactions with related entities	Y	SIRIEF Report and Accounts published on IP website Corporate Governance Report published on IP website
Other transactions	Y	SIRIEF Report and Accounts published on IP website Corporate Governance Report published on IP website
Analysis of the Company's sustainability in the following areas		
Economic	Y	SIRIEF Report and Accounts published on IP website Corporate Governance Report published on IP website
Social	Y	SIRIEF Report and Accounts published on IP website Corporate Governance Report published on IP website
Environmental	Y	SIRIEF Relatório e Contas divulgado no site da IP Relatório Governo Societário divulgado no site da IP
Assessment of compliance with the principles of good corporate governance	Y	SIRIEF Report and Accounts published on IP website Corporate Governance Report published on IP website
Code of Ethics	Y	www.infraestruturasdeportugal.pt/pt-pt/sobre-nos/governo-societario/codigo-de-etica

8.20 Summary Table of Compliance with Legal Guidelines

COMPLIANCE WITH LEGAL GUIDELINES 2020	FULFILMENT			QUANTIFICATION/ IDENTIFICATION	JUSTIFICATION/REPORT SECTION
	S	N	NA		
Management Goals					
Core Revenues – Cash (€ M)	x			1.136 M€	Point 8.1 of the Management Report.
Total Cash Flow (€ M)	x			-989.1 M€	Point 8.1 of the Management Report.
FERROVIA 2020/PETI3+ Aggregate indicator (%)		x		75%	Point 8.1 of the Management Report.
Aggregate indicator (except FERROVIA 2020 / PETI3+) (%)		x		76%	Point 8.1 of the Management Report.
Road Service Levels (%)	x			100%	Point 8.1 of the Management Report.
Railway Service Levels (%)		x		73%	Point 8.1 of the Management Report.
Goals to achieve as provided in BBP 2020					
Weight of operating expenses/turnover	x				Point 8.13 of the Management Report.
Travel and accommodation	x				Point 8.13 of the Management Report.
Subsistence allowances	x				Point 8.13 of the Management Report.
Car fleet	x				Point 8.13 of the Management Report.
Consultancy Studies, Opinions and Projects	x				Point 8.13 of the Management Report.
Personnel Expenses	x				Point 8.13 of the Management Report.
Investment		x			Point 5.3 of the Management Report.
Level of Implementation of the Budget downloaded in SIGO/SOE					
Level of Implementation of the Budget downloaded in SIGO/SOE	x			103%	Point 8.1 of the Management Report.
Management of financial risk					
Management of financial risk	x			2%	Point 8.2 of the Management Report.
Limits to indebtedness growth					
Limits to indebtedness growth	x			-0.40%	Point 8.3 of the Management Report.
Evolution of the APP to suppliers					
Evolution of the APP to suppliers	x			5	Point 8.4 of the Management Report.
Disclosure of payment arrears					
Disclosure of payment arrears	x				Point 8.4 of the Management Report. Payment periods are contractually agreed by IP and its suppliers. Where invoices are correct and comply with the legal and tax requirements they are paid up to due date (or approximate date). As result, IP does not have overdue payments.

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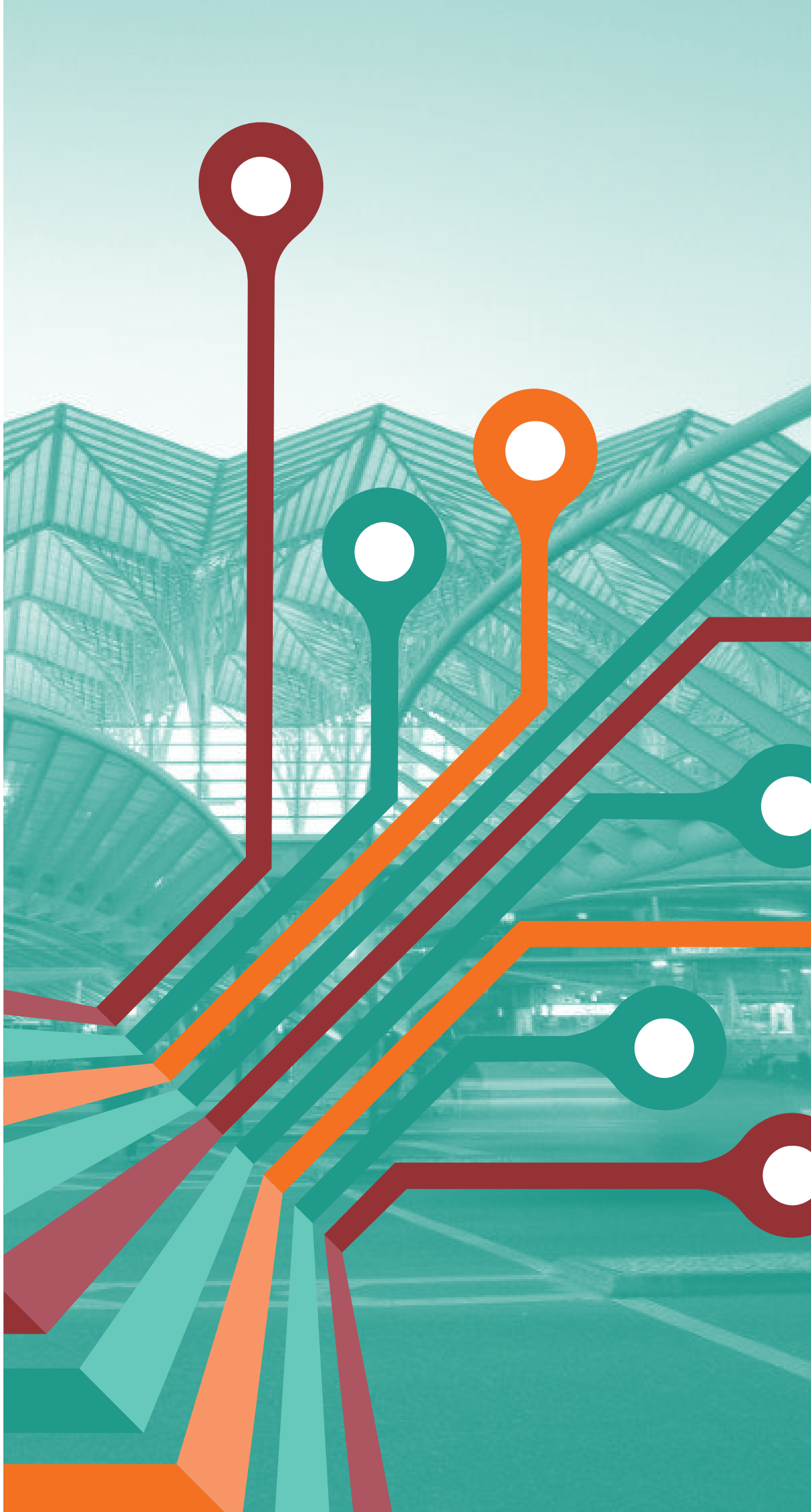
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COMPLIANCE WITH LEGAL GUIDELINES 2020	FULFILMENT			QUANTIFICATION/ IDENTIFICATION	JUSTIFICATION/REPORT SECTION
	S	N	NA		
Shareholder recommendations in the latest approval of accounts					
Shareholder recommendations in the latest approval of accounts:	x				Point 8.5 of the Management Report.
Non-payment of management bonuses			x		Point 8.6 of the Management Report.
Remuneration					
BD - reduction in remuneration in force in 2020 (if applicable)	x				Point 8.6 of the Management Report.
Supervision (AB/OA/FU) - reduction in remuneration in force in 2020 (if applicable)	x				Point 8.6 of the Management Report.
External Auditor - reduction in remuneration in force in 2020 (if applicable)	x				Point 8.6 of the Management Report.
EGP - article 32 and 33					
Non-use of credit cards	x				Point 8.7 of the Management Report.
Non-reimbursement of personal expenses	x				Point 8.7 of the Management Report.
Ceiling on communication expenses	x				Point 8.7 of the Management Report.
Maximum monthly fuel and other vehicles expenses	x				Point 8.7 of the Management Report.
Non documented or confidential expenses - Art. 16(2) of RJSPE and art. 11 of EGP					
Non documented or confidential expenses not permitted	x				See point 8.8 of the Management Report - According to provisions in article 16(2) of Decree-law 133/2013 of 3 October, in 2015 IP had no non documented expenses.
Promotion of equal opportunities for women and men - no. 2 of CMR 18/2014					
Preparation and disclosure of report on remuneration paid to women and men	x				See point 8.9 of the Management Report - According to Council of Ministers Resolution 18/2014, of 7 March, State corporate companies must prepare and disclose every 3 years their report on the remuneration paid to women and men. The report relating to 2020 is published on the website of Infraestruturas de Portugal. www.infraestruturasdeportugal.pt/pt-pt/sobre-nos/governo-societario/plano-para-igualdade
Prevention of Corruption					
Preparation and disclosure of annual report	x				See point 8.10 The report is available for consultation at the website of Infraestruturas de Portugal; www.infraestruturasdeportugal.pt/sobre-nos/governo-societario/informacao-de-gestao

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COMPLIANCE WITH LEGAL GUIDELINES 2020	FULFILMENT			QUANTIFICATION/ IDENTIFICATION	JUSTIFICATION/REPORT SECTION
	S	N	NA		
Public procurement					
Application of public procurement rules by the company	x				See point 8.11 of the Management Report.
Application of public procurement rules by subsidiaries	x				See point 8.11 of the Management Report.
Contracts submitted to the prior approval of the CA	x				See point 8.11 Management Report All contracts entered into by IP in 2019 comply with the Organisational and Procedure Law of the Court of Auditors, which provides that contracts with a value greater than € 350,000 must be approved by the Audit Court.
Adhesion to the National Public Procurement System					
Company's adhesion	x				See point 8.12 of the Management Report.
Operating expenses of State-owned companies					
Operating expenses of State-owned companies	x				See point 8.13 of the Management Report.
Hiring of consultancy studies and projects (article 49 of DLEO 2019)					
Hiring of consultancy studies and projects (article 49 of DLEO 2019)	x				See point 8.14 of the Management Report.
State's Treasury Unit Principle (article 28 of DL 133/2013)					
Cash and liquid assets deposited with IGCP	x			€ 246.7 million	See point 8.15 of the Management Report.
Cash and deposits in banks	x			-€ 5.8 million	See point 8.15 of the Management Report.
Interest earned following UTE non compliance handed over to the State	x				See point 8.15 of the Management Report. No interest were earned on non-Treasury applications
Audit Court Audits					
Recommendation following Audit by Audit Court	x				See point 8.16 of the Management Report.
Preparation of the Equality Plan					
Preparation and Disclosure of the Equality Plan	x				See point 8.17 of the Management Report. www.infraestruturasdeportugal.pt/pt-pt/sobre-nos/governo-societario/plano-para-igualdade
Presentation of Non-Financial Statement					
Preparation and Disclosure of Non-Financial Statement	x				See point 8.18 of the Management Report.



9. EFFECTS AND IMPACT OF THE COVID-19 PANDEMIC

The emergence of the Covid19 pandemic is having sharp impact on the Portuguese economy and IP's activity as well.

The company implemented a global contingency plan, divided into several sector contingency plans, covering the business and corporate areas, taking into consideration the specificity and risk associated with the activity developed.

IP is ensuring the normal operation of the road and railway infrastructures and developing its investment plan in line with respective programmes. This reality can be seen in the evolution of investment (own network) and conservation activities vis-à-vis the same period of 2019.

The protection of employees is ensured, in line with the directives of the National Health Authority (DGS).

At operational level the impact is practically null, however, at financial and economic levels, the impact is considerable given the sharp reduction in railway and road travels, as a result of circulation restrictions.

It is worth pointing out that IP has worked and is working closely with its shareholder, the State, in order to implement the most adequate solutions to meet additional funding requirements and thus safeguard the Company's financial sustainability.

The real estate business under the management of IP Património was also impacted by the Covid-19 pandemic, having required measures to mitigate the business and financial effects hitting the sub-concessionaires of IPP. As a result, in accordance with article 11 of Law 4-C/2020 of 6 April and subsequent amendments, in addition to the moratoria granted concerning March rents, other easing measures were granted, such as payment exemption a reduction in ompensation payments. Notwithstanding the above, the measures adopted by the management of IP Património jointly with the shareholder ensure the continuity of the activity of IP Património.

The impact of the Covid-19 pandemic of the activity of the IP Group in terms of loss of revenues, increase in costs, and the actions developed to protect public health and the health of employees is described hereinbelow.

9.1 Impact on results

In comparative terms with 2019, in 2020 Sales and Services fell by €M 304, of which €M 139 had direct impact on results, namely as concerns the RSC (-€M 117), IP road tolls (-€M 9), Railway fee (-€M 8) and Real Estate Management (- €M 5).

The remaining loss in income from Sales and Services in 2020 vis-à-vis 2019 (€M 165) has no impact on results, as it was offset against Cost of goods sold and External Supplies and Services toll collection expenses.

This loss in the amount of €M 165 derives mainly from the reduction in income associated with sub-concession contracts (-€M 150, as a result of the renegotiation completed in 2019), income from tolls of State Concessions (-€M 47) and respective collection expenses (-€M 3), partly offset by an increase in revenue from road construction contracts (+€M 33).

Summing up, the reduction in revenues/income due to the COVID-19 pandemic had a direct impact on pre-tax results of IP Group of -€M 139.

However, total loss in revenues due to the pandemic amount to €M 186. The difference concerns the loss of toll revenue on the concession network, which has no impact on results.

REVENUES (ECONOMIC STANDPOINT)	IMPLEMENTATION 2019	IMPLEMENTATION 2020	CHANGE	%
RSC	701 538 806	584 088 599	-117 450 207	-17%
Tolls IP Roads (Own Network + Subconc.)	58 293 616	49 378 131	-8 915 485	-15%
Rail Services	81 158 178	73 276 885	-7 881 293	-10%
Management of real estate property	16 958 000	12 007 000	-4 951 000	-29%
TOTAL w/Impact PF	857 948 600	718 750 615	-139 197 985	-16%
Tolls Concessioned Network	276 665 138	229 456 635	-47 208 503	-17%
TOTAL Loss of Revenues	1 134 613 738	948 207 250	-186 406 487	-16%
unit: €				

An analysis by segment shows that the larger impact was felt by revenues associated with the use of the road network, namely Road Service Contribution and toll revenues

This reduction in the use of the road network is shown in the following figures:

- i) Decrease in diesel consumption by 14. % and gasoline consumption by 17,5%, over 2019;
- ii) Decrease in toll transactions by 134 million (-21%) over 2019.

As far as the railway network is concerned, the impact was lower, having affected the months of March and April in particular, which were the months when the National Emergency States were in force.

Additionally, the Group recorded significant losses (in % terms) in the business volume associated with the management of real estate, activity developed by IP Património.

9.2 Expenses arising from the fight against the pandemic

Total expenses recorded with working organisation measures, mitigation and fight against the Covid-19 pandemic in 2020 totalled €M 2.0, as follows:

- Cleaning and disinfection measures: € 857 thousand;
- Purchase of masks, gloves, temperature controllers, disinfection products: € 466 thousand;
- Purchase of laptops, software and telecommunication expenses € 585 thousand;
- Communication plan, increase in number of vehicles and electric equipment: € 96 thousand.

As some of this expenditure was recognised as investment (acquisition of laptops and body temperature metering devices), for the purposes of correction to determine the operating efficiency indicator (chapter 8.13), the amount considered was €M 1,231.

9.3 Operational activity

IP's operating activity did not suffer any relevant impact thanks to the mitigation measures implemented and the working model adopted, as can be seen at various levels:

- Maintenance of high levels of maintenance and repair activities;
- Increase in the financial implementation of investment activities by 29% over 2019;
- The road and railway networks remained completely available always.

9.4 Mitigation Measure and Work Organisation Model

The company implemented a global contingency plan, divided into several sector contingency plans, covering the business and corporate areas, taking into consideration the specificity and risk associated with the activity developed. Some of the most relevant measures implemented are show below:

Employee Protection Measures

- Relevant information is provided continuously via intranet to all employees of IP Group;
- PPE and other equipment and material for personal protection are provided, focused employees working in critical areas.

TYPE OF EQUIPMENT/MATERIAL	TOTAL
Masks (units)	62 809
Alcohol-based sanitizers	196 207
Alcohol-based sanitizer (litres)	6 358
Alcohol-based sanitizer - stations (litres)	2 235
Specific material for the kindergarten	2 000

- Installation of temperature measuring equipment in 15 critical facilities and facilities with over 50 employees.
- Cleaning and disinfection of facilities reinforced daily in work areas (965 places cleaned and disinfected daily).
- Nebulization of workstations where there is continuous flow of people or which are continuously occupied (shift work); 270 programmed operations and 102 urgent operations were carried out in 2020.
- Use of UV-C radiation equipment in the kindergarten.
- Installation of UV-C air cleaners in critical areas with no natural ventilation.
- Constant cleaning of tables and chairs at the canteen during meal hours (organised in shifts).
- Testing of employees performing critical functions (railway control and command traffic) and any other working at the workstation and showing symptoms compatible with Covid-19 or having had contact with positive cases. Approximately 1,100 tests were made in 2020.

Work Organisation Measures

- Temporary decentralisation of workers at the Railway Operation Control Centres, viewing to reduce infection risk.
- Mixed remote/on-site work for work that can be performed remotely.
- Monitoring and follow-up of Covid-19 suspected and positive cases.
- Computer and telecommunication equipment and devices were distributed to employees performing remote work.

Physical Organisation Measures

- Distancing between workstations, call for social distancing, priority given to digital platforms for meetings, preference for open spaces, rules for the use of lifts (max. 1 or 2 people).
- Increase in cleaning/disinfection, namely in areas of shared use (copying machines, coffee machines, etc.).
- Organisation of the canteen in order to ensure the necessary social distancing during meals; time scheduling, reserved places, continuous cleaning). Organisation of additional meal areas, to prevent concentration of people.
- Availability of means to clean/disinfect cars and vehicles, where necessary.
- Flexibility of working hours, to avoid concentration of people.

CONTACT WITH THE PUBLIC

At Railway Stations:

- Installation of alcohol-based sanitizer in stations and display of audio and image messages to users.
- Awareness raising of security agents working in the railway network, to promote social distancing.
- Increase in daily cleaning and disinfection of stations with relevant passenger flows.
- Implementation of disinfection system addressed to emergency teams, to promptly respond to suspect cases.

At IP Regional Offices:

- Face-to-face service subject to prior appointment.
- Use of PPE by workers and availability of alcohol-based sanitizers.
- Installation of acrylic protections.
- Increased cleaning of common areas.

9.5 Public-Private Partnerships

As regards Public-Private Partnerships, following the declaration of the state of emergency, several sub-concessionaires and toll collection service providers notified IP that the pandemic declared by the WHO constituted a case of force majeure, thereby triggering the effects provided in respective contracts.

The pandemic situation also triggered restrictions to the free movement of people and the free exercise of economic activity.

These restrictions of rights correspond to the fulfilment of a contractual obligation, i.e. whenever an event occurs which private partners consider to qualify and lead to a financial disequilibrium of the sub-concession, they are required to communicate such situation to IP.

On the other hand, as they comply with this requirement, private partners are also required to communicate which obligations can be complied with and which cannot, for how long, and what are the mitigation measures that were adopted.

However, despite the restriction of rights mentioned above, no claim was made so far viewing the reinstatement of the financial balance.

9.6 Third Wave of the COVID-19 pandemic

Following the measures implemented or which may be taken in articulation with the Shareholder, if necessary, the exceptional circumstances of the 3rd wave of the COVID-19 pandemic occurred at the beginning of 2021, did not jeopardize the continuity of IP and IP Group operations.

10. SUBSEQUENT EVENTS

3rd wave of the Covid-19 pandemic

A set of consecutive regulatory decrees were published in 2021, imposing and renewing a State of Emergency, giving rise to several restrictions to business activity and the free movement of people, with a view to contain the spreading of the pandemic.

This situation had obvious impact on the activity of the IP Group.

As far as the road and railway activity is concerned (High Performance and Road and Railway Infrastructure segments) we point out a direct fall in Revenue during the first quarter of 2021, of about €M 24.5 as against estimated budget figures, of which €M 14.7 are expected to have a direct impact on results, namely revenues from the Road Service Contribution, IP road tolls, and railway fees by respectively, €M 11.6, €M 2.2 and €M 0.9.

Additionally, revenues from State Concessions tolls fell by €M 9.8.

As for the Management of Property and Commercial Areas segment, the set of decrees published in the first quarter of 2021 required a monthly follow-up and the implementation of measures directed to the segment's different clients, according to their specific characteristics, with direct impact on results of €M 1.1.

It should be mentioned that IP maintained throughout 2020 a close cooperation with the State shareholder, in order to implement the most adequate solutions to meet additional funding requirements and thus safeguard the Group's financial sustainability and its ongoing operation.

Share capital increase

Pursuant to unanimous written corporate resolutions dated 25 February 2021 and 6 April 2021, the share capital of IP was increased by € 393,605 thousand and € 22,080 thousand, through the issue of respectively, 78,721 and 4,416 shares with the nominal value of € 5,000 per share, subscribed and paid up by the Portuguese State, as shareholder.

Interim Decision – Rotas do Algarve Litoral (RAL)

On 9 March 2021 the Arbitration Court decided as a precautionary measure, to sentence IP to pay RAL the amount of €M 30 for works already carried out and a monthly amount of €M 1.2 until e 1.2,2M€ until a decision on the main proceedings is reached.

Toll reduction new law

The 2021 State Budget (articles 425 and 426) approved the introduction of reductions in toll rates, which implies a significant fall in IP toll revenues. The Government has not yet established how this measure will be applied or which corresponding compensatory measures will be provided.

11. OUTLOOK

Projections for 2021 and the following years consider a strong increase in expenditure, both according to the Programmes currently in an advanced development stage (Ferrovia 2020, PETI3+ and Business Areas Enhancement Plan), and according to the recent National Investment Programme 2030 (NIP 2030) and Recovery and Resilience Plan (RRP).

The Ferrovia 2020 Investment Programme is 81% completed/works under way/under awarding phase; the financial implementation in 2021 is expected to reach € 300 million. In 2021 major works will be under way in the National Railway Network, namely: Renovation Works on the north Line - Ovar/Gaia section, Renovation Works across the Beira Alta Line (except for the Guarda/Cerdeira section, which was completed in 2020), and Construction of the International South Corridor - Évora/Elvas section.

Investment in the road network will also increase sharply in 2021; projected implementation stands at € 45 million specifically as regards PETI3+ and BAEP investment. The largest works to be carried out in 2021 is the Link Road of Escariz Business Area to A32, estimated at € 30.4 million.

In respect of investment plans NIP2030 and PRR, the focus in 2021 will be the development of respective projects, a significant part of which is already in awarding phase.

Following the significant rise in maintenance and repair activities on the road and railway networks occurred over the last few years after years of reduced investment, the volume of activity has stabilised, though it is likely to increase again in 2021.

From an operational point of view, we do not expect further hindrances motivated by the Covid-19 pandemic, thanks to the measures adopted; from an economic and financial point of view, uncertainty lingers on in relation to the evolution of the pandemic, which will depend on the success of the ongoing vaccination process under way.

Additionally, a significant impact is expected following the introduction of a new toll collection regime, as approved by 2021 Budget Law 2021 (Articles 425 and 426), which will adversely affect toll collection revenues.

In 2021 a new Framework Contract for the management of the National Railway Network (NRN) will be entered into with the Portuguese State, covering the 2021/2025 period. This contract will provide and govern the terms and conditions of the public service requirements of IP regarding the management on the NRN infrastructure, as well as ensuing compensatory allowances payable by the State. The Framework Contract is currently being discussed by the relevant (financial and sector) ministerial authorities, and will replace the 1st Framework Programme dated 2016, which will terminate on 30 June 2021.

12. PROPOSAL FOR APPROPRIATION OF RESULTS

As provided in IP Statutes, the Executive Board of Directors proposes to the General Meeting the Annual Report and Accounts for 2020, the approval of the appropriation of net results for the year in the negative amount of € 56,199,361.92 (fifty-six million, one-hundred and ninety-nine thousand three hundred sixty-one Euro and ninety-two cents) as follows:

Cumulative results: -€ 56,199,361.92

Almada, 21 April 2021

The Executive Board of Directors

Chairman, ANTÓNIO CARLOS LARANJO DA SILVA

Digitally signed document

Vice-Chairman, JOSÉ SATURNINO SUL SERRANO GORDO

Digitally signed document

Vice-Chairman, CARLOS ALBERTO JOÃO FERNANDES

Digitally signed document

Member, ALBERTO MANUEL DE ALMEIDA DIOGO

Digitally signed document

Member, VANDA CRISTINA LOUREIRO SOARES NOGUEIRA

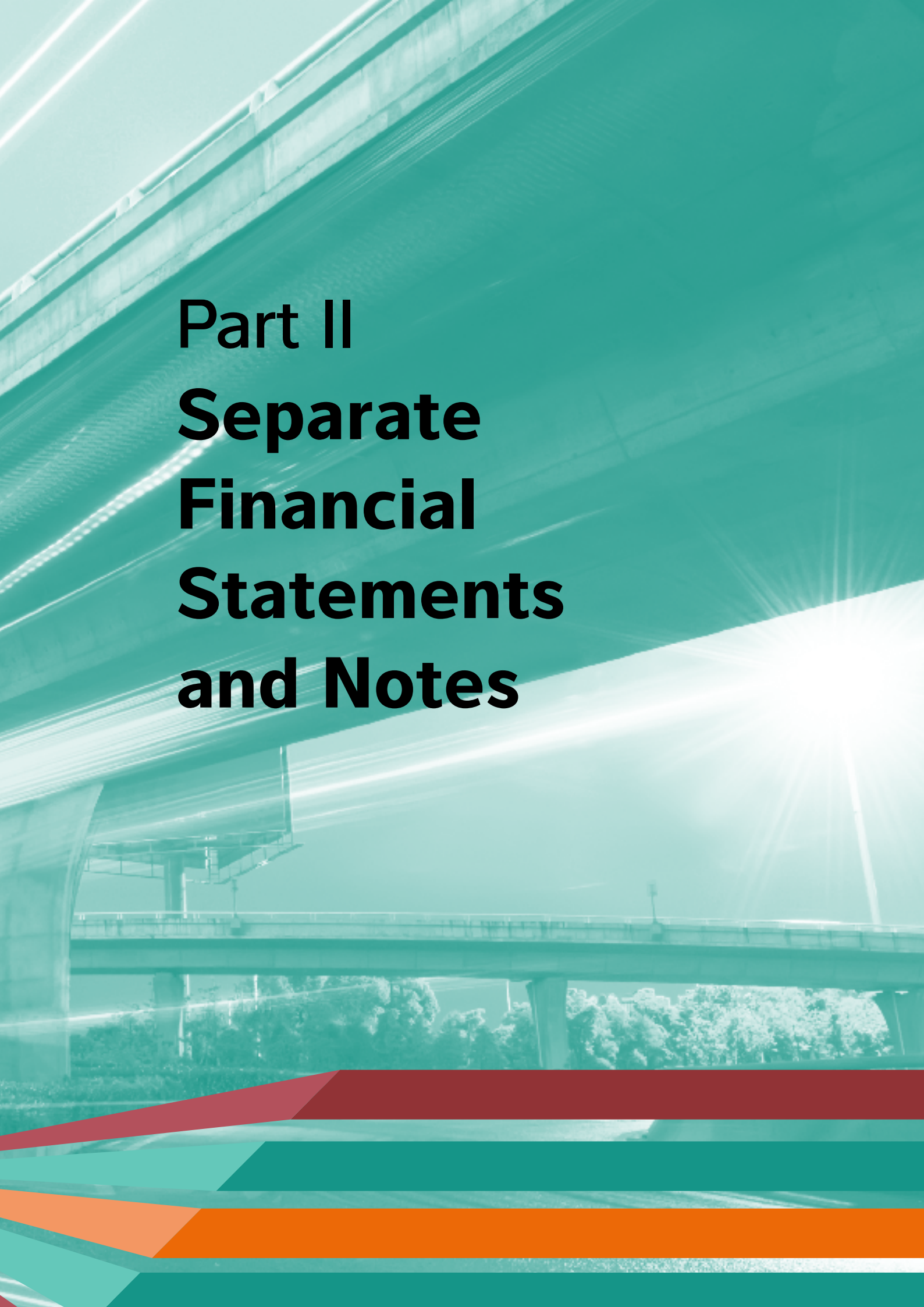
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Part II
Separate
Financial
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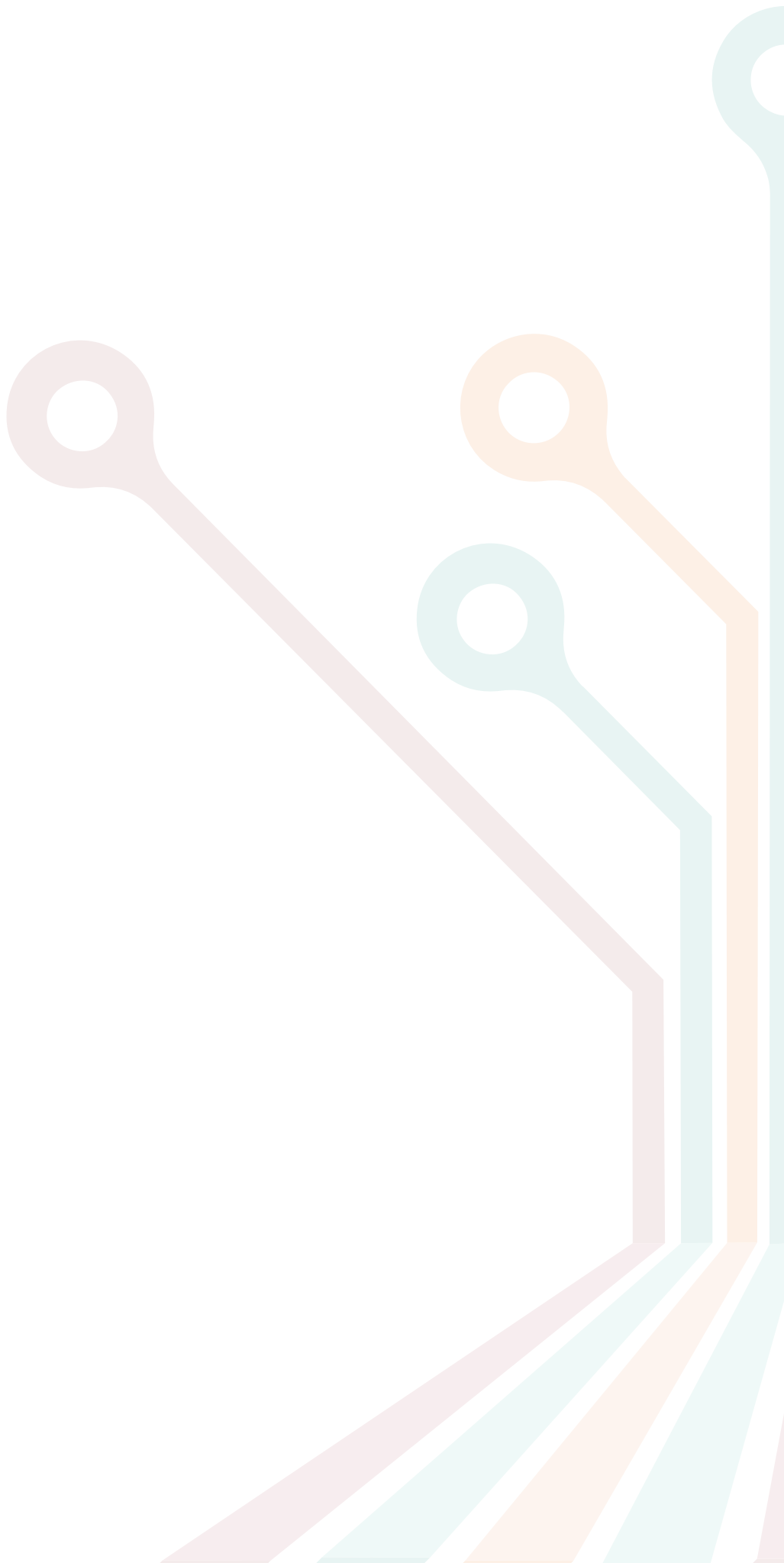


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SEPARATE FINANCIAL STATEMENTS AND NOTES

(Amounts in € thousand - €th)



STATEMENT OF COMPLIANCE

Pursuant to and for the purposes of provisions in Article 245 (1) (c) of the Portuguese Securities Code, each member of the Executive Board of Directors of Infraestruturas de Portugal, S.A., identified below, signed the following statement:

"I hereby declare, pursuant to and for the purposes of provisions in Article 245 (1) (c) of the Portuguese Securities Code, that to the best of my knowledge, acting in the capacity and scope of the functions assigned to me and on the basis of the information provided through the Executive Board of Directors,

the Separate Financial Statements were 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/loss of Infraestruturas de Portugal, S.A., and that the management report for 2020 faithfully details the important events that occurred in that period and the impact on respective separate financial statements, and also describes the main risks and uncertainties for the forthcoming financial year."

The Executive Board of Directors

Chairman, ANTÓNIO CARLOS LARANJO DA SILVA

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Vice-Chairman, JOSÉ SATURNINO SUL SERRANO GORDO

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Vice-Chairman, CARLOS ALBERTO JOÃO FERNANDES

Digitally signed document

Member, ALBERTO MANUEL DE ALMEIDA DIOGO

Digitally signed document

Member, VANDA CRISTINA LOUREIRO SOARES NOGUEIRA

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Member, ALEXANDRA SOFIA VIEIRA NOGUEIRA BARBOSA

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SEPARATE FINANCIAL STATEMENTS

SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 AND 31 DECEMBER 2019

ASSETS	NOTES	2020-12-31	2019-12-31
Non current			
Investments in subsidiaries	4	14 195	15 647
Financial investments		39	32
Intangible assets	5	20 833 626	20 585 837
Tangible fixed assets	6	55 603	49 350
Investment properties		87	93
Loans granted	11.2.2	0	0
Clients	11.2.3	9 214	472
Deferred tax assets	7	278 382	271 101
		21 191 147	20 922 531
Current			
Inventories	8	70 046	79 289
Grantor .- State - Accounts Receivable	11.2.1	3 914 002	3 834 527
Clients	11.2.3	47 787	70 984
Current tax assets	9	26 041	2 445
Government and other public bodies	9	1 621 341	1 452 326
Other accounts receivable	11.2.4	142 771	184 726
Deferrals	10.1	1 560	1 961
Cash and cash equivalents	11.2.5	247 202	263 159
Non-current assets held for sale		3	3
		6 070 753	5 889 421
Total assets		27 261 900	26 811 952
To be read jointly with the Notes to the Separate Financial Statements			

**SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020
AND 31 DECEMBER 2019 (cont.)**

EQUITY AND LIABILITIES	NOTES	2020-12-31	2019-12-31
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS			
Paid-up capital	13	8 257 530	7 203 380
Reserves	13	278 985	155 334
Cumulative results		11 909	115 732
		8 548 424	7 474 446
Net profit or loss for the period		- 56 199	19 828
Total equity		8 492 224	7 494 274
LIABILITIES			
Non current			
Provisions	12	939 406	903 010
Loans	11.3.1	1 924 303	2 561 036
Shareholder funding / Shareholder loans	11.3.2	-	10 667
Other accounts payable	11.3.4	1 630 851	1 959 132
Deferrals	10.2	10 245 069	10 310 471
Deferred tax liabilities	7	27	-
		14 739 657	15 744 315
Current			
Trade payables (Suppliers)	11.3.3	9 917	41 672
Cash advances of trade receivables (clients)		547	485
Government and other public bodies	9	7 330	7 447
Loans	11.3.1	653 291	99 750
Shareholder funding / Shareholder loans	11.3.2	2 343 354	2 475 895
Other accounts payable	11.3.4	1 006 159	938 546
Deferrals	10.2	9 421	9 569
		4 030 019	3 573 363
Total Liabilities		18 769 675	19 317 678
Total equity and liabilities		27 261 900	26 811 952
To be read jointly with the Notes to the Separate Financial Statements			

SEPARATE COMPREHENSIVE INCOME STATEMENT FROM 1 JANUARY 2020 TO 31 DECEMBER 2020 AND FROM 1 JANUARY 2019 TO 31 DECEMBER 2019

	NOTES	2020	2019
Sales and services	14	1 021 798	1 319 955
Compensatory Allowances	15	55 055	59 748
Cost of goods sold and materials consumed	16	- 274 091	- 429 897
External supplies and services	17	- 300 907	- 304 086
Maintenance, Repair and Safety of the Road Network		- 113 712	- 117 763
Maintenance, Repair and Safety of the Railway Network		- 72 866	- 66 903
Other ESS		- 114 329	- 119 420
Personnel expenses	18	- 127 218	- 127 320
Impairments (losses) / reversals	19	- 3 472	- 64
Provisions (Increase / Decrease)	12	- 22 327	- 24 451
Other Income and gains	20	104 400	97 338
Other expenses and losses	21	- 9 728	- 7 621
Gains/(losses) on subsidiaries and associates	22	1 179	6 087
Earnings before depreciation, financial expenses and taxes		444 689	589 689
Depreciation and amortisation expenses/reversals		- 235 348	- 282 614
Operating profit (before financing and tax expenses)		209 341	307 075
Interest and similar income	23	60 573	65 535
Interest and similar costs	23	- 305 382	- 302 699
Profit before tax		- 35 468	69 911
Income tax for the period	24	- 20 731	- 50 083
Net profit for the year		- 56 199	19 828
Comprehensive income for the year		- 56 199	19 828
To be read jointly with the Notes to the Separate Financial Statements			

SEPARATE STATEMENT OF CHANGES TO SHAREHOLDERS EQUITY FROM 1 JANUARY 2020
TO 31 DECEMBER 2020 AND FROM 1 JANUARY 2019 TO 31 DECEMBER 2019

	NOTES	SHARE CAPI- TAL	RESERVES	CUMULATIVE RESULTS	PROFIT FOR THE YEAR	TOTAL
31 December 2018		5 811 510	33 096	128 682	109 287	6 082 576
Appropriation of net profit for 2017 (financial statements approved in March 2019)		-	116 773	- 116 773	-	0
Appropriation of net profit 2018		-	5 464	103 823	- 109 287	0
Share capital increases		1 391 870	-	-	-	1 391 870
Comprehensive income for the year		-	-	-	19 828	19 828
31 December 2019		7 203 380	155 334	115 732	19 828	7 494 274
Appropriation of net profit for 2018 (financial statements approved in March 2020)		-	103 823	- 103 823	-	0
Appropriation of net profit for 2019 (financial statements approved in October 2020)		-	19 828	-	- 19 828	0
Share capital increases	13	1 054 150	-	-	-	1 054 150
Comprehensive income for the year		-	-	-	- 56 199	- 56 199
31 December 2020		8 257 530	278 985	11 909	- 56 199	8 492 224
To be read jointly with the Notes to the Separate Financial Statements						

SEPARATE CASH FLOW STATEMENT FROM 1 JANUARY 2020 TO 31 DECEMBER 2020
AND FROM 1 JANUARY 2019 TO 31 DECEMBER 2019

	NOTES	2020	2019
Operating Activities			
Cash receipts from clients		1 055 703	1 160 396
Cash paid to suppliers		- 942 942	- 934 566
Cash paid to personnel		- 126 347	- 126 779
Flows generated by operations		- 13 586	99 052
Income tax (paid)/received		- 50 152	- 80 938
Other receipts / (payments) relating to operating activities		88 350	81 469
Net cash from operating activities (1)		24 612	99 583
Investing activities			
Cash receipts relating to:			
Investment subsidies		42 548	57 505
Tangible fixed assets		3 224	2 282
Financial investments		2 631	3 447
Interest and similar income		2	9
		48 405	63 243
Cash payments relating to:			
Investment subsidies		-690	-
Tangible fixed assets		- 175 941	- 128 448
Intangible assets		- 787 007	- 748 906
		- 963 638	- 877 354
Net cash from investing activities (2)		- 915 233	- 814 111
Financing activities			
Cash receipts relating to:			
Capital contribution	13	1 054 150	1 391 870
		1 054 150	1 391 870
Cash payments relating to:			
Borrowings		- 89 711	- 581 065
Finance leases		- 1 242	-
Interest and similar costs		- 94 699	- 127 680
		- 185 651	- 708 745
Net cash from financing activities (3)		868 499	683 125
Variation in cash and cash equivalents (4) = (1) + (2) + (3)		- 22 123	- 31 402
Cash and cash equivalents at the end of the period	11.2.5	241 023	263 145
Cash and cash equivalents at the beginning of the year	11.2.5	263 145	294 548
Variation in cash and cash equivalents		- 22 123	- 31 402
To be read jointly with the Notes to the Separate Financial Statements			

Almada, 21 de abril de 2020

The Executive Board of Directors

Financial Director

Digitally signed document

MARIA DO CARMO DUARTE FERREIRA

Certified Accountant

Digitally signed document

DIOGO MENDONÇA LOPES MONTEIRO

Chairman, ANTÓNIO CARLOS LARANJO DA SILVA

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Vice-Chairman, JOSÉ SATURNINO SUL SERRANO GORDO

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Vice-Chairman, CARLOS ALBERTO JOÃO FERNANDES

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Member, VANDA CRISTINA LOUREIRO SOARES NOGUEIRA

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Member, ALEXANDRA SOFIA VIEIRA NOGUEIRA BARBOSA

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS



1. CORPORATE INFORMATION

Infraestruturas de Portugal, S.A. is the state-owned company resulting from the merger of Rede Ferroviária Nacional – REFER, E.P.E. (REFER) into EP - Estradas de Portugal, S.A. (EP, S.A.) giving rise to a public limited company named Infraestruturas de Portugal, S.A. (hereinafter IP or the “Company”). The merger entered into force on 1 June 2015, as provided in Decree-law 91/2015 of 29 May.

The immediate consequence of the merger determined that road and railway infrastructures are to be managed by as single company, in accordance with a joint, integrated and complementary strategy.

1.1.

Company's activity

According to Decree Law No. 91/2015, the corporate object of IP is “the design, construction, financing, maintenance, operation, restoration, widening

and modernisation of the national road and rail networks, including the command and control of movements of traffic movements.”

In order to carry out its activity IP takes the position of infrastructure manager, under the terms of the overall concession contract for the national road network (NRN) and the national railway network (NRwN) programme both concluded with the Portuguese State.

In the development of its business and in order to ensure high level of efficiency and effectiveness, IP employs additional services in business areas that are not included in its core business, but are carried out by its subsidiaries.

2. MAIN ACCOUNTING POLICIES

2.1 Bases of presentation

The Financial Statements presented herein reflect the financial position, the results of the operations and the cash flows of IP for the periods ending on 31 December of 2020 and 2019, forming the separate financial statements of the Company.

These Financial Statements were approved by the Executive Board of Directors in meeting held on 21 April 2021. It is the opinion of the Executive Board of Directors that these provide a true and fair view of IP's operations, as well as its consolidated financial position, results and cash flows.

IP's Financial Statements were prepared on the basis of ongoing operations, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), issued and in force on 31 December 2020.

IFRS include accounting standards issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and respective bodies that preceded them.

The financial statements were prepared using mainly the historical cost measurement.

All figures are expressed in thousands of Euro (€ thousand/€th), without any rounding up or down, unless otherwise stated. Sub-totals and totals in tables presented in these Financial Statements may not be equal to the sum of the figures presented, due to rounding up or down. Additionally, initials €M are used for millions of Euro, where necessary.

The preparation of Financial Statements under IFRS requires the use of certain critical accounting estimates, assumptions, and judgements in the process of defining the accounting policies to be adopted by the company, with a significant impact on the carrying amounts of assets and liabilities, as well as of the expenses and revenues of the reporting period. Estimates and related assumptions are based on historic experience and on other factors deemed applicable and form the basis for the judgements on the values of the assets and liabilities, the valuation of which would not be possible to obtain from other sources. Issues requiring a greater level of judgement or complexity, or for which

the assumptions and estimates are considered significant, are presented in Note 2.3.

2.2. Summary of main accounting policies

2.2.1. Segments

A business segment is a component of an entity that conducts a business activity:

- i) from which it can obtain revenue and incur expenses;
- ii) the operating results of which are regularly reviewed by the chief operational decision-maker of the entity; and
- iii) for which financial information is available.

IP identified the Executive Board of Directors as the body responsible for operational decision-making and as the body which revises the internal information prepared in order to assess the Company's performance and resource allocation. The determination of the operational segments was carried out based on information that is analysed by the Executive Board of Directors.

An entity must separately report the information on each identified segment, resulting from the aggregation of two or more segments with similar economic characteristics, or exceeding the quantitative levels set out in IFRS 8 – Business Segments.

2.2.2. Current/Non Current Classification

IP classifies assets and liabilities as current and non current, separately, in order of liquidity in the Statement of Financial Position, in accordance with provisions in IFRS.

An asset is classified as current when:

- The Company expects to realise the asset, or intends to sell or consume it, during its normal operating cycle (which includes situations where assets do not show any defined maturity);
- The asset is held primarily for the purpose of being traded;

- The asset is expected to be realised within twelve months after the balance sheet date; or
- The asset is cash or a cash equivalent asset unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

Remaining assets are classified as non current.

An asset is classified by the Company as current when:

- it expects to settle the liability in its normal operating cycle;
- The liability is held primarily for the purpose of being traded;
- the liability is due to be settled within twelve months after the reporting period; or
- it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

All remaining liabilities are classified as non current.

2.2.3. Fair value

IP does not present assets or liabilities valued at fair value, which is used merely for the purposes of disclosure of fixed rate loans (note 11.3.2).

Fair value concerns the price to be received from the sale of an asset or payable for the transfer of liability in an orderly transaction between market participants on the measurement date.

Measurement / use of fair value is based on the presumption that the sale transaction of the asset or transfer of the liability occurs:

- a) on the main market of such asset or liability; or
- b) where there is no main market, on the most advantageous market for such asset or liability.

Measurement at fair value of a non financial assets takes into consideration the capacity of a new market participant to generate economic benefits, using the asset as best as possible or selling it to another market participant, which shall use it the best as possible.

IP uses valuation techniques appropriate to the circumstances and for which there are enough input to measure their fair value, maximizing the use of

observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities measured or disclosed at fair value are classified into one of the following categories:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities to which the entity has access at measurement date;
- Level 2- includes distinct input from quoted prices included in Level 1, for which all significant inputs are observable, directly or indirectly;
- Level 3 - inputs for the asset or liability that are not based on observable market data.

2.2.4. Equity holdings in subsidiaries

According to IAS27 – Separate Financial Statements, when an entity presents separate financial statements, investments in subsidiaries, joint ventures and associated companies must be recorded at cost, at fair value or using the equity method.

IP records the financial investments previously mentioned at cost, deducted of any impairment losses.

Dividends from these entities are recognised under "Income/ (expenses) in subsidiaries" when the right to them is established.

According to IFRS 10 – Consolidated Financial Statements, a subsidiary is an entity controlled by another entity.

An investing company controls an entity where it is exposed or holds rights relating to variable results via its relationship with such entity, and it has the power to affect such results through the control it has over the invested company.

2.2.5. Joint Arrangements

A joint arrangement is, according to IFRS 11 – Joint Arrangements, an arrangement whereby two or more parties have joint control.

The joint arrangements have the following characteristics:

- The parties are bound by a contractual arrangement; and
- The contractual arrangement gives two or more of those parties joint control of the arrangement.

According to that standard, a joint arrangement is a joint operation or joint venture.

A joint operation is a joint arrangement whereby the parties holding joint control of the arrangement have rights to the assets and obligations on the liabilities related to that arrangement. These parties are designated as joint operators.

A joint venture is a joint arrangement whereby the parties holding joint control of the arrangement have rights over the net assets of the arrangement. These parties are designated as joint venturers.

Holdings in AVEP – Alta Velocidade Espanha e Portugal A.E.I.E e A.E.I.E. Corredor Atlântico are considered as joint arrangements.

A joint operator recognises, in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output of the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

2.2.6. Intangible assets

Intangible assets are recognised and measured according to the transactions that gave rise to them. Intangible assets comprise the road concession right and other intangibles.

ROAD CONCESSION RIGHT

Through the application of IFRIC 12, the asset resulting from the Road Concession Right which has been assigned by the Road Concession Contract with the State is considered to be an intangible asset.

The Road Concession Right was recognised by virtue of a business combination at the time the merging company's corporate object was changed (EP).

The Road Concession Right is increased by the management of the national road network infrastructure, which includes, namely, the construction, financing and operation of the National Road Network (including the Concessions Network) and the Future National Road Network, namely as a result of:

(i) Provision of construction services

It is increased on completion of each significant component of the Future National Road Network, according to its implementation value. Construction may be done directly by the Company or through sub-concession.

Until the completion of each component, the proportion of the amount of the expected implemented work is recognised as an intangible asset in progress, using the completed percentage method calculated based on the actual physical evolution of each works.

Expenses incurred by the Company in connection to the launching of sub-concession tenders are recognised as intangible assets until they are billed to the sub-concessionaire.

(ii) Acquisition of future rights on the Concessions Network

It is increased by cumulative payments relating to the Concessions, net of receipts, made up until the initial term of each concession, after which the Company is entitled to the underlying economic benefits of the corresponding section.

Until the initial term, they are recorded in intangible assets in progress when spending occurs.

The Concession Contract presents the following definitions for the three key components of the Concession Undertaking:

“**Concessions Network** — corresponds to the roads/motorways that integrate the National Road Network and which are, on the date of signing the concession contract, subject to a state concession contract or those that the State included in a public

call for tenders still pending on the same date, with a view to the respective concessioning;"

"National Road Network — corresponds to the "Itinerários Principais" (trunk roads), "Itinerários Complementares" (secondary roads), National Roads and Regional Roads included in the NRP 2000 (National Road Plan) in operation or with construction started on the date of signing the Concession Contract. "The construction of the Trunk Roads, Secondary Roads, National Roads and Regional Roads as set out in the PRN 2000, is deemed to have started upon award by the State, or by EP — Estradas de Portugal, S. A., of the contract for their construction;"

"Future National Road Network — designates the Trunk Roads, Secondary Roads, National Roads and Regional Roads foreseen in the NRP 2000 or any legislation that modifies or replaces it and comes into force up to 5 (five) years prior to the term of the Concession Contract, that are not built on the date of signing the Concession Contract. The Trunk Roads, Secondary Roads, National Roads and Regional Roads envisaged in the PRN 2000 are considered as not having been built if on the date of signing the Concession Contract their construction has not been awarded by the State or EP — Estradas de Portugal, S. A."

IP amortises the Concession Right based on its best estimate of the consumption pattern of the economic benefits associated to the asset, i.e., in accordance with the units of production method as defined in IFRIC 12.

The production unit corresponds to the best estimate of the infrastructure use measured by revenue inherent to credits directly associated with the rights already acquired by the Company, which excludes income from the toll collection activity before the initial term of the underlying concessions.

Any changes in estimates are corrected prospectively, impacting on the value of amortisation of future periods.

The depreciation value of the Concession Right, which is revised on an annual basis according to the Company's best estimates, corresponds to the total overall amount of the costs incurred and responsibilities assumed within the scope of the general concession of the national road infrastructure.

The Company capitalises the borrowing costs associated to the acquisition, construction or production of qualifying assets.

IP considers as qualifying assets those which take a period of more than 12 months to be concluded for their intended use; its most significant qualifying asset is the Concession Right to the road infrastructure network. Any component of the National Road Network or the Future National Road Network is considered a component of that same qualifying asset, provided that the estimated duration of its construction is greater than twelve months.

The components of the Concession Right qualifying for capitalisation of loan expenses are essentially the result of:

(i) Provision of construction services

The provision of construction services usually lasts more than 1 year, so the costs associated with funding obtained for the implementation are considered eligible, irrespective of whether the services are directly provided by IP or by sub-concession.

(ii) Acquisition of future rights on the Concession Network

Payments made on account of the acquisition of future rights on the Concession Network up to the initial end of each section of the current Concession Network.

Direct financial charges are considered as a cost of the component specifically financed. Whenever there is no funding directly attributable to each component of the current network, a weighted average rate of funding is used during the period, which is applied to the expenditure incurred in the development of the aforementioned network.

Components that were built with recourse to subsidies or which are in a position to become operational, regardless of the completion of the contract they belong to, are not considered for the purpose of calculating the basis for the capitalisation of funding costs obtained.

OTHER INTANGIBLE ASSETS

Remaining intangible assets concern, mostly, contractual rights on computer software and result from separate acquisition transactions.

Intangible assets result from separate acquisition transactions, and their cost reflects:

- The purchase price, including costs of intellectual rights and taxes on non-refundable purchases, after deduction of trade discounts and write-offs;
- any cost directly attributable to the preparation of the asset for its intended use.

IP values its intangible assets, after initial recognition, by the Cost Model, as defined in IAS 38 - Intangible Assets, and amortises them on a systematic basis as from the date they become available for use, during their estimated useful life, corresponding to a period of 3 years.

There are no intangible assets with indefinite useful lives.

IP assesses for impairment whenever events or circumstances may indicate that the book value of the asset exceeds its recoverable amount, any impairment being recognised in the income statement.

2.2.7. Tangible fixed assets

Tangible fixed assets of IP are recorded at acquisition cost minus any accumulated depreciation and any impairment losses.

The acquisition cost includes the acquisition cost of the asset, expenses directly attributable to its acquisition and any cost directly attributable to the preparation of the asset for its intended use.

Interest on loans directly attributable to the acquisition or construction of assets are capitalised as part of the cost of these assets. An asset eligible for capitalisation is an asset that requires a substantial period of time before it is available for use or for sale.

Costs are recognised as tangible assets only if any future economic benefits are expected and those benefits as well as the cost of the asset can be reliably measured.

IP assesses for impairment whenever events or circumstances may indicate that the book value of the asset exceeds its recoverable amount, any impairment being recognised in the income statement.

The recoverable amount is determined as the higher of the fair value of the assets minus the estimated costs of sale and the value in use determined by the expected present value of future cash flows expected to be derived from the continued use of the asset and its disposal at the end of its useful life.

Current repair and maintenance expenses are recorded in the income statement.

Cost of operations that can extend the useful expected life of an asset, or from which are expected higher and significant future benefits, are capitalized.

Land is not depreciated. Depreciation is calculated using the straight-line method, so that the value of the asset is depreciated until the end of its estimated useful life, according to the following rates:

	AVERAGE %
Buildings and other constructions	2
Basic equipment	12.5-20
Transport equipment	25
Administrative equipment	13
Right of use	25
Other fixed assets	13

Depreciation starts as from the moment the asset is ready for its intended use. The useful lives of assets are reviewed at the end of each financial year if expectations as to the expected economic benefits and the planned technical use of the assets differ from previous estimates. Changes occurring in the depreciation charge of the year are accounted for prospectively.

Gains and losses arising from the disposal of tangible fixed assets are determined as the difference between the assets' sales value and net book value, and are recognised in the statement of comprehensive income.

LEASES

IP assesses the existence of a potential right of use at the beginning of any contract, i.e, if the contract conveys the right to control the use of an identified asset for a certain period against a consideration.

The right of use is initially measured at cost, comprising the initial amount of the lease liability adjusted of any lease payments made on or prior to commencement date, plus any initial direct costs occurred, minus any incentive granted.

Right-of-use assets are subsequently evaluated at cost minus depreciation and any impairment losses.

The depreciation of right-of-use assets is determined using the straight-line methods, during the period of the lease.

The liability for the lease is initially recognised by the present value of rents not yet paid at the date of the lease, minus any interest at the interest rate implicit in the lease.

Leases of IP concern vehicle lease contracts.

IP does not recognise as right of use or lease responsibility leases with a duration of less than 12 months, opting, pursuant to IFRS 16, to recognise as lease expense on a straight line basis as rents under the external supplies and services heading until the end of the leases.

IP opted to present in the Statement of Financial Position the right of use duly segregated in caption Tangible Fixed Assets (Note 6) and liabilities for leases in Other Accounts Payable (note 11.3.4).

2.2.8. Investment properties

IP distinguishes property held to earn rentals or for capital appreciation, which generate cash flows independent from other assets of the Company (investment properties dealt with in accordance with IAS 40 – Investment Properties) from those whose generated cash flows are associated with production or their use for administrative purposes whose generated cash flows are not independent from other assets (dealt with in accordance with IAS 16 – Tangible fixed assets).

Investment properties are initially recorded at cost, comprising its purchase price and any directly attributable expenditure.

Following its initial recognition, they are measured at cost minus any cumulative depreciation (see Tangible assets, intangible assets and investment properties

- Useful Lives – note 2.3) and any cumulative impairment losses, in accordance with the cost model.

Depreciation is made in accordance with the straight-line method, by twelfths, whereas investment properties of IP are being depreciated over 50 years.

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:

- Commencement of development with a view to sale, in case of transfer or ownership of investment property to owner-occupied property;
- commencement of development with a view to sale, for a transfer from investment property to inventories (only when, there is a change in use);
- end of owner-occupation, for a transfer from owner-occupied property to investment property; or
- commencement of an operating lease to another party, for a transfer from inventories to investment property.

Investment properties are derecognized when disposed of or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal, and any gain or loss will be recognised in the income statement as other income and gains or other expenses and losses.

Rents received for the lease of investment property are recognised in the income statement as other income.

2.2.9. Income tax

Income tax for the period includes current and deferred tax. Income tax is recorded in the Separate Income Statement, unless these are related to items that are recognised directly in equity. The amount of current tax payable is determined based on pre-tax profit, adjusted in accordance with tax rules.

Deferred taxes are recognised when there are differences between the book value of assets and liabilities at a certain time and their value for tax purposes using the expected tax rates in effect on the date of reversal of temporary differences.

Deferred tax liabilities are recognised for all taxable temporary differences, except for:

- i. When they result from the initial recognition of an asset not stemming from a business combination, where accounting and tax profit of an entity are not affected; or
- ii. In what concerns tax differences associated with investments in subsidiaries, associates, interests in joint ventures or joint undertakings, where the parent company, the investor, the venturer or joint operator is able to control the timing of the reversal of the temporary difference.

In relation to deferred tax assets, they are only recognised in relation to:

- i. the deductible temporary differences which are expected to be reversible in the future, or
- ii. when deferred tax liabilities exist, the reversal of which is estimated to occur at the same time as deferred tax assets.

The temporary differences underlying the assets and liabilities are reviewed periodically in order to recognise or adjust them according to their expectation of future recovery, in line with the current tax law, taking into account any uncertainties in tax treatment, as provided in IFRIC 23.

Potential tax benefits arising from business combinations which fail to meet the initial recognition criteria may come to be recognised as follows:

- i. when they result from new information about facts and circumstances that existed at the acquisition date, they must be recognised against goodwill, except if goodwill does not exist, in which case it will be recognised in the Separate Profit and Loss Statement; and
- ii. when they result from subsequent events, stemming from other facts, they will be recognised in the Separate Profit and Loss Statement.

Deferred tax assets and liabilities will only be offset against one another if:

- i. There is an enforceable right to set off deferred tax assets with deferred tax liabilities; and
- ii. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either, or it likely that the assets and liabilities originating the temporary differences will be realised on a net basis.

In March 2014, IP Group adopted the special tax system for groups of companies (RETGS).

This tax group includes all companies resident in Portugal that are 75% or more owned by IP (parent company of IP Group), and which meet the conditions of article 69 and subsequent of the Corporate Income Tax Code. These are presented below:

- Infraestruturas de Portugal, S.A.
- IP Património – Administração e Gestão Imobiliária, S.A.
- IP Telecom – Serviços de Telecomunicações, S.A.
- IP Engenharia, S.A.

The companies included in IP tax group determine and record their income tax as if they were taxed on an individual basis. However, the liabilities calculated are recognised as due to IP, which will be responsible for the overall calculation and settlement of the tax.

The eventual benefit arising from the application of the RETGS is received by IP and reduced to the future tax that the subsidiary companies will incur.

2.2.10. Financial assets and liabilities

Financial assets and liabilities are recognised in the Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

Therefore, pursuant to IFRS 9, financial assets are initially recognised in one of the following categories:

- i. Amortised cost – If the financial asset is held within the scope of a business model whose purpose is to hold the financial asset in order to collect contractual cash flows that are established in capital repayments and interest on outstanding capital.
- ii. Fair value through other comprehensive income – If the financial asset is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. The financial asset's contractual terms give rise, on defined dates, to cash flows which are

appended to principal repayments and payment of interest on the outstanding capital.

- iii. Fair value through profit or loss - Except if measured at amortised cost or at fair value through other comprehensive income. However, there is the irrevocable option of initial recognition of certain investments in equity instruments that are considered at fair value through profit and loss.

The following are the IP's financial assets:

GRANTOR - STATE - ACCOUNTS RECEIVABLE

Following the spin-off of the railway activity in Portugal in 1997, IP (formerly REFER) was assigned the responsibility of building and renovating long-duration railway infrastructures. This activity is carried out according to the Government directives; its financing is guaranteed through the share capital, by State and European grants and loans. The majority of the loans are secured by the State, and IP plays the role of "agent".

Applying this understanding, the effects of this activity are recognised and measured in accordance with IFRIC 12 - Concession Arrangements.

Therefore, for the purposes of IFRIC 12, the Investment Activity in Long-Duration Infrastructure (LDI) is considered to represent concession granted by the State (Public Entity) to IP (equivalent to Private Entity even though the State is the only shareholder), with IP taking the role of "concessionaire" in this activity.

IFRIC 12 applies to public service concession contracts in which the grantor (State) controls (regulates):

- The services to be provided by the concession holder (through the use of infrastructure), to whom and at what price; and
- Any residual interests over the infrastructure at the end of the contract.

IFRIC 12 applies to infrastructures:

- built or acquired by the operator from third parties; and
- that already exist and to which the operator is given access.

In this way, and given the above described, it is IP's understanding that the existing railway concession is included within the scope of this IFRIC for the following reasons:

- IP is a profit-making entity, subject to the Companies Code, despite its shareholder being the State, it is set up according to the framework established in the legislation applicable to the public corporate sector (Decree Law 133/2013 of 3 October) having equity and financial independence vis-à-vis its shareholder, thereby averting the exclusion of application of IFRIC 12 in accordance with its §4;
- The decree-law which created IP may, in substance, be considered as concession agreement, since the State as Grantor, controls and governs the public services provided by IP, as concessionaire of the infrastructures belonging to public railway domain or which may come to be included in the public railway domain in the future, and defines to whom the services are to be provided and at what price; and
- The State, through ownership, controls the infrastructure, as this belongs to the public domain of the State, leasing to IP the right to access the same in order to provide the public service, by charging a tariff to passenger and freight transport operators.

This interpretation establishes the generic principles for the recognition and measurement of rights and obligations under the concession contracts with the above-mentioned characteristics.

Taking into account the types of existing models, the model which best translates IP's railway activity is the Financial Asset model, since according to the law in force, the State (public entity) will fully bear the costs of the investments in national railway infrastructures, whereas IP has an unconditional right to receive funds from the State for its investments in LDI. This right is granted either by article 11 of the General Land Transportation Law for rail transport (IARC), by Decree-Law 141/2008 of 22 July, or by the 2011-2015 Strategic Transport Plan (PET) and finally, in 2014, by the Strategic Plan for Transport and Infrastructures (2014-2020) (PETI3+).

As regards the Financial Asset, resulting from the application of this standard, it was framed in accordance with the provisions of IAS 32, IFRS 7 and IFRS 9.

FINANCIAL INVESTMENTS

Para efeitos da demonstração dos fluxos de caixa, These concern holdings in Workers Compensation Funds and holdings in other entities, where there is no control, estimated at fair value through profit or loss and at fair value through other comprehensive income, respectively.

LOANS GRANTED

They concern shareholder loans granted to Group companies with no defined maturity.

CLIENTS AND OTHER ACCOUNTS RECEIVABLE

Includes current accounts with several entities, which are initially recorded at fair value and subsequently measured at amortised cost, less impairment losses. When impairments occur, they have a direct impact on results.

CASH AND CASH EQUIVALENTS

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the amounts recorded in the Statement of Financial Position, including cash and deposits with banks and with Agência de Gestão da Tesouraria e da Dívida Pública – IGCP, E.P.E (IGCP).

Cash and cash equivalents include cash, bank deposits and short-term, high liquidity deposits with original maturity of up to 3 months.

Accounting overdrafts are presented in the Statement of Financial Position, current liabilities, under "Loans".

Regarding impairments (change in the model of loss incurred for the expected loss model), there was no impact on the Company.

Regarding financial liabilities, the existing categories are:

- i. Amortised cost
- ii. Fair value through profit or loss.

In the Company's case, all its financial liabilities (bank and shareholder financing, suppliers and others) are considered in the "Amortised Cost" category.

LOANS

The Company recognises non-current loans obtained as a financial liability in accordance with IFRS 9. These financial liabilities are recorded as follows:

- (i) initially at fair value less transaction costs incurred, and
- (ii) subsequently at amortised cost, based on the effective interest rate method.

IP has loans in the form of bilateral loans and bond loans to fund the construction of long-duration railway infrastructure (LDI), the railway infrastructure management activity and the road network management activity.

Trade Payables (Suppliers) and other accounts payable

The balances of suppliers and other creditors are recorded at amortised cost.

2.2.11. Inventories

Inventories are recorded at cost of acquisition/production or net realisable value, whichever is lower, except for materials held to use in Long Duration Infrastructure, which are recorded at cost, this amount being debited to the grantor.

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

The quantities existing at the end of the period are determined from the accounting records, and confirmed by physical inventory taking. The outflows from warehouses (consumption) are measured at the weighted average cost, in accordance with IAS 2 - Inventories.

Whenever the net realisable value is lower than acquisition cost, such difference is recognised as impairment losses in the Separate Profit and Loss statement, which will be reduced or eliminated when the reasons that originate them will cease to exist.

At its warehouses IP has materials purchased for the sole specific purpose of its Long Duration Infrastructure Investment Activity.

2.2.12. Grants/Subsidies

Grants/subsidies received from the Portuguese State and the European Union or equivalent bodies are recognised at fair value when there is reasonable certainty that the conditions for receiving the grant will be met, except those relating to the LDI that are recognised only in the event of actual receipt.

Non-refundable grants/subsidies obtained for investment in tangible and intangible fixed assets are recognised as deferred income. These subsidies are subsequently credited to the Statement of comprehensive income, under "Other income and gains", pro-rata to the depreciation/amortisation of the subsidized assets.

Grants/subsidies obtained for financing assets acquired/built into long-duration infrastructure are recognised in the Statement of Financial Position under the "Grantor-State-Account receivable" item since, as they are allocated within the scope of the concessioned railway activity, they represent a repayment of part of the expenses incurred and are deducted from the amount receivable from the Grantor.

Non-refundable operating grants are recognised in the Separate Profit and Loss Statement in the same period in which the associated expenses are incurred.

2.2.13. Provisions and contingent liabilities

Provisions are recognised by IP when there is a current obligation arising from past events and it is probable that an expenditure of future domestic resources will be required to settle that obligation and the amount of that obligation can reasonably be estimated. When any of the foregoing conditions is not met, the Company discloses these contingent liabilities.

Contingent liabilities are not recognised in the Financial Statements but are disclosed in the notes to the Financial Statements, unless the possibility of an outflow of funds affecting future economic benefits is remote, in which case they are not subject to disclosure.

Provisions are reviewed at the date of each reporting period and adjusted in accordance with the best estimate on that date.

Provisions are measured at the present value of the estimated expenditures to settle the obligation using a pre-tax discount rate that reflects the market assessment for the discount period and the risk of the liability in question.

2.2.14. Revenue

Revenue corresponds to the fair value of the consideration received or receivable from transactions with clients during the ordinary course of business of IP. Revenue is recognised net of taxes, discounts and other costs incurred to realise them, at the fair value of the amount received or receivable.

In accordance with IFRS 15, revenue was recognised at the date of transfer of control to the client, the value of the transaction being allocated to the diverse performance obligations assumed to the client, and adjusted in its measurement whenever the consideration is variable or subject to a significant financial effect according to the 5-step methodology, which comprises:

- 1) Identifying contract with client;
- 2) Identifying separate performance obligations to be fulfilled in the contract;
- 3) Determining transaction price;
- 4) Allocating a price to the transaction; and
- 5) Recognising revenue.

IP's revenue comprises:

Railway infrastructure management: tariffs for infrastructure use, power supply, manoeuvres, capacity claimed not used, and other services according to the network directory available on IP Group's site, in compliance with the provisions of Decree-Law 217/2015 and Decree-Law 270/2003, as

amended by Decree-Law 151/2014, (in part kept in force under Decree-Law 217/2015), in particular provisions in article 27 and annex IV of Decree-Law 217/2015.

The Directory aims to provide to applicants, authorities and any interested party the general terms and conditions to acquire capacity and on the services provided by the national railway network.

In addition to describing the characteristics of the network, the Network Directory states the conditions for access, describes the services provided by IP and discloses charging principles and tariffs, including the methodology, rules and scales used to apply them.

Road revenue is derived from the road concession contract (hereinafter "Contract") which the State entered into with the former EP on 23 November 2007. The bases were approved in an annex to Decree-Law 380/2007 of 13 November, amended by Law 13/2008 of 29 February, Decree-Law 110/2009 of 18 May, and Decree-Law 44-A/2010 of 5 May.

The object of this Contract, which ends at midnight on 31 December 2082, is Concession by the Portuguese State to the former EP of the following:

- Design, construction, financing, maintenance, operation, repair and widening of the routes that integrate the National Road Network;
- Design, construction, financing, maintenance, operation, repair and widening of the routes that integrate the Future National Road Network;
- Financing, operation, maintenance, repair and widening of the roads of the national road network or future national Road Network, but also integrating the concession network, though these liabilities are subject to the initial term of the concession agreements currently in force between the State and third parties. The initial term also marks the end of the assumption by the Company of all payments to be made by the State and the receipts to be collected by it, under the aforementioned contracts.

Under the concession contract, which was entered into for a period of 75 years starting in 2008, the following, among others, are IP own revenues:

i. Road Service Contribution (RSC)

The RSC created by Law 55/2007 of 31 August,

represents the consideration paid by users for the use of the national road network. It is levied on gasoline and diesel, according to ISP (tax on oil and energy products). In 2014, the RSC was extended to LPG for vehicles that were exempted.

The cash inflow is made with a mismatch relative to the collection date, through which the revenue is recognised on an accrual basis.

ii. Other Revenue from the Concession Contract

In order to pursue its corporate object, the company must provide construction services in connection to the development of the national road infrastructure network.

The result of the construction of each new component of the national road infrastructure network is registered in accordance with the completion percentage method.

The amount of revenue to be recognised results from the product between the percentage of completion and total value of the works. The total value of the works is the amount agreed with the grantor (the State), or, when an amount has not been agreed, the sum of the expenditure components specifically concerning the works in question, both internal and external.

The amount receivable from the provision of construction services under the concession is replaced by the Concession Right.

In the case where the total value of the work is agreed with the grantor, whenever the sum of the specific costs incurred and to be incurred exceeds the agreed revenue, the estimated loss is immediately recognised in profit or loss.

iii. The value of toll fees - Roads under the IP management or sub-concessioned

Toll collection on roads included in the network managed by the company or the sub-concessioned network is recognised in results for the year according to the effective tolls during the period, in so far as these tolls are charged in roads over which IP already has full concession rights.

iv. The value of toll fees - Roads under sub-concessioned management

Toll collection on roads included in the Concessio-

ned Network is recognised according to the real tolls in the period, with the resulting amount being deducted to IP's investment in the acquisition of rights over said Concessioned Network, as stipulated in the Concession Contract entered with the Portuguese State

IP recognises revenue relating to the rendering of services in accordance with IFRS 15, taking into account that the client simultaneously receives and uses the benefits generated by IP.

2.2.15. Employment benefits

Personnel expenses are recognized when the service is provided by employees, regardless of their payment date.

The former EP granted temporary early retirement pensions and supplements to retirement pensions and survivors' benefits to a restricted and closed group of employees.

These post-employment supplements are paid by Caixa Geral de Aposentações to employees, which then charges them to IP, until those employees are in a position to retire according to General Law.

The liabilities related to the payment of these benefits are reviewed on an annual basis. The present value of the obligation is determined using the immediate lifetime rent method, by deducting future payments of the benefits that are perfectly identifiable, using the interest rate of high-rated bonds in the same currency in which the benefits will be paid and with a maturity close to the liability taken on.

Liabilities recognised in the Separate Statement of Financial Position correspond to the present value of the benefit obligation determined on the date of the Statement of Financial Position.

2.2.16. Impairment

The assets of IP are assessed for impairment purposes when an event or change in circumstances suggest that the carrying amount may not be recoverable.

The recoverable amount of an asset corresponds

to the higher of the asset's fair value less costs to sell and its value in use.

The asset's value is the present value of the future cash flows expected to be derived from the continued use of the asset and its disposal at the end of its useful life. For the determination of future cash flows, the assets are allocated to the lowest level for which there are separate identifiable cash flows (cash-generating units), when such assessment is not possible for each asset on an individual basis.

The Company recognises impairment losses in results for the year whenever the book value of an asset exceeds its recoverable amount, unless the loss off sets a revaluation surplus recognised in equity.

Non-financial assets for which impairment losses have been recognised are assessed on each reporting date for the possible reversal of impairment losses. The reversal of impairment losses is recognised in the Separate Profit and Loss Statement, except for the assets which were revalued, in which case the reversal will correspond to an increase in revaluation. The reversal of impairment losses is recognised up to the limit of the amount (net of amortisation or depreciation) that would have been recognised if no impairment loss had been recognised in previous years.

2.2.17. Related parties

The revision of IAS 24 – Disclosures of related parties, established the obligation to disclose existing transactions with the State and with entities that are considered to be related, because they are also owned by the State.

After internal review the Executive Board of Directors did not deem as relevant, considering its activity as a whole, the disclosure of balances and transactions with other entities, except those indicated below.

Related entities are those which control (Portuguese State) or are controlled by IP (subsidiaries), or which are under common control (joint ventures) and other entities (railway operators).

IP discloses balances and transactions with related entities in Note 25.

2.2.18. Subsequent events

Events occurred after the date of the Separate Statement of Financial Position and the date when the Financial Statements were approved by the Executive Board of Directors, which provide additional information on conditions that existed at the date of the Statement of Financial Position are reflected in the IP's Financial Statements.

Events occurring between the date of the Statement of Financial Position and the date of approval by the Executive Board of Directors of the Financial Statements are indicative of conditions that arose after the date of the Statement of Financial Position, if material, are disclosed in note 32.

2.3. Main judgements and estimates and assumptions used in the preparation of the financial statements

In preparing the Separate Financial Statements in accordance with IFRS, the Executive Board of Directors is required make judgements, estimates and assumptions that affect the amounts of assets, liabilities, income, financial flows as well as the disclosure of contingent liabilities. Judgements, estimates and assumptions 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.

The estimates were determined based on the best information available at the date of preparation of the consolidated financial statements. However, situations may occur in subsequent periods that are not foreseeable at the time and were not considered in these estimates, and may result in relevant changes in the future financial position, performance and cash flows of the Company, which will be considered prospectively in the profit or loss for the year.

Additionally, note 11.4 discloses a set of risks to which the the Company is exposed.

The most significant accounting estimates reflected in the financial statements are:

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are recorded at cost taking into account their strategic nature within the scope of the organisation of the Group's rail and road activities.

INTANGIBLE ASSETS - CONCESSION RIGHT

IP amortises its Road Concession Right by the equivalent production units method. This amortisation is based on: i) the estimate of total income generated by the concession until its end and on ii) the recovery of total investments to be made by the 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.

GRANTOR - STATE - ACCOUNT RECEIVABLE

As there is no defined maturity, as a result of the absence of a formalised concession contract, the amounts receivable are assumed to become due on the debit date. As a result, it is assumed that the amounts receivable are due on the moment of the debit. Consequently, from that date, the interest on the outstanding amount is deemed to be payable to the concessionaire (IP). Interest is determined on the same terms as the loans obtained to directly fund this activity. Interest and other financial expenses incurred with borrowings for financing the concession are therefore debited.

GRANTS

Rail and road activities have been financed by means of investment grants.

Accordingly, concessioned rail assets are shown in the Financial Statements net of respective grants, this being the model which best represents how these investments are expected to be reimbursed.

On the other hand, grants associated with the road concession right are shown in the Financial Statements as deferred income, under deferred liabilities.

TANGIBLE, INTANGIBLE ASSETS AND INVESTMENT PROPERTIES - USEFUL LIVES

The determination of useful lives of the assets as well as the depreciation/amortisation method to be applied is essential to determine the amount of depreciation/amortisation to be recognised in the Separate Profit and Loss Statement for each year.

These two parameters are defined in accordance with the best estimate of the Executive Board of Directors for the assets and businesses in question, while also considering the practices adopted by the companies of the sector.

JOINT ARRANGEMENTS

The two European Groupings of Economic Interest of which IP is member are considered joint arrangements as provided in IFRS 11.

The determination of the typology of agreement is based on the judgement made by the entities involved, taking into account the rights and obligations arising from the agreements, taking into account:

- Structure and legal form of the agreement – Both agreements concerned are structured under separate vehicles. In these circumstances, according to the applicable standard (IFRS 11), a joint arrangement is where the legal form of the said instrument does not allow separation between the parties and the separated vehicle, which is the case here, since the by-laws of both Groupings mention the existence of unlimited and joint liability of the partners in the agreement, which makes them responsible for credits claimed by third parties, as well as the fact that, in the event of losses, the general meeting has the right to ask the parties to contribute proportionately, i.e. pro rata to their respective share of the Grouping's debt settlement, which seems to confer to the parties obligations for the liabilities originated by the agreement.
- The terms agreed by the parties - both agreements provide that the projects will be deemed as undivided assets of members.

ESTIMATED REVENUE PATTERN

The amount and timing of future earnings are es-

sential 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 on and on IP's Executive Board do Directors' best outlook for the future, having the same calculation base of the revenues introduced in the multi-annual financial model, with the changes considered in the following paragraphs.

The company also made a sensitivity analysis of the evolution of revenues over the Contract's life and their impact on the amortisation for the year. The analyses were based on the following scenarios:

- Real growth in toll revenues after the initial end of the concession contracts would be 0% and the real growth of RSC would be in accordance with the Budget and Business Plan for 2020-2022 and after 2022 it would be 0%, with growth remaining in line with the CPI.
- Real growth in toll revenues after the initial end of the concession agreements would be 1% up to 2039 and 0% after 2040 and the real growth of RSC would be in accordance with the Budget and Business Plan for 2020-2022, and after 2022 it would be 0.5%, with growth remaining in line with the CPI.
- It was considered that the 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 Budget and Business Plan for 2020-2022 and after 2022 it would be 1%, with growth remaining in line with the CPI.

The result of these different scenarios for 2020 is shown in the table below:

SENSITIVITY ANALYSIS OF GROWTH OF RSC AND ROLL REVENUE	SCENARIO A)	SCENARIO B)	SCENARIO C)
Amortisation for the year	230	209	167
Amortisation of grants	-59	-54	-46
	171	155	121
Difference		-17	-50

DEPRECIATION VALUE OF CONCESSION RIGHT

The value taken as the depreciation value of the Concession Right must take into account the value of works and maintenance scheduled up to the term of the concession.

Changes in planned, contracted and executed values may vary due to factors outside the Company's control, impacting the depreciation value to be recorded in the future.

REGULAR MAINTENANCE OF ROADS AND ENGINEERING STRUCTURES

The annualised cost of scheduled works required to maintain the network's average quality index at the same level as when the network was received (a stipulation of IP's Concession Contract) is calculated based on technical assessments of repair needs and an index of the average quality of road and engineering structures.

RAILWAY CONCESSION

PeAs there is no formal concession agreement for the Investment Activity in Long-Duration Infrastructures, IP makes the following assumptions to determine the value of the concession, based on the principle of substance over form and the existing legislation, namely:

- The General Land Transportation Law Infrastructure Maintenance and Supervision Law 10/90 - which establishes in number 3 of article 11 the compensation payable by the State for shouldering in full the infrastructure construction, maintenance and supervision costs, in accordance with rules to be approved by the Government.
- In the The Strategic Transport Plan (RCM 45/2011):

The investment necessary for the construction of transport infrastructure, as goods and assets in the public domain, is the responsibility of the State as set out in the General Land Transportation Law. Nevertheless, over the past decades, state-owned enterprises operating in the land transport and railway sectors have carried the burden of having to register in their Financial Statements - via the issuing of debt - the costs of this investment made on behalf of the State"; and

"The historic debt of state-owned enterprises operating in the public railway transport and infrastructures sector, results in part from the development of investment projects which are the State's responsibility, (...)".

- PETI3+ - Strategic Plan for Transports and Infrastructures (2014-2020).

PETI3+ "...is a revision of PET 2011-2015, including a second phase of structural reforms to be made in this sector, as well as a set of investments in transport to be carried out until the end of this decade. It is estimated that 61% of priority railway projects can be financed through community funds and 39% through public funds. "Where any assets are withdrawn from the public railway domain, the profit or loss will be allocated to this activity, as established in each withdrawal order.

Therefore, the costs borne with LDIs assume the form of "accounts receivable" (financial assets) charged to the "State grantor", being initially recognised at fair value.

Financial assets correspond to the investment in the assets under concession, which include public railway domain property, to which IP only has access to provide "Infrastructure Management" services, less the return on assets and any grants received plus the interest of loans contracted, debited to the concession and not settled by the Grantor. As there is no defined maturity, as a result of the absence of a formalised concession contract, the amounts receivable are assumed to become due on the debit date. Consequently, from that date, the interest on the outstanding amount is deemed to be payable to the concessionaire (IP). Interest is determined on the same terms as the loans obtained to directly fund this activity. Interest and other financial expenses incurred with borrowings for financing the concession are therefore debited.

LONG DURATION INFRASTRUCTURES (LDI)

Tangible fixed assets classified as long duration infrastructures belong to the public railway domain, and IP only has access to them so as to provide the services associated with the Railway Infrastructure Management. Accordingly, they are recorded under the "Statement of Financial Position - Grantor - State - Account receivable" item, as they constitute an unconditional right to receive money from

the State for the investments made. These assets, in addition to acquisitions and buildings after the spin-off of the CP assets, include the assets of the former divisions, freight terminals and property transferred from that company, which have the nature of "public domain goods".

CONSTRUCTION BY MEANS OF SUB-CONCESSIONS

Construction through Sub-Concessions is recognised to reflect the effective evolution of the works, based on percentage of completion data obtained from the sub-concessionaires and validated by IP.

PROVISIONS

IP regularly analyses any obligations arising from past events and which must be recognised or disclosed.

The subjectivity associated with determining the likelihood and amount of future internal resources required for the payment of the obligations may lead to significant adjustments, either due to changes in the assumptions used or the future recognition of provisions previously disclosed as contingent liabilities.

Provisions resulting from lawsuits in progress are periodically assessed by IP's internal and external lawyers in charge of those proceedings.

As regards the provision for disqualified roads, IP makes a comprehensive survey of the disqualified roads still under its responsibility and checks, on the basis of technical analyses of the cost of preparing them for hand over to the municipalities, if the recorded value of this provision is appropriate.

As a result of the developments in the VAT process described in Note 9, a provision in the amount corresponding to the estimated impact of an unfavourable decision to former EP (the entire VAT deducted by EP in activities financed by the RSC) has been set up (Note 14).

IMPAIRMENT OF NON MONETARY ASSETS

Tangible and intangible assets with defined useful life - any indication of impairment losses is verified, namely through the discontinuing/destruction of assets.

Inventories held to be used in production - they will not be reduced below cost as since they are integrated in the infrastructure, they will be debited to the Grantor at acquisition price. The only exception to this concerns materials that are obsolete or technically depreciated and which cannot be used for the activity, which will notwithstanding be adjusted taking into account their recoverable value from their sale as waste.

IMPAIRMENT OF FINANCIAL ASSETS

Investments in subsidiaries - the existence of any restrictions to the recovery of the investment is verified. In what concerns financial investments, it is the Company's policy to recognise impairment when its book value exceeds the net assets of the subsidiary, from a standpoint of the latter's liquidation. This is deemed to be the more adequate model for these entities, which exist from a standpoint of segmentation of service rendering activities of the Group.

Loans granted - any need to recognise impairment is verified taking into consideration the subsidiaries' capacity to generate future cash flows, by analysing their budget projects as well as their business plans.

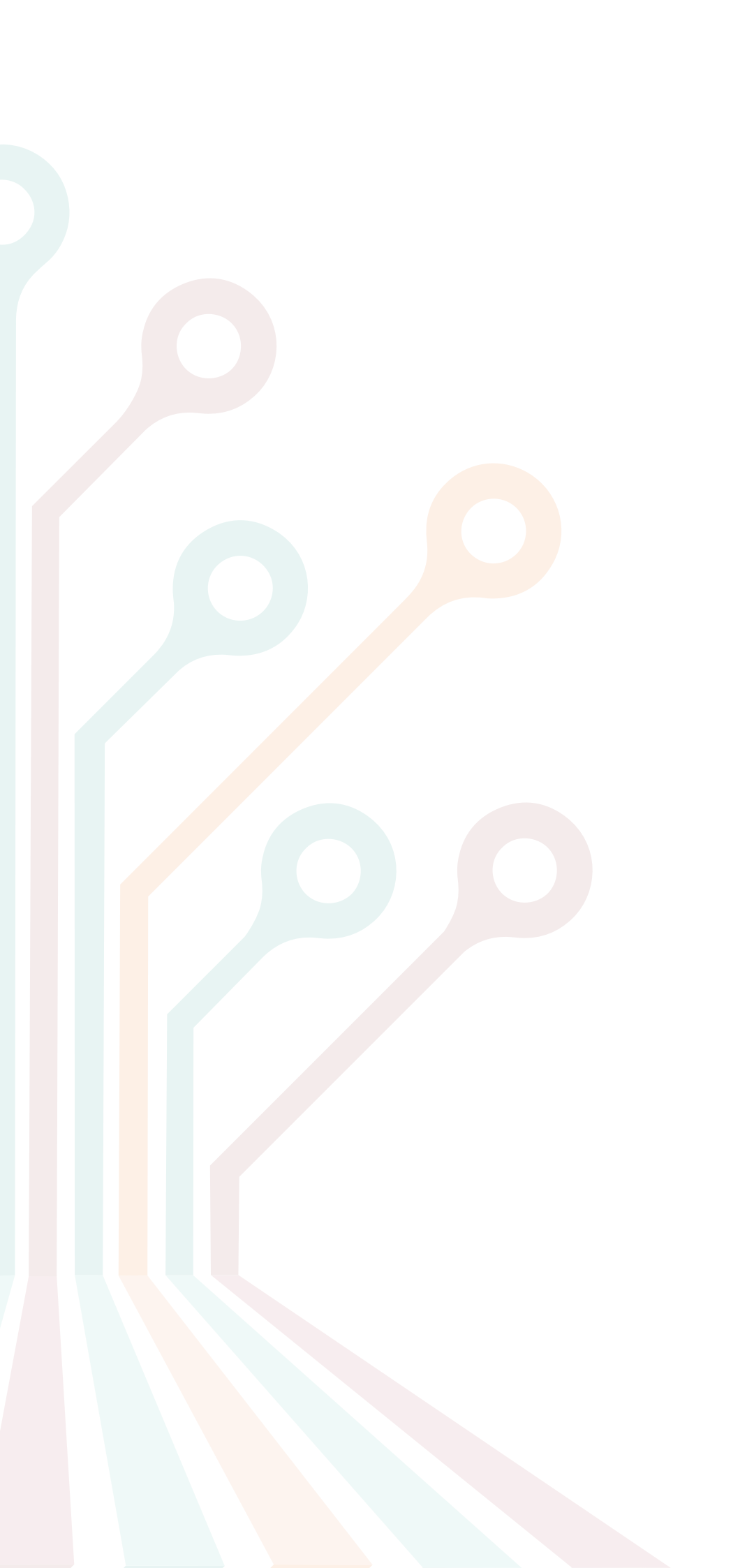
Sundry debtors - based on the evaluation by the Executive Board of Directors of the probability of recovering such receivables, the seniority of the balances, cancellation of debts and other factors. Other circumstances and facts are also considered that may alter estimated impairment losses of receivables in the face of considered assumptions, including changes in the economic climate and sector trends, the creditor position of main clients and significant defaults.

This evaluation process is subject to various estimates and judgements. Changes in these estimates may imply different levels of impairment; consequently, they may have different impacts on income.

Trade receivable from clients of the Infrastructure Management and High Performance segments - in general, they have not been subject to impairment given the specific characteristics of the clients (railway operators partly held by the State and toll clients).

INCOME TAX

Deferred tax assets are recognised only when there is strong certainty that there will be profit and future taxable income available for the use of temporary differences, or when there are deferred tax liabilities, the reversal of which is expected in the same period in which deferred tax assets are reversed. The assessment of deferred tax assets is made by the Executive Board of Directors at the end of each reporting period, taking into account the expected future performance of IP. Deferred taxes are determined based on current tax legislation or legislation published for future application. Changes in tax legislation can influence the value of deferred taxes and these are analysed carefully by management.



3. SEGMENT REPORTING

See accounting policy 2.2.1.

IP has the following business segments:

- High Performance;
- Road Infrastructure Management Activity;
- Railway Infrastructure Investment Activity;
- Railway Infrastructure Management Activity.

The 'High Performance' segment corresponds to the entire activity related to Road High Performance and includes all currently managed Public-Private Partnerships (PPP), including concessions of the State and sub-concessions, and the other high-performance roads currently directly managed by IP.

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 roads 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.

As described hereinabove, the financing required for the investments made is obtained by IP and may be in the form of loans with financial institutions and the financial market, suppliers, capital contributions and subsidies.

The 'Railway Infrastructure Management Activity' segment corresponds to the provision of a public service, including functions such as maintenance and repair of infrastructures, capacity management, management of regulatory and safety control, command and control of traffic, and including other activities supplementary to the infrastructure management.

The information relating to the results from 1 January 2020 to 31 December 2020 and from 1 January 2019 to 31 December 2019, assets and liabilities for the periods ended 31 December 2020 and 31 December 2019 of the identified segments is as follows:

2020	INV. ACT. RAILWAY IN- FRAST.	MANAGEMENT ACT. RAILWAY INFRAST.	HIGH PERFORMANCE	MANAGEMENT ACT. ROAD INFRAST.	TOTAL
Sales and services	28 118	77 264	292 035	624 381	1 021 798
Impairment	-	- 3 472	-	-	- 3 472
Provisions	-	3 606	-	- 25 933	- 22 327
Other income	-	80 894	8,926	70 814	160 634
Other expenses	- 27 198	- 204 073	- 289,023	- 191 651	- 711 944
EBITDA	921	- 45 780	11 938	477 611	444 689
Amortisation and depreciation	- 921	- 3 017	- 231 410		- 235 348
EBIT	0	- 48 797	258 138		209 341
Financial expenses	- 60 571	- 24 577	- 220 235		- 305 382
Financial income	60 571	-	2		60 573
EBT	0	- 73 374	37 906		- 35 468
Income tax for the period	-		- 20 731		- 20 731
Net Income	0		- 56 199		- 56 199

2019	INV. ACT. RAILWAY INFRAST.	MANAGEMENT ACT. RAILWAY INFRAST.	HIGH PERFORMANCE	MANAGEMENT ACT. ROAD INFRAST.	TOTAL
Sales and services	25 079	84 233	502 030	708 614	1 319 955
Impairment	-	- 87	-	23	- 64
Provisions	-	1 292	-	- 25 743	- 24 451
Other income	-	83 010	8 947	71 216	163 174
Other expenses	- 24 040	- 193 789	- 478 430	- 172 665	- 868 924
EBITDA	1 038	- 25 341	32 547	581 445	589 689
Amortisation and depreciation	- 1 038	- 2 247	- 279 329		- 282 614
EBIT	0	- 27 589	334 663		307 075
Financial expenses	- 65 524	- 27 376	- 209 800		- 302 699
Financial income	65 524	12	-		65 535
EBT	0	- 54 953	124 863		69 911
Income tax for the period	-		- 50 083		- 50 083
Net Income	0		19 828		19 828

31 DECEMBER 2020	INV. ACT. RAILWAY INFRAST.	MANAGEMENT ACT.. RAILWAY INFRAST.	HIGH PERFORMANCE	MANAGEMENT ACT. ROAD INFRAST.	TOTAL
Assets					
Concession right	-	-	20 829 528		20 829 528
Grantor	3 914 002	-	-	-	3 914 002
Other assets	36 869	142 615	31 745	2 307 141	2 518 370
Total assets	3 950 870	142 615	23 168 414		27 261 900
Liabilities					
Borrowings	1 818 379	524 658	2 577 911	-	4 920 948
Grants	-	-	9 975 333		9 975 333
Other liabilities	1 570	75 131	2 522 520	1 274 175	3 873 395
Total Liabilities	1 819 949	599 789	16 349 938		18 769 675

2019-12-31	INV. ACT. RAILWAY INFRAST.	MANAGEMENT ACT. RAILWAY INFRAST.	HIGH PERFORMANCE	MANAGEMENT ACT. ROAD INFRAST.	TOTAL
Assets					
Concession right	-	-	20 583 724		20 583 724
Grantor	3 834 527	-	-	-	3 834 527
Other assets	43 016	162 968	28 190	2 159 527	2 393 701
Total assets	3 877 543	162 968	22 771 441		26 811 952
Liabilities					
Borrowings	1 894 582	669 688	2 583 077	-	5 147 347
Grants	-	-	10 031 880		10 031 880
Other liabilities	1 770	100 855	2 800 715	1 235 111	4 138 451
Total Liabilities	1 896 353	770 543	16 650 783		19 317 678

4. INVESTMENTS IN SUBSIDIARIES

See accounting policy 2.2.4.

At 31 December 2020 and 2019 changes in this caption were as follows:

	31 DECEMBER 2020	2019-12-31
Opening balance		
Acquisition cost	44 952	44 952
Cumulative impairment	- 29 304	- 31 945
Net value	15 647	13 006
Change for the year		
Impairment	- 1 452	2 641
Total	- 1 452	2 641
Closing Balance		
Acquisition cost	44 952	44 952
Cumulative impairment	- 30 757	- 29 304
Net value	14 195	15 647

The change in Caption "Impairment Losses" is justified by a correction relating to investment IP Património, in the amount of €th 1,452 (2019: reversal of impairment €th 2,641), via losses recorded in 2020 (Note 22).

Investments in subsidiaries are as follows:

COMPANIES	31 DECEMBER 2020		2019-12-31	
	% HOLDING	VALUE OF EQUITY HOLDING	% HOLDING	VALUE OF EQUITY HOLDING
IP Engenharia, SA Rua José da Costa Pedreira nº11 - Lisboa	98.43	2 589	98.43	2 589
IP Património - Administração e Gestão Imobiliária, SA Av. de Ceuta - Estação de Alcântara Terra - Lisboa	99.9968	10 606	99.9968	12 058
IP Telecom - Serviços e Telecomunicações, SA Rua Passeio do Báltico, 4 -Lisboa	100.00	1 000	100.00	1 000
		14 195		15 647

5. INTANGIBLE ASSETS

See accounting policy 2.2.6.

In the years ended 31 December 2020 and 31 December 2019, the movement in the value of intangible assets, as well as in accumulated amortisation, was as follows:

	CONCESSION RIGHT	OTHER	TOTAL
Gross assets			
31 December 2018	22 912 579	30 710	22 943 289
Acquisitions	535 352	431	535 783
2019-12-31	23 447 931	31 141	23 479 072
Acquisitions	477 320	462	477 782
2020-12-31	23 925 251	31 603	23 956 854
Amortization and Impairment			
2018-12-31	-2 587 206	-27 441	-2 614 647
Amortisation for the year	-278 551	-37	-278 588
2019-12-31	-2 865 757	-27 478	-2 893 235
Amortisation for the year	-229 967	-27	-229 993
2020-12-31	-3 095 723	-27 505	-3 123 228
Net value			
2019-12-31	20 582 174	3 662	20 585 837
2020-12-31	20 829 528	4 098	20 833 626

The value of 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, as mentioned in note 2.2.6.

Assets are calculated according to the percentage of completion of each works, regardless of whether this construction is directly carried out by IP or under Public-Private Partnerships (PPP).

Of the € 478 million of investments in 2020, approximately € 435 million correspond to net payments of receipts from State concessions, € 42 million to IP own work.

These figures include capitalised financial expenses in the amount of € 13 million in 2020.

Amortisation for the year is calculated under IFRIC 12 by the equivalent unit method and refers to the value of the total investment that has already been made or will be made in the future, in the context of the concession between IP and the State, based on the economic and financial flows for the concession period. These figures have the same basis as the multi-annual financial model of IP with the changes mentioned in note 2.4.

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;
- Expenses with construction present in Subconcession contracts in force valued at cost of each base case;
- 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;
- Expenses with regular maintenance reflect the revision of study made in 2019, based in the implementation of the business plan;
- The National Road Plan 2000 is implemented until 2052.

The total investment is amortised according 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:

- The Road Service Contribution (RSC) until 2022 is the best management estimate for those years. From 2023 onwards, 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 IP;
- In the State Concessions of tolled motorways, after they revert to the State, the growth rate considered is that of the CPI, based on the last year of the respective base cases or in the more recent traffic surveys prepared by IP specialised consultants;
- Overall, the remaining operating income (revenue from service areas, telematics and others) was estimated in 2020, as part of the revision of the economic and financial model for the concession period.

On the basis of these assumptions, the amortisation recorded amounted to € 230 million.

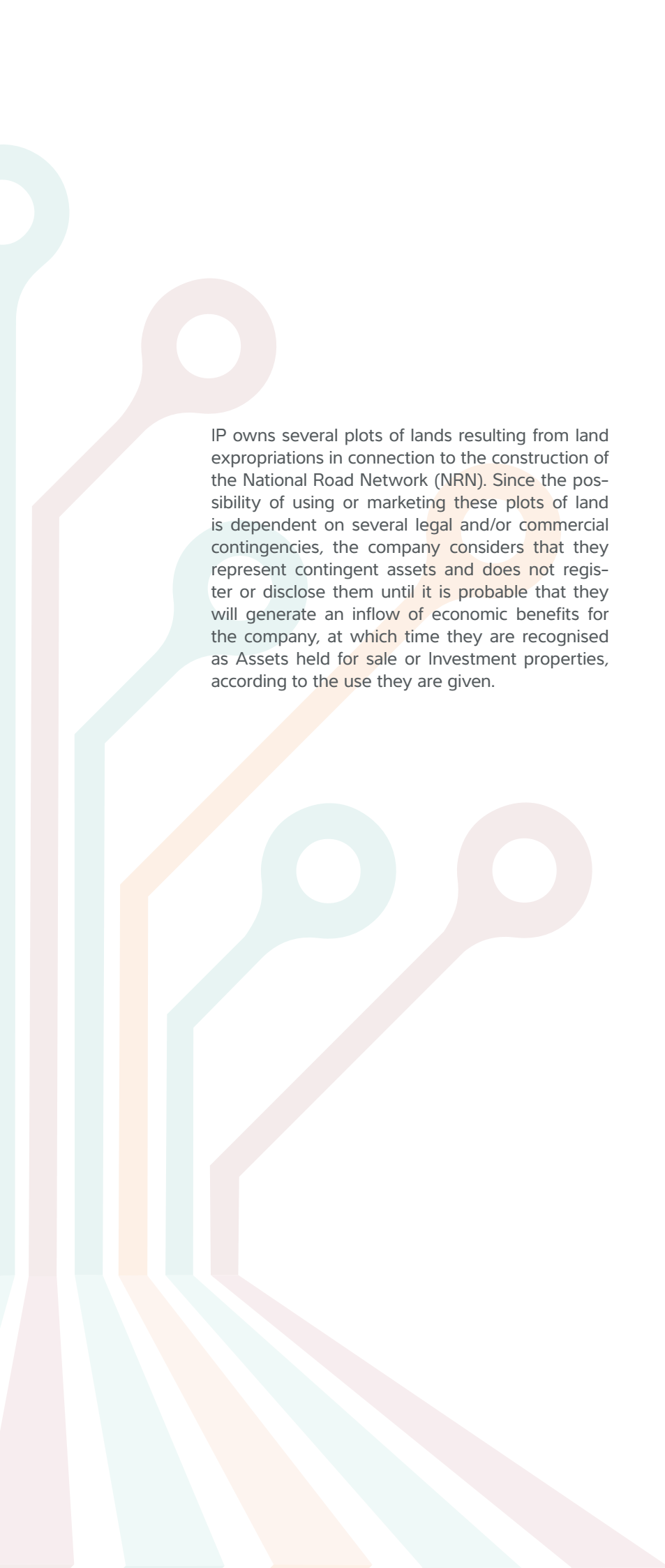
The remaining intangible assets concern, mostly, contractual rights on computer software (licences).

6. TANGIBLE FIXED ASSETS

See accounting policy 2.2.7.

In the years ended 31 December 2020 and 31 December 2019, the movement in gross assets, as well as in accumulated depreciation and impairment losses was as follows:

	LAND AND NATURAL RESOURCES	BUILDINGS AND OTHER CONSTRUCTION	BASIC EQUIPMENT	TRANSPORT EQUIPMENT	ADMINISTRATIVE EQUIPMENT	OTHER TANGIBLE FIXED ASSETS	WORK IN PROGRESS	RIGHT OF USE	TOTAL
Gross assets									
2018-12-31	5 940	74 053	37 585	11 459	18 386	6 160	2 303	-	155 886
Acquisitions	-	-	1 066	-	636	20	778	-	2 500
Transfers	-	-	60	578	-	-	- 638	-	0
Disposals /Correc-tions	-	-12	-	-	- 61	-	-	-	- 73
2019-12-31	5 940	74 042	38 711	12 037	18 960	6 180	2 443	-	158 313
Acquisitions	-	-	1 276	-	611	6	1 587	8 121	11 602
2020-12-31	5 940	74 042	39 988	12 037	19 572	6 186	4 030	8 121	169 915
Abates/Regulariza-ções	-	- 12	-	-	- 61	-	-	-	- 73
31 de dezembro de 2019	5 940	74 042	38 711	12 037	18 960	6 180	2 443	-	158 313
Depreciation and Impairment									
2018-12-31	0	- 39 348	- 31 227	- 11 231	-17220	- 5 983	0	-	- 105 009
Depreciation of the year	-	- 1 627	- 1 669	- 86	- 587	- 52	-	-	- 4 021
Depreciation - Write-downs/Correc-tions	-	6	-	-	61	-	-	-	67
2019-12-31	0	- 40 970	- 32 896	- 11 317	- 17 745	- 6 035	0	0	- 108 962
Depreciation of the year	-	- 1 532	- 1 407	- 157	- 763	- 44	-	- 1 447	- 5 349
2020-12-31	0	- 42 501	- 34 303	- 11 474	- 18 508	- 6 079	0	-1,447	- 114 312
31 de dezembro de 2019	0	- 40 970	- 32 896	- 11 317	- 17 745	- 6 035	0	-	- 108 962
Net value									
2019-12-31	5 940	33 072	5 816	720	1 215	145	2 443	0	49 350
2020-12-31	5 940	31 540	5 685	563	1 063	107	4 030	6 675	55 603



IP owns several plots of lands resulting from land expropriations in connection to the construction of the National Road Network (NRN). Since the possibility of using or marketing these plots of land is dependent on several legal and/or commercial contingencies, the company considers that they represent contingent assets and does not register or disclose them until it is probable that they will generate an inflow of economic benefits for the company, at which time they are recognised as Assets held for sale or Investment properties, according to the use they are given.



7. DEFERRED TAX ASSETS AND LIABILITIES

See accounting policy 2.2.9.

The balances recognised on deferred taxes are presented in the Statement of Financial Position at their gross value, at 31 December 2020 and 31 December 2019.

The Executive Board of Directors is convinced that the tax results generated in the future will enable the reversal of all deferred tax assets recorded.

The impact on the profit/loss of movements in deferred tax items in the financial years was as follows:

	NOTES	2020	2019
Impact on the Comprehensive Income Statement			
Deferred tax assets		7 281	9 268
Deferred tax liabilities		- 27	159
	24	7 254	9 427

Changes occurred in deferred tax assets and liabilities during the years are as follows:

DEFERRED TAX ASSETS

DEFERRED TAX ASSETS	FINANCING EXPENSES	VAT PROVISION	REGULAR MAINTENANCE	AMORTISATION OF CONCESSION RIGHT	OTHER ADJUSTMENTS	TOTAL
31-12-2018	17 618	70 442	94 086	76 507	3 180	261 833
Set-up/(Reversal)	- 17 618	7 021	5 639	14 315	-88	9 268
2019-12-31	0	77 463	99 724	90 822	3 092	271 101
Set-up/(Reversal)	-	7 772	1 440	- 1 930	-1	7 281
2020-12-31	0	85 235	101 164	88 892	3091	278 382

DEFERRED TAX LIABILITIES

DEFERRED TAX LIABILITIES	SIFIDE	TAX LOSSES	TOTAL
31-12-2018	47	111	159
Set-up / (Reversal)	- 47	- 111	- 159
2019-12-31	0	0	0
Set-up / (Reversal)	-	27	27
2020-12-31	0	27	27

OTHER DIFFERENCES NOT GIVING RISE TO DEFERRED TAXES

At 31 December 2020 there are other temporary differences for which reversals are not expected in future years and which therefore do not result in deferred tax assets. Note should be made of existing impairments on subsidiaries, loans and other account receivable and inventories.

The reconciliation of the income tax rate is shown on note 24.

8. INVENTORIES

See accounting policy 2.2.11.

At 31 December 2020 and 2019 this caption is detailed as follows:

	2020-12-31	2019-12-31
Raw materials and consumables	71 441	79 964
	71 441	79 964
Cumulative impairment	- 1 395	- 675
	70 046	79 289

The raw materials and consumables item refers to the various types of materials that are incorporated into the maintenance and construction of railway infrastructure.

On the date of reporting of accounts, a physical inventory was taken with the aim of quantifying the adjustment of inventory losses. Therefore, impairment concerns materials that are obsolete and technically depreciated and cannot be used for IP's activities, and which might be sold should an interested buyer emerge.

Expenses with railway material totalled € 23,796 thousand (2019: € 17,786 thousand), (note 16).

At the end of the year, following analysis, the impairment of inventory was adjusted by € 720 thousand (note 19).

9. GOVERNMENT AND OTHER PUBLIC BODIES (ASSETS AND LIABILITIES)

At 31 December 2020 and 31 December 2019 this item is detailed as follows:

	2020-12-31	2019-12-31
Debit balances		
CIT	26 041	2 445
Current tax assets	26 041	2 445
VAT	1 621 085	1 452 007
Other taxes and levies	256	319
Government and other public bodies	1,621,341	1 452 326
Credit balance		
Contributions to SS, CGA and ADSE health systems	5 733	5 918
IRS – Withholdings	1 585	1 515
Other taxes and levies	13	14
Government and other public bodies	7 330	7 447

The payable/receivable balance of corporate income tax is made up as follows:

	2020-12-31	2019-12-31
CIT		
Withholdings	-36	-36
Advance tax payment	-52 313	-61 060
Tax estimate	26 351	58 538
RETGS Benefit	-43	111
Current tax assets	-26 041	-2 445
Current tax liabilities	0	0

The balance of Personal Income – Withholdings correspond to December 2020 wages processed in the year but settled in January 2021.

Payments to SS, CGA and ADSE (social security systems), include liabilities with holiday pay and holiday bonuses to be settled in 2021 relating to Social Security, as well as the amounts processed in December 2020 and settled in 2021, relating to Social Security, Caixa Geral de Aposentações and ADSE.

The balance of VAT receivable comprises the amount of € 1,621.085 thousand to be received by IP, where an amount of € 227,562 thousand was already claimed in 2009, relating to the period of January 2008 to October 2009. This balance is essentially the result of the VAT deducted by former EP and IP in its road activity. The company considers it is entitled to this deduction since the State collected VAT on a revenue of IP – the Road Service Contribution –, which in accordance with the legally established mechanisms for its settlement

and collection, was paid to the company by the fuel distributors.

IP has two ongoing legal proceedings. The first is relative to the application for VAT refund up to June 2009 and the second relative to the request for the refund of VAT from July to September and deduction of October 2009.

The first case, concerning the request for reimbursement of VAT up to June 2009, was refused by the Tax and Customs Authority which issued notifications of additional VAT payments and interest in the amount of € 277.124 thousand and € 11.697 thousand, respectively

Not agreeing with these demands for payment due to the fact that it considered them unfounded, on 30 November 2010 Former-EP filed a challenge in Almada Administrative and Tax Court to the rejection of the hierarchical appeal. The challenge by Former-EP was considered inadmissible by the court of first instance, in January 2013. Former-EP did not agree with the decision, and filed an 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 € 64.506 thousand and € 763,000 respectively. On 29 July 2011, Former-EP filed a claim with the Almada Administrative and Tax Court against the ruling out of the hierarchical appeal. This claim was deemed inadmissible in the court of first instance, in January 2013. Former-EP did not agree with the decision, and filed an 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 EP's claim to be fully valid, thereby cancelling all additional demands for VAT issued by the Tax Authority. About this Decision:

- The Treasury claimed against it, invoking various errors. These were considered totally inadmissible on 26 January 2018.
- The Tax Authority on 1 March 2018 filed an appeal with the Supreme Administrative Court, which was accepted for consideration purposes. This appeal is deemed of exceptional nature, i.e. it considers that the court's decision can be reviewed whenever the issue is deemed of crucial fundamental importance on account of its legal

or social importance, or when a better application of the law requires so. 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. Decision is still pending.

In the course of the usual annual tax inspection process, the Tax and Customs Authority has been making corrections on the same basis as those described for the above proceedings. IP has followed the complaints process, maintaining its position also in the terms described above. The situation of the proceedings for each year inspected are as follows:

YEAR	PROCEEDINGS PHASE	PHASE DATE	ADDITIONAL TAX SETTLEMENTS	INTEREST
2011	Judicial challenge of the rejection of the hierarchical appeal	2018-05-22	195 514	29 412
2012	Judicial challenge of the rejection of the hierarchical appeal	2018-05-22	188 756	2 867
2013	Judicial challenge of the rejection of the hierarchical appeal	2020-02-28	171 213	13 300
2014	Judicial challenge of the rejection of the hierarchical appeal	2020-10-30	248 308	12 475
2015 (January to May) a)	Judicial challenge of the rejection of the hierarchical appeal	2020-11-11	121 043	4 164
2015 (June to December) b)	Hierarchical Appeal	2020-07-31	139 415	9 484
2016	Administrative Complaint ("Reclamação Graciosa")	2021-03-18	286 873	10 349

^{a)} Regarding the period prior to the merger (NIF, formerly EP)
^{b)} Regarding the post merger period

As a result of the described evolution of the VAT case, IP increased the provision in 2020 by € 30,682 thousand, taking its cumulative value at 31 December 2020 to € 422,377 thousand, which corresponds to the VAT which IP estimates it will cease to receive from the Tax Authority if it is considered that the RSC is not income liable for VAT (note 12).

In addition, it should be noted that the amounts corrected by the TA and not provisioned for by IP concern mainly deducted VAT relating to the State Concession Network, therefore, if the TA thesis should be accepted in Court, the additional consideration payable by IP will always be an increase in its Intangible Assets, with no direct impact on the results for the year, and impact only in the results of future years, via an increase in the depreciation and amortisation of such assets.

10. DEFERRALS

10.1. Deferred assets

At 31 December 2020 and 2019 this caption is detailed as follows:

	2020-12-31	2019-12-31
Current expenses to recognise		
Other services	1 560	1 961
	1 560	1 961

10.2. Deferred liabilities

At 31 December 2020 and 2019 this caption is detailed as follows:

	NOTES	2020-12-31	2019-12-31
Non current income to recognise			
Investment Subsidies - Road Concession Right	10.2.1	9 975 333	10 031 880
Term Sale - Brisa Concession		152 300	152 300
Douro Litoral Concession Fee	20	99 937	107 624
Greater Lisbon Concession Fee	20	17 500	18 666
		10 245 069	10 310 471
Current income to recognise			
Douro Litoral Concession Fee		7 687	7 687
Greater Lisbon Concession Fee		1 167	1 167
Other income		567	715
		9 421	9 569

Income to be recognised essentially resulted from investment grants of € 9,975 million (see note 10.2.1) and prepayments from concessions amounting to €279 million to be recognised in profit or loss over the period of the respective concession.

10.2.1. Investment grants - Road Concession Right

See accounting policy 2.2.12.

This caption includes investment subsidies received by IP to finance the intangible asset relating to the Concession Right and not yet recognised via results. Changes occurred during the period ending on 31 December 2020 and 31 December 2019 are as follows:

	NOTES	INVESTMENT GRANTS
2018-12-31		10 094 906
Increases		152
Imputation to income (Note 2.2.12)	20	- 63 179
2019-12-31		10 031 880
Increases		2 000
Imputation to income (Note 2.2.12)	20	- 58 548
2020-12-31		9 975 333

11. FINANCIAL ASSETS AND LIABILITIES

See accounting policy 2.2.10

11.1. Categories according to IFRS 9

The breakdown of financial assets and liabilities by category according to IFRS 9 for the years ended at 31 December 2020 and 31 December 2019 is as follows:

2020-12-31	NOTES	AMORTISED COST	FAIR VALUE THROUGH PROFIT OR LOSS.	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
Assets						
Financial investments		-	7	32	-	39
Grantor .- State - Account Receivable	11.2.1	3 914 002	-	-	-	3 914 002
Clients	11.2.3	57 002	-	-	-	57 002
Other accounts receivable	11.2.4	104 273	-	-	38 497	142 771
Cash and cash equivalents	11.2.5	247 202	-	-	-	247 202
		4 322 479	7	32	38 497	4 361 016
Liabilities						
Suppliers	11.3.3	9 917	-	-	-	9 917
Loans	11.3.1	2 577 593	-	-	-	2 577 593
Shareholder funding/ loans	11.3.2	2 343 354	-	-	-	2 343 354
Other accounts payable	11.3.4	2 589 883	-	-	47 127	2 637 010
		7 520 747	0	0	47 127	7 567 874

2019-12-31	NOTES	AMORTISED COST	FAIR VALUE THROUGH PROFIT OR LOSS.	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
Assets						
Financial investments		-	-	32	-	32
Grantor .- State - Account Receivable	11.2.1	3 834 527	-	-	-	3 834 527
Clients	11.2.3	71 456	-	-	-	71 456
Other accounts receivable	11.2.4	145 706	-	-	39 020	184 726
Cash and cash equivalents	11.2.5	263 159	-	-	-	263 159
		0	32	39 020	4 353 899	4 353 899
Liabilities						
Suppliers	11.3.3	41 672	-	-	-	41 672
Loans	11.3.1	2 660 786	-	-	-	2 660 786
Shareholder funding/ loans	11.3.2	2 486 561	-	-	-	2 486 561
Other accounts payable	11.3.4	2 855 542	-	-	42 135	2 897 677
		8 044 561	0	0	42 135	8 086 697

Non financial assets mainly concern Surety Bonds, amounting to nearly € 31 million (2019: € 31 million) and advances to suppliers in the amount of € 6.4 million (2019: € 6.1 million).

Non-financial liabilities include debts from employment benefits of approximately € 13.8 million (2019: € 15.1 million) and advances on sales of approximately € 22 million (2019: € 21 million).

11.2. Financial assets

11.2.1. Grantor - State - Account Receivable

The breakdown of the financial asset underlying the rail concession at 31 December 2020 and 31 December 2019 is as follows:

	2020-12-31	2019-12-31
Concessioned assets (LDI)	9 708 013	9 502 164
Interest charged	1 762 528	1 701 957
Grants/Subsidies	- 4 629 637	- 4 590 467
Receipts	- 2 613 005	- 2 465 714
Impairment	- 305 200	- 305 200
Return on assets	- 8 696	- 8 213
	3 914 002	3 834 527


Assets under concession, known as Long-Duration Infrastructure (LDI) form part of the Public Railway Domain, with IP having access to that infrastructure to provide the public service of Infrastructure Management. Accordingly, they are recorded under the "Statement of Financial Position - Grantor - State - Account receivable" item, as they constitute an unconditional right to receive money from the State for the investments made.

In addition to the acquisitions and construction made subsequent to the merger of CP – Comboios de Portugal, E.P.E., as provided for in Decree-Law 104/97, of 29 April, these assets include the property belonging to extinct entities (Gabinete do Nó Ferroviário de Lisboa, Gabinete do Nó Ferroviário do Porto and Gabinete de Gestão das Obras de Instalação do Caminho-de-Ferro na Ponte sobre o Tejo) and property transferred from the said company, deemed as assets of the public railway domain.

The increase resulting from grants directly allocated to IP for the development of the railway infrastructure comprises a net increase of € 39,170 thousand from European Structural and Investment Funds (€ 1,132 thousand from ERDF and € 25,254 thousand from the Cohesion Fund, € 11,227 thousand from CEF-GERAL and € 1,557 thousand from CEF-Cohesion Fund), which corresponds to advances and repayment of applications approved in the 2014-2020 planning period (COMPETE 2020 and CEF programmes).

The Return on assets item is the result of the obligation, expressed in the joint Orders of the Ministries of Finance and Economy, to authorise the public railway domain separation and results of the sales to be deducted from the amounts receivable from the grantor.

In the current year, the amount of interest charged to the grantor totalled € 60,571 thousand (2019: € 65,524 thousand) and the respective financial



consideration is offset under the Financial Gains – interest earned – Grantor – State item (note 23).

When REFER was set up, the paid-in capital was carried out in kind with the delivery of the railway infrastructure then valued at € 62,350 thousand. From 1998 to 2001, the Portuguese State increased the statutory capital of REFER in the total of € 242.850 thousand. These increases were intended, as set out in each joint approval package, to finance investments in long-duration infrastructure forming the public railway domain.

On the date of incorporation, the public domain assets were registered as fixed assets (tangible fixed assets in the then accounting standards – POC) of REFER, and so the consideration for the capital injection was the recognition of those same assets. With the adoption of IFRIC 12, these figures take the form of repayment in due time for investments in the long-duration infrastructure by the concessionaire, totalling € 305,200 thousand (initial contribution in kind, plus the capital increases that occurred between 1998 and 2001).

Consequently, this value will no longer be reimbursed by the State/Grantor, and the amount of € 305,200 thousand is impaired.

Note moreover the inflow of € 147 million (2019: € 150 million) resulting from the offsetting of the amount receivable by IP recorded under the Grantor - State - Account Receivable item and the value of the debt servicing for State loans granted by the DGTF to finance the railway activity, pursuant to provisions in article 135 of State Budget Law 2020, as described in note 11.4.4.

11.2.2. Loans granted

The breakdown of loans granted to subsidiaries for the periods ended 31 December 2020 and 31 December 2019 is as follows:

	2020-12-31		2019-12-31	
	NON CURRENT	CURRENT	NON CURRENT	CURRENT
Loans granted				
Opening balance	10 805	-	10 805	49 717
Repayment	-	-	-	- 49 717
Closing Balance	10 805	-	10 805	-
Impairment losses				
Opening balance	- 10 805	-	- 10 805	-
Closing Balance	- 10 805	-	- 10 805	-
Opening book value	0	-	0	49 717
Closing book value	0	-	0	-

All loans granted were granted to IP Património.

Non current loans reflect supplementary capital contributions provided following the merger of former Gare Intermodal de Lisboa, S.A. (GIL) into IP Património, which viewed to ensure the neutrality of the equity of IP Património following the incorporation of GIL's assets and liabilities into this company.

The set up of the said accessory contributions was carried out against the conversion of accessory capital recorded as impairment.

11.2.3. Clients

The breakdown of this caption at 31 December 2020 and 31 December 2019 is as follows:

G	NOTES	2020-12-31	2019-12-31
Non current			
Sundry		9,214	472
		9,214	472
Current			
Tolls		20,882	16,792
Sundry		15,204	29,628
Other related parties	25.4	10,529	22,386
Subsidiaries	25.3	2,515	3,805
		49,131	72,611
Cumulative impairment		-1,343	-1,627
		47,787	70,984
		57,002	71,456

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

Exposure of these balances to credit risk is shown in note 11.4.1.

1.1.2.4. Other accounts receivable

At 31 December 2020 and 31 December 2019 this item is broken down as follows:

	NOTES	2020	2019
Accounts receivable for accrued income		85 976	121 881
Road Service Contribution	25.2	74 733	113 026
Railway Operators	25.4	2 895	1 349
Subsidiaries	25.3	516	827
Other		7 831	6 678
Surety deposits		30 893	30 982
Other accounts receivable		35 128	38 483
Sundry		29 796	32 578
Subsidiaries	25.3	5 332	5 905
Cumulative impairment		- 9 226	- 6 620
		142,771	184,726

The Accrued Income - Contribution Road Service item corresponds to the recognition of the revenue charged by the TA and not yet delivered to IP Group.

Item Deposits of surety bond concerns mainly the provision of guarantee in the amount of € 28,126 thousand relating to VAT proceedings.

Other accounts receivable include, amongst other, protocols with several municipalities regarding the construction and redevelopment of various infrastructure, of which we highlight, Cascais, Lisbon, Águeda and Espinho in the amount of € 9,269 thousand.

Exposure of these balances to credit risk is shown in note 11.4.1.

11.2.5. Cash and cash equivalents

The cash and cash equivalents shown in the Cash Flow statement for the financial years ending on 31 December 2020 and 31 December 2019 are reconciled with the amounts shown in the Statement of Financial Position, as follows:

DESCRIPTION	NOTES	2020-12-31	2019-12-31
Other investments		243 250	220 000
Bank deposits		3 903	43 038
Cash		48	120
Cash and cash equivalent in the Statement of Financial Position		247 202	263 159
Accounting overdrafts	11.3.1	- 6 179	-13
Cash and cash equivalent in the Cash Flow Statement		241 023	263 145

Accounting overdrafts in the Statement of Financial Position, are recorded under in liabilities, under caption "Loans".

At 31 December 2020 there was no restriction on the movement of these amounts.

Exposure of these balances to credit risk is shown in note 11.4.1.

11.3. Financial liabilities

11.3.1. Loans

The breakdown of current and non current borrowings as of 31 December 2020 and 31 December 2019 is as follows:

DESCRIPTION	2020-12-31	2019-12-31
Non current loans		
Loans	1 924 303	2 561 036
Current loans		
Loans	653 291	99 750
	2 577 593	2 660 786

The terms and timing of repayment are as follows:

ACTIVITY	NAME	DATE OF SIGNATURE	CONTRACTED AMOUNT	PRINCIPAL DUE	REPAYMENT			INTEREST RATE SCHEME	INTE-REST RATE	PERIODI-CITY
					OPENING DATE	CLOSING DATE	PERIODICITY			
Railway	CP III Linha do Norte-B	14/07/1997	49 880	6 651	15/06/2008	15/06/2022	Annual	EIB variable, cannot exceed Euribor 3M+0.15%	0.000%	15/mar 15/jun 15/sep 15/dec
Railway	Connection to Algarve-A	08/10/2001	90 000	36 000	15/09/2012	15/09/2021	Annual	EIB variable, cannot exceed Euribor 3M+0.12%	0.000%	15/mar 15/jun 15/sep 15/dec
Railway	Minho Line-B	08/10/2001	59 856	23 942	15/09/2012	15/09/2021	Annual	EIB variable, cannot exceed Euribor 3M+0.12%	0.000%	15/mar 15/jun 15/sep 15/dec
Railway	CP III/2 L. Norte-A	02/10/2002	100 000	60 000	15/03/2013	15/03/2022	Annual	EIB variable, cannot exceed Euribor 3M+0.12%	0.000%	15/mar 15/jun 15/sep 15/dec
Railway	CP III/2 L. Norte-B	02/06/2004	200 000	130 000	15/12/2014	15/12/2023	Annual	EIB variable, cannot exceed Euribor 3M+0.15%	0.000%	15/mar 15/jun 15/sep 15/dec
Railway	Suburban	28/10/2004	100 000	42 857	15/06/2009	15/06/2024	Annual	EIB variable, cannot exceed Euribor 3M+0.15%	0.000%	15/mar 15/jun 15/sep 15/dec

ACTIVITY	NAME	DATE OF SIGNATURE	CONTRACTED AMOUNT	PRINCIPAL DUE	REPAYMENT			INTEREST RATE SCHEME	INTE-REST RATE	PERIODI-CITY
					OPENING DATE	CLOSING DATE	PERIODICITY			
Railway	Suburban B	14/12/2005	100 000	47 619	15/09/2010	15/09/2025	Annual	Revisable rate	3.615%	15/sep
Railway	Suburban C	12/10/2006	55 000	28 810	15/03/2011	15/03/2026	Annual	Revisable rate	4.247%	15/mar
Railway	Connection to Algarve-B	02/10/2002	30 000	14 000	15/03/2013	15/03/2022	Annual	EIB variable, cannot exceed Euribor 3M+0.12%	0.000%	15/mar 15/jun 15/sep 15/dec
Railway	CP III 2 Linha do Norte-C	11/12/2006	100 000	80 000	15/06/2017	15/06/2026	Annual	Revisable rate	1.887%	15/jun
Railway	CP III Linha do Norte-D	12/07/2007	100 000	80 000	15/12/2017	15/12/2026	Annual	Euribor 3M+0.108%	0.000%	15/mar 15/jun 15/sep 15/dec
Road	EIB- Estradas 2009-2019	17/12/2009	200 659	113 707	15/06/2014	15/06/2029	Half-year	Fixed Rate	2.189%	15/jun 15/dec
Railway	Refer V	04/08/2008	160 000	104 000	15/03/2014	15/03/2033	Annual	Revisable rate	2.653%	15/mar
Railway	Refer VI	10/09/2009	110 000	66 000	15/09/2013	15/09/2032	Annual	Revisable rate	2.271%	15/sep
Railway	Eurobond 06/26	10/11/2006	600 000	599 435	16/11/2026		Bullet	Fixed Rate	4.047%	16/nov
Railway	Eurobond 09/24	16/10/2009	500 000	499 065	16/10/2024		Bullet	Fixed Rate	4.675%	16/oct
Railway	Eurobond 06/21	11/12/2006	500 000	499 592	13/12/2021		Bullet	Fixed Rate	4.25%	13/Dec
Road	Eurobond 10/30	09/07/2010	125 000	121 505	13/07/2030		Bullet	Fixed Rate	6.450%	13/jul
	External Loans	TOTAL	3 180 395	2 553 183						
	Accrued interest			18 232						
	Accounting over-drafts			6 179						
	TOTAL			2 577 593						

Interest on these loans is paid in arrears on a quarterly, half year or annual basis.

In what concerns the EIB loan, the principal will be repaid on a regular basis following the grace period. Remaining loans (Eurobonds) will be fully repaid at maturity (bullet).

At 31 December 2020 loans secured by State guarantee totalled €1,934 thousand (2019: € 2,023 million).

11.3.2. Shareholder funding/ Shareholder loans

As at 31 December 2020 and 31 December 2019 the breakdown of Shareholder Loans was as follows:

DESCRIPTION	2020-12-31	2019-12-31
Non current loans		
State Loan	-	10 667
Current loans		
Current loans	2 475 895	2 354 537
	2 343 354	2 486 561

The purpose of these shareholder loans is to meet the companies' borrowing requirements (REFER and EP) since 2011.

In 2020 the shareholder did not grant new loans to IP, having provided for its requirements through capital increases (Note 13).

The reduction in the value of State loans/Shareholder loans was due to the amortisation of State loans allocated to the railway activity in the amount of € 144.8 million following the offsetting transaction concluded with the Portuguese State (Note 11.2.1).



These loans pay interest at various fixed annual nominal rates, as agreed with the DGTf according to the amount and dates of the disbursements. The breakdown is as follows:

ACTIVITY	NAME	DATE OF SIGNATURE	CONTRACTED AMOUNT	PRINCIPAL DUE	REPAYMENT			INTEREST RATE SCHEME	INTEREST RATE	PERIODICITY
					OPENING DATE	CLOSING DATE	PERIODICITY			
Railway	State Loan	27/05/2014	15 000	2 500	31/05/2016	30/11/2021	Half-year	Fixed Rate	2.430%	31/may 30/nov
Railway	State Loan	27/05/2014	15 000	2 500	31/05/2016	30/11/2021	Half-year	Fixed Rate	2.330%	31/may 30/nov
Railway	State Loan	27/05/2014	20 000	3 333	31/05/2016	30/11/2021	Half-year	Fixed Rate	2.220%	31/may 30/nov
Railway	State Loan	27/05/2014	14 000	2 333	31/05/2016	30/11/2021	Half-year	Fixed Rate	2.010%	31/may 30/nov
Road	State Loan	30/12/2011	1 705 000	852 500	31/05/2013	30/11/2016	Half-year	Fixed Rate	2.770%	31/may 30/nov
Road	State Loan	27/01/2012	204 000	153 000	31/05/2014	30/11/2017	Half-year	Fixed Rate	3.690%	31/may 30/nov
Road	State Loan	27/01/2012	230 000	172 500	31/05/2014	30/11/2017	Half-year	Fixed Rate	3.440%	31/may 30/nov
Road	State Loan	27/01/2012	75 000	56 250	31/05/2014	30/11/2017	Half-year	Fixed Rate	2.930%	31/may 30/nov
Road	State Loan	27/01/2012	28 000	21 000	31/05/2014	30/11/2017	Half-year	Fixed Rate	2.690%	31/may 30/nov
Road	State Loan	30/05/2012	44 000	33 000	31/05/2014	30/11/2017	Half-year	Fixed Rate	2.690%	31/may 30/nov
Road	State Loan	30/05/2012	80 000	60 000	31/05/2014	30/11/2017	Half-year	Fixed Rate	2.700%	31/may 30/nov
Road	State Loan	30/05/2012	33 500	25 125	31/05/2014	30/11/2017	Half-year	Fixed Rate	1.980%	31/may 30/nov
Road	State Loan	26/09/2012	156 800	117 600	31/05/2014	30/11/2017	Half-year	Fixed Rate	1.810%	31/may 30/nov
Road	State Loan	29/10/2012	16 000	12 000	31/05/2014	30/11/2017	Half-year	Fixed Rate	1.710%	31/may 30/nov
Road	State Loan	29/10/2012	13 300	9 975	31/05/2014	30/11/2017	Half-year	Fixed Rate	1.590%	31/may 30/nov

ACTIVITY	NAME	DATE OF SIGNATURE	CONTRACTED AMOUNT	PRINCIPAL DUE	REPAYMENT			INTEREST RATE SCHEME	INTEREST RATE	PERIODICITY
					OPENING DATE	CLOSING DATE	PERIODICITY			
Road	State Loan	29/01/2013	85 000	85 000	31/05/2015	30/11/2020	Half-year	Fixed Rate	2.750%	31/may 30/nov
Road	State Loan	29/01/2013	135 600	135 600	31/05/2015	30/11/2020	Half-year	Fixed Rate	2.420%	31/may 30/nov
Road	State Loan	29/01/2013	17 400	17 400	31/05/2015	30/11/2020	Half-year	Fixed Rate	2.150%	31/may 30/nov
Road	State Loan	08/03/2013	25 654	25 654	31/05/2015	30/11/2020	Half-year	Fixed Rate	2.150%	31/may 30/nov
Road	State Loan	08/03/2013	266 405	266 405	31/05/2015	30/11/2020	Half-year	Fixed Rate	2.180%	31/may 30/nov
Road	State Loan	08/03/2013	28 042	28 042	31/05/2015	30/11/2020	Half-year	Fixed Rate	2.610%	31/may 30/nov
Road	State Loan	04/09/2013	26 202	26 202	31/05/2015	30/11/2020	Half-year	Fixed Rate	2.190%	31/may 30/nov
Road	State Loan	04/09/2013	25 000	25 000	31/05/2015	30/11/2020	Half-year	Fixed Rate	2.180%	31/may 30/nov
Road	State Loan	04/09/2013	17 943	17 943	31/05/2015	30/11/2020	Half-year	Fixed Rate	2.070%	31/may 30/nov
Road	State Loan	09/10/2013	3 688	3 688	31/05/2015	30/11/2020	Half-year	Fixed Rate	2.100%	31/may 30/nov
Road	State Loan	09/10/2013	21 805	21 805	31/05/2015	30/11/2020	Half-year	Fixed Rate	1.870%	31/may 30/nov
Road	State Loan	09/10/2013	49 891	49 891	31/05/2015	30/11/2020	Half-year	Fixed Rate	1.970%	31/may 30/nov
	Total shareholder financing			2 226 245						
	Accrued interest			117 110						
	TOTAL			2 343 354						

FLAT-RATE FINANCING

As of 31 December 2020 the fair value of the fixed rate debt was as follows:

NAME	NOMINAL VALUE	PRINCIPAL DUE	FAIR VALUE	INTEREST RATE
EIB - Suburbans B	100 000	47 619	55 470	3.615 %
EIB - Suburbans C	55 000	28 810	34 102	4.247 %
EIB - REFER V	160 000	104 000	123 582	2.653 %
EIB - REFER VI	110 000	66 000	76 970	2.271 %
EIB - CP112 Northern Line C	100 000	80 000	90 039	1.887 %
EIB- Estradas 2009-2019	200 659	113 707	127 366	2.189 %
Eurobond 06/26	600 000	600 000	706 307	4.047 %
Eurobond 09/24	500 000	500 000	594 381	4.675 %
Eurobond 06/21	500 000	500 000	520 740	4.250 %
Eurobond 10/30	125 000	125 000	147 333	6.450 %
State Loan	15 000	2 500	2 553	2.430 %
To be forwarded:	2 465 659	2 167 635	2 478 843	

NAME	NOMINAL VALUE	PRINCIPAL DUE	FAIR VALUE	INTEREST RATE
Transport	2 465 659	2 167 635	2 478 843	
State Loan	15 000	2 500	2 552	2.330 %
State Loan	20 000	3 333	3 400	2.220 %
State Loan	14 000	2 333	2 376	2.010 %
State Loan	1 705 000	852 500	888 280	2.770 %
State Loan	204 000	153 000	164 132	3.690 %
State Loan	230 000	172 500	184 280	3.440 %
State Loan	75 000	56 250	59 578	2.930 %
State Loan	28 000	21 000	22 153	2.690 %
State Loan	44 000	33 000	34 811	2.690 %
State Loan	80 000	60 000	63 304	2.700 %
State Loan	33 500	25 125	26 185	1.980 %
State Loan	156 800	117 600	122 204	1.810 %
State Loan	16 000	12 000	12 448	1.710 %
State Loan	13 300	9 975	10 326	1.590 %
State Loan	85 000	85 000	93 337	2.750 %
State Loan	135 600	135 600	147 415	2.420 %
State Loan	17 400	17 400	18 760	2.150 %
State Loan	25 654	25 654	27 659	2.150 %
State Loan	266 405	266 405	287 494	2.180 %
State Loan	28 042	28 042	30 662	2.610 %
State Loan	26 202	26 202	28 284	2.190 %
State Loan	25 000	25 000	26 979	2.180 %
State Loan	17 943	17 943	19 297	2.070 %
State Loan	3 688	3 688	3 970	2.100 %
State Loan	21 805	21 805	23 307	1.870 %
State Loan	49 891	49 891	53 493	1.970 %
TOTAL	5 802 887	4 391 380	4 835 530	

11.3.3. Suppliers

At 31 December 2020 and 31 December 2019 this caption was made up as follows:

	NOTES	2020-12-31	2019-12-31
General suppliers		9 627	41 192
Subsidiaries	25.3	139	326
Other related parties	25.4	151	153
		9 917	41 672

11.3.4. Other accounts payable

At 31 December 2020 and 2019, the details of this item are as follows:

	2020	2019
Non current		
Accounts payable for accrued expenses	1 630 851	1 959 132
Sub-concessions	1 625 915	1 959 132
Leases	4 936	-
	1 630 851	1 959 132
Current		
Accounts payable for accrued expenses	947 316	867 759
Sub-concessions	585 308	503 039
Regular road maintenance	323 725	319 118
Other	36 340	45 602
Leases	1 943	-
Advances to be forwarded to Sales	21 601	20 991
Other creditors	13 738	11 126
Remuneration payable	13 595	14 915
Investment Suppliers	9 908	23 755
	1 006 159	938 546
	2 637 010	2 897 677

Caption Accounts Payable for Accrued Expenses comprises 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 €2,211,223 thousand, bearing interest at rates between 5% and of 13, of which € 585,308 thousand are payable within twelve months (note 23).

This liability is assessed annually and represents the best estimate of the Executive Board of Directors of the valuation of the services already rendered by sub-concessionaires determined based on the estimate of future financial flows from these contracts, regardless of their nature, including those resulting from contingencies and legal proceedings.

The Regular Road Maintenance item includes IP's responsibility for maintaining or restoring certain service levels in the infrastructure, and it is set up throughout the period up to the scheduled date for performance of the works.

Item Others comprises the amounts payable by IP relating to its Concession Contract with the State, in the amount of € 24 million, as well as the recognition of sums relating to the Railway Activity Regulation Fees for the years 2019 to 2020, totalling € 2.94 million.

Amounts comprised in the Lease caption concern car leases of IP.

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.

11.4. Financial risk management policies

IP's activity is exposed to financial risk factors such as currency risk, credit risk, liquidity risk, interest rate risk associated with cash flows arising from borrowings and capital risk.

Decree-law 133/2013 of 3 October introduced changes to the autonomy of reclassified public companies (EPR) in what concerns access to funding with the financial system, and the use of derivative financial instruments for risk management purposes.

Article 29 of the said DL provides that EPRs' access to commercial banking funding is prohibited, except for banks having a multilateral nature (e.g. European Investment Bank); article 72 provides 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.

11.4.1. 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 IP.

Credit risk is mainly associated with the likelihood of recovering trade receivables from clients, as well as other accounts receivable, and deposits and applications with financial institutions and the IGCP.

In order to minimize exposure to this risk, the Company obtains credit guarantees from clients in the form of surety bonds or bank guarantees. Note 11.1 details the maximum exposure of the company to credit risk.

Table below provides a brief characterisation of accounts receivable (clients), according to invoicing intervals:

2020-12-31	[> 1.000 th[	[1.000 th <10 th[	[10th<0]	TOTAL
Number of clients	6	33	317	356
Railway	5	8	22	35
Non tolled roads	1	25	295	321
Tolls	-	-	Various	-
Debt	34 805	2 300	21 240	58 345
Railway	30 182	545	18	30 746
Non tolled roads	4 622	1 755	340	6 717
Tolls	-	-	20 882	20 882

2019-12-31	[> 1.000 th[	[1.000 th <10 th[	[10th<0]	TOTAL
Number of clients	7	58	911	976
Railway	6	15	14	35
Non tolled roads	1	43	897	941
Tolls	-	-	Various	-
Debt	52 034	3 241	17 807	73 083
Railway	47 412	1 055	9	48 476
Non tolled roads	4 622	2 186	1 005	7 814
Tolls	-	-	16 792	16 792

At 31 December 2020 IP had a portfolio of 356 clients (2019: 976 clients), of which 6 (2019: 7) have balances above € 1000 thousand accounting for approximately 60% (2018: 71%) of amounts due.

Additionally, the weight of debts from tolls as against the total balance of clients is 35% (2019: 23%).

The change in debt in the two years under review, notwithstanding the change in the number of clients, is 90% explained by the variation occurred in railway clients with invoicing exceeding € 1,000 thousand.

The seniority of balances of trade receivables (clients) is shown in table below:

2020-12-31	]0-30[	[30-60[	[60-90[	[90-360[	[360[	TOTAL
Tolls	20 882					20 882
Intra group entities	984	303	212	751	265	2 515
Railway Operators	9 951	605	172	1 483	15 472	27 682
Public entities	-	-	-	-	25	25
Other debtors	51	1	3	3	7 183	7 241
	31 867	908	387	2 237	22 945	58 345
Impairment	-	-	-	-	- 1 343	- 1 343
	31 867	908	387	2 237	21 602	57 002
	0.00 %	0.00 %	0.00 %	0.00 %	5.85 %	2.30 %

2019-12-31	]0-30[	[30-60[	[60-90[	[90-360[	[360[	TOTAL
Tolls	16 792	-	-	-	-	16 792
Intra group entities	3 192	-	35	308	270	3 805
Railway Operators	7 637	7 576	5 806	4 901	17 992	43 913
Public entities	-	-	-	-	190	190
Other debtors	7	33	1	2	8 339	8 382
	27 628	7 609	5 842	5 211	26 791	73 083
Impairment	-	-	-	-	- 1 627	- 1 627
	27 628	7 609	5 842	5 211	25 164	71 456
	0.00 %	0.00 %	0.00 %	0.00 %	6.07 %	2.28 %

The credit risk associated with debts of IP clients has the following characteristics:

Road Activity - accounts receivable (clients) concern mainly tolls which have a diversified customer base and comprises low-value transactions, and are collected by the Tax Authority if not paid, so they do not have significant associated credit risk.

Railway Activity - 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.

In what concerns the historic debt of operators, in 2020 the IP continued its debt renegotiation efforts, having completed two additional negotiation processes establishing payment plans in the amount of € 14.6 million added of default interest in the amount of € 1.7 million (of which € 3 million added of default interest in the amount of € 42 thousand were paid in 2020), to be settled until 2025.

In relation to intra group entities and public entities there is no relevant credit risk in sight.

As regards remaining clients - "other trade receivables (clients), it includes an amount receivable from a former State concessionaire, in the amount of € 4.6 million and several other balances of reduced amounts (2020 317 clients and 2019: 911 clients), with insignificant weight on the client portfolio, which have been subject to impairment on a case by case basis, following a risk assessment made, however, the Executive Board of Directors believes that the impairment considered is adequate.

In what concerns credit risk associated to other accounts receivable, it is worth mentioning the weight of the Road Service Contribution (RSC), which is collected and given to IP by the Tax Authority (TA) and the debts of Municipalities, which are not considered to have credit risk given their public nature, since it is considered that notwithstanding any delays the probability of recovering them is of 100%.

As for credit risk associated with financial activity, IP is exposed to the national banking sector on account of its demand deposits balances and to the international banking sector with which it has con-

tracted derivative financial instruments. This exposure is reduced, since according to Treasury Unit of the State Principle, public companies liquid assets must be held with IGCP, as far as possible. Currently, IP holds 99% of its cash assets with IGCP.

To date, IP did not incur into any impairment resulting from non-compliance of contractual obligations by banks.

The following table shows a summary of the credit rating of IP's deposits, by entity, as attributed by Standard and Poor's at the reporting dates:

	2020-12-31		2019-12-31	
	RATING	BALANCES	RATING	BALANCES
BANCO BPI	BBB	109	BBB	119
BANCO SANTANDER	A	2	A	115
BBVA	A-	33	A-	35
CBI	(-)	-	(-)	1
CGD	(-)	16	(-)	83
IGCP (*)	BBB	246 979	BBB	262 644
BCP	BB	13	BB	19
Novo Banco	(-)	1	(-)	22
		247 153		263 038

(*) in 2020 this includes € 243,250 thousand of CEDIC applications.

11.4.2. Liquidity risk

This type of risk is measured by the ability to raise financial resources to meet the liabilities with the different economic agents that interact with the company, such as suppliers, banks, the capital market, etc. This risk is measured by the liquidity available to the Company to meet the assumed liabilities as well as the capacity to generate cash flow in the course of its business.

IP seeks to minimise the likelihood of non-compliance with its commitments through rigorous and planned management of its business. Prudent management of liquidity risk requires the maintenance of an appropriate level of cash and cash equivalents to meet the liabilities assumed. Liquidity risk is considerably low as IP is financed directly by the Portuguese State.

Table below shows the liabilities of IP by intervals of contracted maturity. The amounts presented represent non discounted future cash flows as of 31 December 2020.

	LESS THAN 1 YEAR	1 TO 5 YEARS	+ THAN 5 YEARS
Borrowings			
Repayment of loans obtained	629 288	1 681 855	247 443
Interest on loans obtained	88 098	271 515	41 914
Repayment of shareholder funding/ Shareholder's loans	2 226 245	-	-
Interest on shareholder funding/Shareholder's loans	117 271	-	-
Surety	3 825	13 479	781
Trade payable and other accounts payable	969 263	1 631 163	-
Total	4 033 990	3 598 012	290 138

11.4.3. Interest rate risk

IP is subject to interest rate risk as long as it holds loans contracted with the (national and international) financial system and the State to finance its activity.

The main objective of interest rate risk management is to provide protection against interest rate rises, insofar as the companies' revenues are immune to this variable and, thereby, make a natural hedge infeasible.

Currently no interest rate hedging instruments are used.

Presently, the purpose of the interest rate risk management is basically to monitor interest rates affecting Euribor-based financial liabilities.

SENSITIVITY TEST TO CHANGE IN INTEREST RATE

IP uses sensitivity analysis on a regular basis to measure the extent to which results would be influenced by the impact of interest rate variations on the fair value of its loans. These analyses have helped decision-making in interest rate risk management. The sensitivity test is based on the following assumptions:

- As of 31 December 2020 IP had not recognised any loan obtained at fair value;
- Changes in the fair value of financial loans and liabilities are estimated discounting future cash flows using market rates at the time of reporting;
- On the basis of these assumptions, at 31 December 2020, a 0.5% increase or decrease in the Euro interest rate curves would result in the following changes in the fair value of loans with direct impact on profit and loss:

INCREASE/(DECREASE) IN THE FAIR VALUE OF LOANS	
Change in the Interest rate curve	
-0.50 %	0.50 %
61,569	-59,525
Net effect on results	
-0.50 %	0.50 %
-61,569	59,525

11.4.4. Capital risk

IP's goal in terms of capital risk management, which is a broader concept than the capital shown on the Statement of Financial Position, is to safeguard the ongoing business operation.

The key instrument to manage this risk is the funding plan (or financial plan) of IP; the plan identifies and monitors funding sources; we point out the strengthening of the capital structure promoted by the shareholder through capital increases in cash.

IP was set up with a share capital of € 2,555,835 thousand represented by 511,167 shares, with a nominal value of € 5,000 each. At 31 December 2020, the share capital amounted to € 8,257,530 thousand represented by 1,651,506 shares, with a nominal value of € 5000 each.

In 2020 capital increases in cash amounting to € 1,054,150 thousand (note 13) were made, as set out in the table below:

	2020-12-31	2019-12-31
Share capital increases	1 054 150	1,391,870
Investment	870 069	685,887
Debt Service	183,181	705,983

The financial operation of conversion into capital the debt service of State loans allocated to the road segment planned for November in the Budget and Business Plan for 2020-2022 revised in August, amounted to € 2,332.7 million (amortisation of € 2,215.6 million and interest in the amount of € 117.1 million). However, the DGTF approved an additional moratorium, extending due date to 30 November 2021. Deferrals granted in this context are not subject to the payment of interest.

As provided in article 154 of the SB2020 law, in line with previous years, DGTF and IP agreed again to offset the amount recorded under caption Grantor - State - Accounts Receivable against the amount of the debt service on the State Loans provided to finance railway activity. This operation was concluded in 30 December pursuant to written agreement, covering the amount of € 147.3 million (amortisation : € 144.8 million and interest € 2.5 million). This agreement was effective as of 30 November.

11.5. Changes in liabilities deriving from financing activity

The reconciliation of liabilities whose flows affect financing activities is as follows:

	LOANS	SHAREHOLDER'S	LEASES	TOTAL
31 December 2019 (1)	2 660 786	2 486 561	0	5 147 347
Cash				
Interest	- 87 581	-	- 283	- 87 864
Amortisation (2)	- 89 711	- 144 757	- 1 242	- 235 709
Other financial expenses	- 6 835	-	-	- 6 835
Non Cash				
Effective Rate (3)	793	-	-	793
Specialised interest (4)	- 406	1 550	-	1 144
Other financial expenses (5)	- 34	-	-	- 34
Other changes (6)	6 166	-	8 121	14 287
31 December 2020 (1) + (2) + (3) + (4) + (5) + (6)	2 577 593	2 343 354	6 879	4 927 826

	LOANS	SHAREHOLDER'S	LEASES	TOTAL
31 December 2018 (1)	3 274 876	2 627 065	0	5 901 941
Cash				
Interest	- 119 488	-	-	- 119 488
Amortisation (2)	- 581 065	- 144 757	-	- 725 822
Other financial expenses	- 8 192	-	-	- 8 192
Non Cash				
Effective Rate (3)	819	-	-	819
Specialised interest (4)	- 25 878	4 253	-	- 21 625
Other financial expenses (5)	- 903	-	-	- 903
Other changes (6)	- 7 063	-	-	- 7 063
31 December 2019 (1) + (2) + (3) + (4) + (5) + (6)	2 660 786	2 486 561	0	5 147 347

12. PROVISIONS

See accounting policy 2.2.13

The evolution of provisions for other risks and charges in 2020 and 2019 was as follows:

	GENERAL RISKS	LANDEXPROPRIATIONS	CONTRACT WORKS	EMPLOYEE BENEFITS	DISQUALIFIED ROADS	VAT PROCEEDINGS	TOTAL
2018-12-31	39 567	21 945	52 805	1 061	408 752	366 479	890 608
Increase/Reinforcement	8 026	3 042	952	121	-	25 216	37 358
Reduction/Use	- 6 163	- 6 911	- 11 374	- 158	- 350	-	- 24 956
2019-12-31	41 431	18 075	42 383	1 024	408 402	391 695	903 010
Increase/Reinforcement	2 410	1 141	12 025	286	-	30 682	46 544
Reduction/Use	- 5 239	- 4 096	- 625	- 188	-	-	- 10 147
2020-12-31	38 602	15 121	53 783	1 121	408 402	422 377	939 406

PROVISIONS FOR ONGOING LEGAL PROCEEDINGS

GENERAL RISKS

Following analysis made by the Legal Affairs Department, this provision concerns potential liabilities with litigations unrelated to work contracts.

LAND EXPROPRIATIONS

This provision was set up to deal with the risk of IP having to make additional payments in connection to land expropriation proceedings in litigation. The provision was set up following consultations with external and internal lawyers of the cases conducted by the Legal Department.

It should be noted that, by its nature, the total increases and reductions of this provision are offset by intangible assets.

CONTRACTS

Provision set up relating to general litigation proceedings arising from road contract works.

The increase/decrease in this provision is made against intangible assets given the nature of the proceedings.

VAT PROCEEDINGS

For conservative reasons, and in light of the developments in the VAT proceedings described in Note 9, it was decided to set up a provision for the estimated impact of an unfavourable decision concerning these proceedings.

Since the issue giving rise to the dispute between Former-EP and the Tax Authority was the acceptance or not of the RSC as income liable for VAT, a provision was set up which is equivalent to the

amount of VAT deducted by Former-EP and by IP in activities financed by the RSC. It should also be noted that the consideration of this provision was based on the accounting classification of the expenditure that resulted in the deductible VAT, i.e. VAT deducted from the financial year's expenses was provisioned against costs (€ 24,870 thousand) and VAT deducted from the acquisition or construction of assets was provisioned by being offset against intangible assets (€ 5,812 thousand).

PROVISIONS FOR OTHER NON LITIGATION SITUATIONS

EMPLOYEE BENEFITS

IP grants temporary early retirement benefits and retirement and survival pension benefits to its employees.

The complementary retirement and survival pension benefits attributed to the employees constitute a defined benefit plan under which IP pays early retirement pensions to a closed group of employees covered by the plan until such time as they retire under the Caixa Geral de Aposentações system.

This provision refers to liabilities for benefits attributed to an already reduced group of beneficiaries (28) for a limited period of time. It was therefore the Executive Board of Directors' opinion that it was not necessary to have the annual liabilities assessed by a specialised firm, as this could be done internally.

PROVISION FOR DISQUALIFIED ROADS

IP is required to transfer disqualified roads within the National Road Plan to the responsibility of municipalities, having set up a provision which reflects the best estimate to fulfil the obligations of renovating disqualified roads still under the company's responsibility. This provision did not change in 2020 in relation to the previous year, as no transfer was made to municipalities under the Protocols agreed.

13. 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 2019 the share capital was € 7,203,380 thousand fully subscribed and paid up by its shareholder, corresponding to 1,440,676 shares with a nominal value of € 5,000 each.

During 2020 the share capital was increased as follows:

MONTHS	(NO. OF SHARES)	AMOUNT
March 2020	60 029	300 145
May 2020	6 200	31 000
June 2020	4 699	23 495
August 2020	38 001	190 005
September 2020	18 500	92 500
October 2020	35 084	175 420
December 2020	48 317	241 585
	210 830	1 054 150

Totalling € 8,257,530 thousand corresponding to 1,651,506 fully subscribed and paid up shares.

The basic/diluted earnings per share are as follows:

	2020-12-31	2019-12-31
Profit allocated to shareholders (in Euro)	- 56 199 362	19 827 915
Average number of shares in the period	1 518 830	1 377 519
Average number of diluted shares in the period	1 518 830	1 377 519
Basic earnings per share (in Euro)	-37.00	14.39
Diluted earnings per share (in Euro)	-37.00	14.39

The basic and diluted earnings per share is €-37.00 as there are no dilution factors.

IP calculates its basic and diluted earnings per share by using the weighted average of the shares in circulation during the reporting period, as follows:

	(NO. OF SHARES)
March 2020	1 500 705
May 2020	1 506 905
June 2020	1 511 604
August 2020	1 549 605
September 2020	1 568 105
October 2020	1 603 189
December 2020	1 651 506
Average number of outstanding shares	1 518 830

ii) RESERVES

Reserves are made up as follows:

	2020-12-31	2019-12-31
Legal reserve	278 981	155 330
Merger reserves	4	4
	278 985	155 334

Commercial legislation establishes that at least 5% of the annual net profit is allocated to increase the legal reserve until it represents at least 20% of the share capital. This reserve is not available for distribution, except upon liquidation of the Company, but can be used to absorb losses once the other reserves have been exhausted, or to increase capital.

Notwithstanding the above, during the year under review, the appropriation of results for the years 2018 and 2019 was carried out in March and October, respectively, resulting in an increase in Legal Reserve for the overall amount of the results of such years.

14. SALES AND SERVICES

See accounting policy 2.2.14.

From 1 January 2020 to 31 December 2020 and from 1 January 2019 to 31 December 2019, sales and services are detailed as follows:

	2020	2019
Road Service Contribution	584,089	701,539
Tolls	278,835	334,959
Use of slots (fees)	61,991	69,632
Construction contracts	49,585	170,635
Construction of new infrastructures	13,071	16,853
Capitalized financial expenses	36,513	3,991
Sub-concessioned network - construction	-	149,792
Other	19,180	18,111
State Grantor - Revenue LDI	28,118	25,079
	1,021,798	1,319,955

The unit values of the Road Service Contribution (fee paid by users for use of the road network) for 2020 remained in line with those established for the 2019 financial year, at € 87/1,000 litres for petrol, €111/1,000 litres for road diesel and €63/1,000 litres for LPG vehicles.

Travel restrictions imposed as a result of the COVID-19 pandemic naturally affected fuel consumption, resulting in a sharp decrease of 17% in RSC revenues over the previous year.

This evolution in traffic also explains the decrease in the Tolls heading by € 56.1 million (-17%) on the whole tolled network.

The largest slice of income from tolls results of the use of the network of State Concessions, where IP is holder of the revenues from toll collection fees, reaching € 229 million.

The use of slots (fees) item refers mainly to income from the Infrastructure User Fees (UF). The most outstanding in terms of volume are Passenger (€ 54.6 million) and Goods (€ 6.9 million), which both decreased, by respectively 10.68% and 11.32%,





as a result of the pandemic and the consecutive states of national emergency imposed by the Government.

Construction contracts reflect IP's income from its NRN construction activity, as established in the Concession Contract. This includes all IP's construction activities, whether carried out directly or sub-concessioned.

The amounts corresponding to the construction of New Infrastructure concern construction activities under IP's direct management, and are calculated based on monthly monitoring reports stating the state of progress of the works and the expenses directly attributable to preparing the asset for its intended use.

The construction of the Sub-Concessioned Network is determined based on the construction values contracted for each sub-concession and the percentage of completion reported to IP by each sub-concessionaire. It therefore reflects the physical evolution of the works and is independent from the billing flow.

Capitalized financial expenses correspond to the financial expenses incurred by IP during the road construction phase and consist of the financial expenses used to finance the acquisition of the State Concession Network.

Caption Grantor - (LDI Revenues) corresponds to the re-debit to the Grantor of expenses borne with the Long duration infrastructure.

Summing up, the Company's services were sharply affected by the Covid-19 pandemic; approximately € 134 million in services out of the recorded € 303.4 million), have direct impact on RAI: RSC (€ 117 million), IP road tolls (€ 9 million), and Railway tariff (€ 8 million).

15. COMPENSATORY ALLOWANCES

See accounting policy 2.2.12

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 Framework Contract, 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 granting of financial compensation by the State is sustained by IP's activity of provision of services in the public interest, which, by nature, is different from business activities which the Company would develop if it took into consideration its business interests, and which is aimed to ensure the coverage of specific costs resulting from its obligations of public service.

The amount allocated in 2020 under the Programme Contract was € 55,055 thousand.

At 31 December 2020, the payment of € 719 thousand relating to 2017 and € 3,302 thousand relating to 2019 (plus VAT) is outstanding.



16. COST OF GOODS SOLD AND MATERIALS CONSUMED

See accounting policy 2.2.11

From 1 January 2020 to 31 December 2020 and in the same period of 2019, the detail of this item is as follows:

	NOTES	2020	2019
Capitalization Concession Tolls		213 782	258 328
Construction of new infrastructures		36 513	3 991
Railway equipment	8	23 796	17 786
Sub-concessioned network - construction		-	149 792
		274 091	429 897

As mentioned in note 2.2.14 (revenue) the amounts received from tolls on government concessions (net of collection costs) are deducted from IP's investment in the acquisition of rights over that same concessioned network. This deduction is offset in this item.

Expenses with railway materials concern mainly various types of materials included in the maintenance of railway infrastructures.

The amounts corresponding to the construction of New Road Infrastructures concern construction activities under IP's direct management and are calculated based on monthly monitoring reports stating the state of progress of the works.

The change occurred in the current year is mainly explained by the construction of the stretch of IP5 linking Vilar Formoso to the Spanish border (€ 8,360 thousand), the stretch of by-pass to EN14 from Jumbo Junction to Diagonal Road inaugurated in December (€ 3,926 thousand), and Mondim de Basto link to EN210 (€ 3,259 thousand), A32 link to Escariz (€ 2,614 thousand) and levelling of Silveiras junction link to Avepark (€ 2,535 thousand).

The construction of the Sub-Concessioned Network is determined based on the construction values contracted for each sub-concession and the percentage of completion reported to IP by each sub-concessionaire. It reflects, therefore, the physical evolution of the works and it is independent from the turnover flow.

Following the renegotiation of the sub-concession contracts during 2019, changes were recognised in estimated expenses relating to these contracts with direct impact on sales and services, cost of goods sold and materials consumed, which explains the decrease by € 149 million over 2019.

17. EXTERNAL SUPPLIES AND SERVICES

From 1 January 2020 to 31 December 2020 and from 1 January 2019 to 31 December 2019, external supplies and services are detailed as follows:


	2020	2019
Railway maintenance	72,866	66,903
Current Maintenance and Road Safety	57,298	62,098
Regular road maintenance	55,665	55,665
Operation and Maintenance Sub-concessions	40,846	40,915
Toll collection costs	19,036	21,738
Electricity	14,872	15,128
Collection costs RSC	11,682	14,031
Surveillance and Safety	6,667	6,207
Cleaning, Hygiene and comfort	4,546	2,945
Maintenance and repair	3,203	2,692
Specialised works	3,087	3,263
Software licences	2,747	2,680
Rents and rentals	2,330	3,093
Fuel	1,563	2,236
Other	4,499	4,491
	300,907	304,086

The costs of railway maintenance relate essentially to the outsourcing of maintenance services:

- i) Track - the amount of € 32,646 thousand (€ 23,358 thousand in 2019),
- ii) Signalling - the amount of € 11,430 thousand (€ 14,288 thousand in 2019),
- lii) Railway telematics amounting to € 7,800 thousand (€ 7,813 thousand in 2019),
- ii) Deforestation - the amount of € 7,407 thousand (€ 7,311 thousand in 2019),
- v) Catenary totalling € 5,407 thousand (€ 5,311 thousand in 2019).

Regular Road Maintenance corresponds to the recognition of the increase in the responsibility of the IP Group with the costs needed to maintain the service level of the routes and road engineering structures which is imposed on it by the Concession Contract. This value does not correspond to a need for investment in conservation in the period but rather the average annual investment needed to maintain the service level of the network.

The Regular Maintenance and Road Safety item contains the year's expenditure on current maintenance of roads and engineering structures and road safety.



Operating costs and maintenance of sub-concessions result from the accounting recognition of the operation and maintenance carried out by sub-concessionaires under the sub-concession contracts in force.

Expenses with toll collection evolved in line with revenues, which explains the decrease recorded in the period.

The expenses for collecting the RSC correspond to 2% of the RSC withheld by the Tax Authority for provision of the service of calculation and collection of the RSC (note 25.2).

The "rents and leases" item includes € 1,888 thousand (€ 2,709 thousand in 2019) relating to the cost of the operational leasing of vehicles and € 58 thousand (€ 20 thousand in 2019) with the operational leasing of administrative equipment. The fact that their term ends in less than 12 months, from the commencement date of IFRS16, they were accounted for as short term leases, whereby payments associated to these leases are recognised as expense on a straight-line basis throughout the remaining period of the lease.

The continued reduction in operational leasing of administrative equipment reflects the acquisition in 2018 of administrative equipment included in the Company's assets, with related expenses concerning merely their maintenance.

18. PERSONNEL EXPENSES

See accounting policy 2.2.15

From 1 January 2020 to 31 December 2020 and from 1 January 2019 to 31 December 2019, personnel expenses are detailed as follows:

	2020	2019
Wages	98,592	97,522
Wage expenses	22,311	22,131
Occupational accidents insurance	1,259	1,242
Social security expenses	612	641
Remuneration of members of governing bodies	539	562
Other Personnel Expenses	3,905	5,222
Remunerações Órgãos Sociais	562	547
	127,218	127,320

In 2020 staff costs of IP (€ 127.2 million) stood at practically the same level of the previous year (2019: € 127,3, i.e. - 0.08%).

The Company's average workforce in 2020 was made up of 3,350 workers, as against 3,360 in 2019.

Wages and staff related expenses increased 1%, (i.e. € 1.3 million) as a result of the Collective Bargaining Agreement, translated in wage rises as provided in the Career System and cash payments associated with the different work formats.

Caption "Other Personnel Expenses" comprises, amongst others, amounts relating to payments following rescission by mutual agreement in 2019, which did not happen in 2020, thus explaining the change.

19. IMPAIRMENT (LOSSES)/REVERSALS

See accounting policy 2.2.16

The evolution of impairment for the years ended at 31 December 2020 and 31 December 2019 is as follows:

	NON CURRENT LOANS GRANTED	INVENTORIES	CLIENTS	OTHER ACCOUN- TS RECEIVABLE	GRANTOR	TOTAL
	Note 11.2.2	Note 8	Note 11.2.3	Note 11.2.4	Note 11.2.1	
Balance as at 31/12/2018	10 805	588	1 648	6 623	305 200	324 863
Increase/(Reversal)	-	87	- 21	- 2	-	64
Balance as at 31/12/2019	10 805	675	1 627	6 620	305 200	324 928
Increase/(Reversal)	-	720	- 5	2 757	-	3 472
Used	-	-	- 279	- 152	-	- 431
Balance as at 31/12/2020	10 805	1 395	1 343	9 226	305 200	327 969

Uses for the year concern the write-off of impairment balances recorded in previous years.

20. OTHER INCOME AND GAINS

Other income and gains from 1 January 2020 to 31 December 2020 and from 1 January 2019 to 31 December 2019 are broken down as follows:

	2020	2019
Allocation of investment grants	58 548	63 179
Income from concession fees	8 854	8 854
Concessions for use and licences	7 850	8 466
Telecommunications	5 082	5 086
Gains on the sale of waste/used materials	3 168	3 491
Accidents	2 403	2 212
Gains on the sale of tangible assets	2 033	438
Supplementary income	1 318	2 492
Other	15 144	3 121
	104 400	97 338

Income is recorded in Allocation of Grants to non-refundable investments according to the period of the Road Concession.

The item Concession Signature Fees refers to the amount recognised in 2020 of the Fee assigned when signing the Grande Lisboa and Douro Litoral Concessions.

The item Concessions of use and licences refers to the rent associated to the Concession Agreement for the Operation of Assets on the Railway Public Domain and Management of Assets of the Private Domain of IP concluded with IP Património amounting to €5,3,906 thousand (2019: € 5,947 thousand).

The Telecommunications item includes the value of the Sub-concession Contract for the Operation of the Telecommunications Infrastructure integrated in the Public Road and Railway Domain, entered into with IP Telecom, which includes the current sub-

-concession for the operation of the telecommunications infrastructure as well as the exploitation of the Road Technical Channel built or to be built under the administration and management of IP.

The most relevant amount comprised in Gains on the sale of waste/used materials relates to the sale of ferrous waste in the amount € 3,096 thousand (2019: € 3,229 thousand).

The Accidents item corresponds to the revenue resulting from the reimbursement of damages caused on the National Road Network.

Gains on the sale of tangible fixed assets concern the sale of 24 properties.

The change recorded in Item "Others" concerns mainly the settlement of accrued expenses relating to the Railway Infrastructure Regulatory Rate (TRIF) from 2013 to 2018 in the amount of € 9,523 thousand.

21. OTHER EXPENSES AND LOSSES

From 1 January 2020 to 31 December 2020 and from 1 January 2019 to 31 December 2019, other expenses and losses are detailed as follows:

	2020	2019
Road and Rail Activity Regulatory Fees	4 336	4,246
Other indemnities	850	1,360
Indirect and other taxes	583	674
Donations and contributions	634	586
Compensation for material damages	379	404
Compensatory interest	379	14
Irrecoverable debt	825	4
Other	1,742	333
Other expenses and losses	9,728	7,621

The amount recorded in the Regulatory Road and Rail Activity Rates derives from the value due to the AMT – Autoridade da Mobilidade e dos Transportes I.P. (Mobility and Transport Authority) referring to TRIF (Rail Infrastructure Regulatory Rate) and TRIR (Road Infrastructure Regulatory Rate) (Note 25.2).

The amount recognised in Other indemnities concerns payments of indemnities relating to operating activities as a result of Court decisions.

22. INCOME/(EXPENSES) IN SUBSIDIARIES

See accounting policy 2.2.4.

The breakdown of income and expenses with subsidiaries for the periods ended 31 December 2020 and 31 December 2019 is as follows:

	NOTES	2020	2019
(Increase)/Reversal of impairment	4	- 1 452	2 641
Dividends		2 631	3 447
		1 179	6 087



23. FINANCIAL LOSSES AND GAINS

See accounting policy 2.2.10

From 1 January 2020 to 31 December 2020 and from 1 January 2019 to 31 December 2019, financial losses and gains are detailed as follows:

DESCRIPTION	NOTES	2020	2019
Financial losses		305 382	302 699
Interest paid:			
Loans		92 784	103 434
Sub-concessions		205 139	191 653
Leases		283	-
Other interest paid		3	4
Other financial losses		7 173	7 608
Financial gains		60 573	65 535
Other interest earned		2	12
Interest earned - State Grantor	11.2.1	60 571	65 524
Financial results		- 244 809	- 237 164

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.

Expenses with the financial revision of debts to sub-concessionaires for the works/services provided are recorded in the interest paid by Sub-concessions, which will be billed in the future, in accordance with the terms stipulated in the respective Sub-concession contracts. This amount is the result of IP's liability to the sub-concessionaires for the road construction and operation and maintenance services already provided but not yet paid, in the amount of € 2,211 million (Note 11.3.4, indirect management debt), which bears interest in accounts at rates between 5% and 13%.

The increase in interest expense borne by Sub-concessions over the previous year, follows a reassessment of the base cases made subsequently to the renegotiations processes completed in 2019.

Interest on loans decreased on the back of the re-financing policy followed through capital increase operations. This effect is felt on the interest income from the State Grantor, which fell.

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 charged to the Grantor (Note 11.2.1) is calculated based on the same financing terms as investing in long-duration infrastructure.

24. INCOME TAX

See accounting policy 2.2.9.

The breakdown of the tax amount for the year recognised in the Separate Comprehensive Income Statement at 31 December 2020 and 2019 is as follows:

	NOTES	2020	2019
Current income tax		- 27 985	- 59 509
Deferred income tax	7	7 254	9 427
		- 20 731	- 50 083

The tax rate used to determine the amount of tax for the year in the financial statements is as follows:

	2020	2019
Nominal tax rate	21.00 %	21.00 %
Municipal surcharge	1.25 %	1.25 %
State surcharge (1)	7.27 %	8.18 %
Income tax	29.52 %	30.43 %
Taxable temporary differences	31.25 %	31.25 %
Deductible temporary differences	31.25 %	31.25 %
Tax losses	21.00 %	21.00 %

⁽¹⁾ 3% on taxable income between € 1.5 million and € 7.5 million / 5% on taxable income between € 7,5 million and € 35 million / 9% when taxable income exceeds € 35 million.

The reconciliation of the effective tax rate for the periods under review is shown below:

	%	2020	%	2019
CIR nominal rate + Municipal state surcharge	31.25	- 11 084	31.25	21 847
State surcharge - Amount to be deducted / added	4.50	- 1 595	-2.28	- 1 595
Tax losses and RETGS benefits	0.05	- 16	-0.05	- 36
Corrections of previous period estimates	-0.90	320	-0.21	- 146
Deductible permanent differences	2.63	- 932	-2.72	- 1 903
Permanent taxable differences	-94.49	33 515	1.19	830
Temporary differences - Other	0.00	-	43.48	30 398
Autonomous taxation	-1.48	524	0.98	688.05
CIT – Effective Rate	-58.45	20 731	71.64	50 083

In both years, the difference between the effective rate and the nominal rate is explained by the impact of the non acceptance of net financing expenses at tax level; in 2020, these are comprised in permanent taxable differences (€ 30,520 thousand), whilst in 2019 they were recorded as Temporary Differences - Other (€ 30,398 thousand).

This happens following the renegotiation of the sub-concession contracts completed in 2019, with has a relevant impact on financing expenses for the year and future financing expenses.

The renegotiation caused an increase in financial expenses associated with sub-concessions, resulting in a lower ability to fiscally recover in the future financial expenses accrued until such date, which meant ceasing to consider related deferred taxes since 2019.

25. RELATED ENTITIES

See accounting policy 2.2.17

25.1. Summary of related parties

Entities identified as related parties of IP eat 31 December 2020 and 2019, under the provisions of IAS 24 – Related parties, are as follows:

	RELATIONSHIP	% HOLDING (2020):	% HOLDING (2019):
Subsidiaries			
IP Engenharia	Field	98.4300 %	98.4300 %
IP Património	Field	99.9968 %	99.9968 %
IP Telecom	Field	100.0000 %	100.0000 %
Joint Arrangements			
AVEP	-	50.0000 %	50.0000 %
AEIE CFM4	-	25.0000 %	25.0000 %
Other related parties			
AMT	Regulatory entity	-	-
Portuguese State	Shareholder/Grantor	-	-
CP	Control relationship - State (Railway operator)	-	-
Members of governing bodies			

25.2. Significant balances and transactions with public entities

IP is fully owned by the Portuguese State. The shareholder functions are carried out by the Directorate-General of the Treasury; the company is under the joint authority of the Ministry of Planning and Infrastructures and the Ministry of Finance.

The following table shows the main balances and transactions between IP and the State and the public bodies in the financial years ending on 31 December 2020 and 31 December 2019:

2020-12-31		NOTE	ASSETS		LIABILITIES		INVESTMENT	INCOME	EXPENSES
NATURE	CAPTION VALUE		CURRENT	NON CURRENT	CURRENT	NON CURRENT			
Rail operator fee	Clients/Suppliers	11.2.3/11.3.3	10 529	-	151	-	456	58 028	5 075
Rail operator fee	Other accounts receivable - Sundry	11.2.4/11.3.4	2 895	-	2 935	-	-	-	-
Compensatory Allowances	Compensatory Allowances	15	-	-	-	-	-	55 055	-
Grantor - State - Account Receivable	Grantor - State - Account Receivable	11.2.1	3 914 002	-	-	-	-	-	-
State Grantor - Revenue LDI	Rendered services	14	-	-	-	-	-	28 118	-
Grantor	Interest earned - State Grantor	23	-	-	-	-	-	60 571	-
TRIR/F	Other Income and gains/Other expenses and losses	21	-	-	-	-	-	9 523	4 336
RSC	Rendered services	14	-	-	-	-	-	584 089	-
RSC	Other accounts receivable - Accrued debtors	11.2.1	74 733	-	-	-	-	-	-
RSC - collection costs	External supplies and services	17	-	-	-	-	-	-	11 682
RSC	Other accounts payable - Accrued creditors	11.3.4	-	-	-	1 495	-	-	-
Shareholder's loans	Shareholder funding/ loans	11.3.2	-	-	2 343 354	-	-	-	-
Shareholder's loans - Interest	Interest paid - loans		-	-	-	-	-	-	4 084
			4 002 160	0	2 346 439	1 494	456	795 385	25 176

2019-12-31		NOTE	ASSETS		LIABILITIES		INVESTMENT	INCOME	EXPENSES
NATURE	CAPTION VALUE		CURRENT	NON CURRENT	CURRENT	NON CURRENT			
Rail operator fee	Clients/Suppliers	11.2.3/11.3.3	22 386	-	153	-	167	64 912	5 068
Rail operator fee	Other accounts receivable - Sundry	11.2.4/11.3.4	1 349	-	1 179	-	-	-	-
Compensatory Allowances	Compensatory Allowances	15	-	-	-	-	-	59 748	-
Grantor - State - Account Receivable	Grantor - State - Account Receivable	11.2.1	3 834 527	-	-	-	-	-	-
State Grantor - Revenue LDI	Rendered services	14	-	-	-	-	-	25 079	-
Grantor	Interest earned - State Grantor	23	-	-	-	-	-	65 524	-
TRIR/F	Other Income and gains/Other expenses and losses	21	-	-	-	-	-	-	4 246
RSC	Rendered services	14	-	-	-	-	-	701 539	-
RSC	Other accounts receivable - Accrued debtors	11.2.1	113 026	-	-	-	-	-	-
RSC - collection costs	External supplies and services	17	-	-	-	-	-	-	14 031
RSC	Other accounts payable - Accrued creditors	11.3.4	-	-	-	2 261	-	-	-
Shareholder's loans	Shareholder funding/ loans	11.3.2	-	-	2 475 895	10 667	-	-	-
Shareholder's loans - Interest	Interest paid - loans		-	-	-	-	-	-	9 824
			3 971 289	0	2 477 226	12 927	167	916 801	33 169

25.3. Balances and transactions with subsidiaries

At 31 December 2020 and 2019, balances with subsidiaries were made up as follows:

	NOTES	2020-12-31	2019-12-31
BALANCES RECEIVABLE			
Non current			
Loans granted	11.2.2	10 805	10 805
IP Património		10 805	10 805
Current			
Clients	11.2.3	2 515	3 805
IP Engenharia		-	306
IP Património		2 500	1 624
IP Telecom		15	1 875
Other accounts receivable	11.2.4	5 332	5 905
Shareholders		268	531
IP Engenharia		112	161
IP Telecom		156	370
Accounts receivable for accrued income		516	827
IP Património		485	760
IP Telecom		31	67
Other debtors		4 548	4 548
IP Património		4 548	4 548
		18 652	20 515

	NOTES	2020-12-31	2019-12-31
BALANCES PAYABLE			
Current			
Suppliers	11.3.3	139	326
IP Engenharia		-	228
IP Património		43	-
IP Telecom		96	98
Other accounts payable			
		2 141	2 183
Suppliers of investment			
		333	380
IP Engenharia		333	380
Shareholders			
		1 625	1 524
IP Património		1 625	1 524
Creditors for accruals			
		182	279
IP Engenharia		34	17
IP Património		31	197
IP Telecom		118	65
		2 279	2 509



Transactions carried out with subsidiaries from 1 January 2020 to 31 December 2020 and 1 January 2019 to 31 December 2019 were as follows:

	NOTES	2020	2019
Investments		5 202	6 445
IP Engenharia		5 075	6 089
IP Património		1	280
IP Telecom		127	75
Rendered services		155	162
IP Património		76	84
IP Telecom		79	79
Other income		11 329	13 473
IP Engenharia		500	500
IP Património		4 978	7 117
IP Telecom		5 851	5 855
Dividends received	22	2 631	3 447
IP Engenharia		472	1 969
IP Património		1 000	500
IP Telecom		1 159	978
External supplies and services		5 464	5 366
IP Engenharia		179	140
IP Património		661	631
IP Telecom		4 625	4 595

Significant transactions occurred intra group concern mainly the following services rendered/received:

Investments/IP Engenharia - Development of studies and projects, management, coordination and supervision and consultancy services.

Other income/IP Património - concession contract between IP and IP Património, whereby IP Património is entrusted the responsibility to manage and exploit the assets on the railway public do-

main not allocated to the railway operation and assets of the Private Domain.

Other income/IP Telecom - Protocol of shared services and concession contract in force.

Supplies and services/IP Telecom - maintenance services, within the framework of the sub-concession, for the maintenance and availability of communication services and use of the optical fibre on public railway and road domain.

25.4. Balances and transactions with railway operators

The breakdown of balances with railway operators at 31 December 2020 and 31 December 2019 is as follows:

	NOTES	2020-12-31	2019-12-31
BALANCES RECEIVABLE			
Current			
Clients	11.2.3	10 529	22 386
Other accounts receivable	11.2.4	2 895	1 349
Accounts receivable for accrued income		2 895	1 349
		13 424	23 735
BALANCES PAYABLE			
Current			
Suppliers	11.3.3	151	153
Other accounts payable		2 935	1 179
Creditors for accruals		2 935	1 179
		3 085	1 331

Transactions with railway operators in the periods from 1 January 2020 to 31 December 2020 and 1 January 2019 to 31 December 2019 are as follows:

	2020	2019
Investment	456	167
	456	167
Rendered services	58 011	64 869
Other income	18	43
	58 028	64 912
Supplies and services	3 656	3 137
Personnel expenses	1 048	1 745
Other expenses	371	186
	5 075	5 068

25.5. Joint Ventures

The following are the impacts of jointly controlled ventures on IP's Financial Statements at 31 December 2020 and 31 December 2019:

	31-12-2020	2019-12-31
Assets	1 024	766
Liabilities	165	198

	2020	2019
Rendered services	480	526
Profit/(Loss) for the period/year	235	541

25.6. Remuneration of corporate officers

BOARD OF THE GENERAL MEETING

Chairman PAULO MANUEL MARQUES FERNANDES i)

Vice-Chairman PAULO MIGUEL GARCÊS VENTURA

Secretary MARIA ISABEL LOURO CARLA ALCOBIA

i) resigned from office in 24 January 2020

EXECUTIVE BOARD OF DIRECTORS

Chairman ANTÓNIO CARLOS LARANJO DA SILVA

Vice-Chairman JOSÉ SATURNINO SUL SERRANO GORDO
CARLOS ALBERTO JOÃO FERNANDES

Members ALBERTO MANUEL DE ALMEIDA Diogo
VANDA CRISTINA LOUREIRO SOARES NOGUEIRA
ALEXANDRA SOFIA VIEIRA NOGUEIRA BARBOSA

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

As provided article 12 of Law 12-A/2010 of 30 June a 5% reduction was applied in relation to gross amounts.

IP did not pay any variable performance bonus to its managers.

The annual remuneration of the members is as follows:

	2020		2019	
	REMUNERATION	EMPLOYER'S WELFARE CONTRIBUTIONS	REMUNERATION	EMPLOYER'S WELFARE CONTRIBUTIONS
António Carlos Laranjo da Silva	103 990	24 274	103 788	24 274
Carlos Alberto João Fernandes	93 672	21 847	93 512	21 847
José Saturnino Sul Serrano Gordo	93 702	21 847	93 505	21 847
Alberto Manuel de Almeida Diogo	83 516	19 420	83 312	19 420
Vanda Cristina Loureiro Soares Nogueira	83 449	19 420	83 249	19 420
Alexandra Sofia Vieira Nogueira Barbosa	83 422	19 420	83 486	19 420
	541 752	126 227	540 852	126 227
Unit: euro				

GENERAL AND SUPERVISORY BOARD

The remuneration of the members of the General and Supervisory Board, which comprises a Committee for Financial Matters, was defined at the General Meeting of 28 August 2015.

After requesting such, the members of the General and Supervisory Board identified below perform their duties in this Board without receiving any remuneration for such:

- 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.
- Issuf Ahmad, following retirement effective as of 1 December 2019, by order dated 25 March 2020 issued by Direção da Caixa Geral de Aposentações, which was only available in April 2020.

As a result, following official acknowledgement of retirement, Mr. Issuf Ahmad returned in full the amounts earned from December 2019 to March 2020, holding his office, although without pay.

Mr. Issuf Ahmad resigned as member of the General and Supervisory Board, joining the Committee for financial matters as of 31 December 2020.

In accordance with article 391 (4) of the Companies Code, approved by Decree Law 262/86, of 2 September, by reference to article 435 (2) of the same Code, the members of the General and Supervisory Board will remain in office until such time as they are replaced. Since no new members were elected when members of remaining corporate bodies were elected, the members of the General and Supervisory Board did not change.

The following is the annual remuneration paid to the remunerated members:

	2019		2018	
	REMUNERATION	EMPLOYER'S WELFARE CONTRIBUTIONS	REMUNERATION	EMPLOYER'S WELFARE CONTRIBUTIONS
Issuf Ahmad	-	-	21 365	4 337
	0	0	21 365	4 337

Unit: euro

STATUTORY AUDITOR

The remuneration of the Statutory Auditor was fixed at the General Meeting of 19 March 2019 (Minutes 03/2019 of the General Meeting) at a maximum amount of 35% of the overall remuneration of the Chairman of the Executive Board of Directors, added of VAT at the legal rate in force.

	2020	2019
Vitor Almeida & Associados, SROC, Lda.	35 773	19 689

Unit: euro

26. RECENTLY ISSUED ACCOUNTING STANDARDS AND INTERPRETATIONS

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE AS OF 1 JANUARY 2020

Amendments to references to the (revised) Conceptual Framework (Regulation 2019/2075 of 29 November)

In March 2018 IASB revised the Conceptual Framework of the IFRS. In the case of entities using the Conceptual Framework to develop accounting policies where no IFRS applies to a specific transaction in particular, the revised Conceptual Framework is effective for annual financial periods beginning on or after 1 January 2020.

No materially relevant impacts are expected to arise from this revision.

Amendments to IAS 1 and IAS 8: Definition of Material (Regulation 2019/2104, of 29 November)

Amendments to IAS 1 and IAS 8 clarify the definition of “material”, to make it easier for companies to make materiality judgements. The definition of material, an important accounting concept in IFRS Standards, helps companies decide whether information should be included in their financial statements. The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. The amendments are effective from 1 January 2020.

No materially relevant impacts are expected to arise from this revision.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (Commission Regulation 2020/34 of 15 January)

These amendments to IFRS 39, IFRS 9 and IFRS 7 aim to respond to uncertainties arising from the future discontinuation of interest rate benchmarks, such as the interbank interest rates (IBORs) and change the requirements relating to hedging accounting in order to provide some relief against potential consequences of the IBORs reform. Additionally, these standards were amended so as to require additional disclosures, explaining how an entity's hedging relationships are affected by existing uncertainties relating to the IBORs reform. These amendments correspond to Phase 1 of the IASB project relating to the IBORs reform. IASB is currently working on Phase 2, which will consider additional implications to financial reporting. The amendments are effective from 1 January 2020.

No materially relevant impacts are expected to arise from this revision.

Amendments to IFRS 3 – Business Combinations (Commission Regulation 2020/551 of 21 April)

These amendments to IFRS 3 aim to improve the definition of business combination, helping companies determine whether an acquisition made is of a business or a group of assets. In addition to the changing the definition, the amendment provides additional guidance. The amendments are effective from 1 January 2020.

No materially relevant impacts are expected to arise from this change.

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE AS OF OR FOLLOWING 01 JANUARY 2021

Amendments to IFRS 16: Covid-19-Related Rent Concessions (Commission Regulation 2020/1434 of 9 October)

Amendments to IFRS 16 concern the treatment for rent concessions by lessees as a result of COVID-19. The amendments change the requirements of IFRS

16 to provide lessees with a practical expedient so that they do not need to determine whether rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and may account for such rent concessions as if they were not lease modifications. The amendments are effective from 1 June 2020.

No materially relevant impacts are expected to arise from this change.

Amendments to IFRS 4 – Insurance Contracts (Commission Regulation 2020/2097 of 15 December 2020)

Currently, according to IFRS 4 – Insurance Contracts, the effective date for applying IFRS 9, following the temporary exemption, is 1 January 2021. In order to align the term of this temporary exemption with the effective date for the application of IFRS 17 – Insurance contracts, following the amendments made on 25 June 2020, IASB extended the period of application of IFRS 9 and IFRS 4 until 1 January 2023.

No materially relevant impacts are expected to arise from this change.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform Phase 2 (Commission Regulation 2021/25 of 15 January 2021)

IASB finalised its reply to the ongoing reform of interbank interest rates (IBOR) and other benchmark interest rates by issuing a package of amendments to the IFRS. These amendments aim to help entities to provide useful information to investors about the effects of this reform on their financial statements.

The amendments complement those issued in 2019 and address issues that might affect financial reporting when an existing interest rate benchmark is actually replaced.

These changes are effective for annual periods beginning on or after 1 January 2021.

No materially relevant impacts are expected to arise from this change.

(NEW OR REVISED) STANDARDS ISSUED BY THE INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB) AND THE INTERPRETATIONS ISSUED BY THE INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE

(IFRIC) NOT YET ENDORSED BY THE EUROPEAN UNION.

Additionally, as of the date of approval of these Financial Statements the following standards and interpretations were issued by IASB, though they are not yet endorsed by the European Union:

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued by IASB on 11sep14)

The amendment clarifies the accounting treatment for transactions when a parent company loses control over a subsidiary by selling all or part of its interest in such subsidiary to an associate or joint undertaking accounted for by the equity method. The date of application of these amendments was not defined yet and the endorsement process by the European Union will only be started after confirmation of the date of application of the amendments by IASB.

No materially relevant impacts are expected to arise from this change.

IFRS 14: Regulatory Deferral Accounts (issued by IASB on 30Jan14)

This standard permits an entity which is a first-time adopter of IFRS to continue to account for 'regulatory deferral account balances' in accordance with its previous standards. However, to allow comparison with entities already adopting IFRS and not recognising regulatory assets/liabilities, the said amounts must be presented separately in the financial statements. Applicable to financial years from 1 January 2016; the European Commission decided not to start the endorsement process of this transitory standard and wait for IASB to issue the final standard.

No materially relevant impacts are expected to arise from this standard.

IFRS 17: Insurance Contracts (issued by IASB on 18May17, including amendments issued by IASB on 25Jun20)

IFRS 17 solves the comparison issue created by IFRS 4 requiring all insurance contracts to be accounted for in a consistent manner, thus benefiting both investors and insurance companies. Insurance obligations are now accounted for using current values instead of historic cost. Information is updated on a regular basis, providing useful information

to users of the financial statements. Applicable to financial years from 1 January 2023, subject to the endorsement by the European Union.

No materially relevant impacts are expected to arise from this standard.

Amendments to IAS 1 – Presentation of Financial Statements (issued by IASB on 23Jan20 and revised in 15July20)

These amendments to IAS 1 – Presentation of Financial Statements clarify the requirements for classifying liabilities as current or non-current. These amendments, in nature, only aim to reduce the scope, clarifying the requirements of IAS 1, rather than altering the underlying principles. Applicable to financial years from 1 January 2023, subject to the endorsement by the European Union.

This change will be the object of our future analysis.

Amendments to IFRS 3, IAS 16, IAS 37 and Annual Improvements (issued by IASB on 14 May 2020)

Amendments to IFRS 3: Updating of reference in IFRS 3 for the Conceptual Framework of Financial Reporting without changing the accounting requirements of business combinations;

Amendments to IAS 16: It prohibits an entity from deducting from the cost of a tangible fixed asset any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Amendments to IAS 37: It clarifies what costs an entity considers in assessing whether a contract is onerous.

Annual improvements with minor amendments to IFRS 1, IFRS 9 e IAS 41, and illustrating examples of IFRS 16.

Applicable to financial years from 1 January 2022, subject to the endorsement by the European Union.

No materially relevant impacts are expected to arise from this revision.

Amendments to IAS 1 and IFRS Practice Statement 2 (issued by IASB on 12 February 2021)

These changes to IAS 1 require entities to disclose its material accounting policy information instead

of its significant accounting policies. IFRS Practice Statement 2 has been amended by adding guidance on how to apply of the materiality process’ to accounting policy information.

Applicable to financial years from 1 January 2023, subject to the endorsement by the European Union.

This change will be the object of our future analysis.

Amendments to IAS 8: Definition of accounting estimates (issued by IASB on 12 February 2021)

These changes clarify how entities should distinguish between accounting policies and accounting estimates. This distinction is important because changes in accounting estimates are applied prospectively only on future transactions and other events, however, changes in accounting policies are generally applied retrospectively to past transactions and other events.

Applicable to financial years from 1 January 2023, subject to the endorsement by the European Union.

This change will be the object of our future analysis.

Amendments to IFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021 (issued by IASB on 31 March 2021)

These changes extend, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The practical expedient provided by the former amendments to IFRS 16 issued in May 2020 (and endorsed by the European Union on 9 October 2020 pursuant to Regulation 2020/1434 of the Commission) was available for rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021. The change extends this period to 30 June 2022.

The amendment is effective for annual reporting periods beginning on or after 1 April 2021 (earlier application permitted, including in financial statements not yet authorised for issue up to 31 March 2021). These amendments are still subject to the endorsement process by the European Union.

No materially relevant impacts are expected to arise from this standard.

27. GUARANTEES AND SURETIES

The liabilities for bank guarantees contracted on 31 December 2020 totalled € 38.5 million (2019: € 545 million), as follows:

- Guarantees in the amount of € 633.4 million (2019: € 539.8 million) provided in favour of the Tax Authority arising from the VAT procedure (note 9);
- Guarantees in the amount of € 5.1 million (2019: € 5.2 million) provided to courts as part of litigation proceedings.

28. CONTINGENCIES

See accounting policy 2.2.13.

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, based on information from its tax advisers, believes that any tax contingencies will not have a material impact on the Financial Statements as at 31 December 2020, taking into account the provisions set up and existing expectations as of this date, including the judicial claim relating to the VAT dispute.

PENDING LAWSUITS

As at 31 December 2020, the pending lawsuits relating to railway expropriations totalled € 12,996 thousand (2019: € 5,167 thousand). This amount is not reflected in Statement of Financial Position. In these cases, but only when figures are established by the court, deposits are made in the name of the court where the proceedings are being heard. The deposits are equivalent to the value of the case and are in the custody of the Caixa Geral de Depósitos bank. Their resolution does not result in an expense for the Company, rather for the Grantor of the railway infrastructures.

The Company has pending lawsuits relating to railway accidents occurred on the railway infrastructures under management and for damages caused to third-party property. These lawsuits are covered by IP's activity insurance.

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 relevant 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.

29. COMMITMENTS

IP's commitments are primarily the responsibility of its obligation to meet the commitments made in the Road Sub-concession Contracts and the substitution of the State in its payments and receipts of the concessioned road network.

IP's net costs with the State's Road Concessions and Sub-Concessions (including the toll revenues

after the end of the State's Concession Contracts with its private partners, which are IP revenues in accordance with the Concession Contract) at constant prices and including VAT (these figures were sent to the Directorate-General for the Treasury and Finance and were used as a basis for the corresponding table in the Report on the State Budget for 2021) are summarised in the table below:

EXPENSES OF CONCESSIONS AND SUB-CONCESSIONS (€M)	2021	2022	2023	2024	2025	2026	2027	2028	2029
Gross expenses	1 574	1 452	1 296	1 203	1 084	954	857	774	684
Revenues	- 356	- 376	- 374	- 410	- 685	- 559	- 570	- 570	- 576
Net expenses	1 218	1 076	922	793	399	395	286	204	107

EXPENSES OF CONCESSIONS AND SUB-CONCESSIONS (€M)	2030	2031	2032	2033	2034	2035	2036	2037	2038
Gross expenses	566	503	353	280	269	215	146	124	143
Revenues	- 434	- 324	- 261	- 228	- 231	- 236	- 184	- 155	- 166
Net expenses	132	179	92	53	38	- 20	- 38	- 31	- 24

EXPENSES OF CONCESSIONS AND SUB-CONCESSIONS (€M)	2039	2040	2041	2042
Gross expenses	32	10	0	-
Revenues	- 23	- 8	0	-
Net expenses	9	2	0	0

Source: 2021 State Budget Report

According to the 2021 State Budget Report:

"Figures relating to the road partnerships presented in table above were based on the contracts in force, and did not consider expected results of ongoing legal proceedings.

Regarding the Douro Interior, Litoral Oeste and Baixo Tejo sub-concession contracts, projections for respective net charges do not include, in line with the previous fiscal year, contingent compensations, which will not be paid in line with the Audit Court's position in this regard."

30. INFORMATION REQUIRED BY LAW

a) Under article 21(1) of Decree-Law 411/91 of 17 October, the Company confirms that it does not have any Social Security payments in arrears, or overdue debts to the Tax Administration.

b) Impact of IP's activity on the National Accounts and Public Accounts (Basis 12, number 3, paragraph c) of Decree-Law no. 110/2009 of 18 May).

i. National accounts

After consulting with the National Statistics Institute ("INE"), it is considered that all IP's accounting items have a direct impact on the national accounts. All flows between IP and units outside the General Government perimeter shall have a direct impact on general government aggregates (deficit and/or debt), such impact and the magnitude thereof depending on the operations in question. By way of example, when IP earns interest from financial applications outside the public administration perimeter, it contributes positively to the balance of public administrations. When IP pays for services provided by entities outside the public administration perimeter, it is increasing public expenditure, and consequently the deficit; if IP borrows from the financial sector or the Rest of the World, it is increasing public debt.

Due to the nature of the national accounts system, the estimate of the impact of a single unit should only be taken as indicative. In so far as this is an integrated system, in order to demonstrate the underlying economic relations in a more explicit way, the national accounts methodology establishes that the operations of a unit or set of units are sometimes subject to transformations and the analytical effect of which only makes sense within the broader scope of the accounts.

ii. Public accounts

Financial reporting on a public accounts basis uses the so-called cash basis where financial flows - payments and receipts - are registered.

IP is included in the Reclassified Public Entities on an equal standing with the Autonomous Services and Funds, thus becoming integrated in the State Budget universe.

c) Forward-looking financial information - commitments assumed and multi-annual forward-looking information for the concession period concerning the concessionaire's activity, namely in terms of results, funding needs, dividends payable to the shareholder and income tax (Base 12, paragraph 4(b) of Decree-Law 110/2009 of 18 May).

FORWARD-LOOKING INFORMATION

Table 1 provides provisional information on IP's future financial flows as at 31 December 2020, taking into account the commitments already assumed by the company. Note that compliance with the PRN 2000 requires making investments during the period of EP's Concession Contract, the financial inflows and outflows of which are not taken into account in the following table. The figures already include the estimate of the impacts of the ongoing renegotiation of the Sub-concession contracts. Annual net income, annual borrowing needs, dividends payable and income tax (IRC) were all forecast.

FORWARD-LOOKING INFORMATION Figures at current prices €th								
	2021	2022	2023	...	2025	...	2035	...
Net Income	6,364	31,299	50,550	...	163,435	...	383,823	...
Annual borrowing requirements	1,747,342	1,727,491	1,390,395	...	900,654	...	--	...
Dividends payable ^(a)	--	--	--	...	--	...	--	...
Corporate Income tax ^(b)	(28,814)	(29,831)	(32,920)	...	(50,473)	...	(163,061)	...
Financial flows with the State ^(c)	656,141	671,708	675,634	...	710,900	...	584,602	...

FORWARD-LOOKING INFORMATION Figures at current prices €th									
	2045	...	2055	...	2065	...	2075	...	2082
Net Income	1,659,287	...	2,393,511	...	3,409,189	...	4,709,279	...	5,826,477
Annual borrowing requirements	--	...	--	...	--	...	--	...	--
Dividends payable ^(a)	1,596,305	...	2,305,380	...	3,296,092	...	4,565,068	...	5,654,810
Corporate Income tax ^(b)	(654,774)	...	(939,929)	...	(1,329,642)	...	(1,823,486)	...	(2,249,553)
Financial flows with the State ^(c)	(1,339,681)	...	(2,134,321)	...	(3,271,445)	...	(4,737,684)	...	(6,008,032)

(a) For these activities only, and since the equity restriction exercise was not carried out, it is assumed that the cash flow available following repayment of debt may be distributed as dividends, though not for a higher amount than the year's net income.

(b) For these activities only and from a cash flow standpoint.

(c) From IP's standpoint. Includes outflows: CIT, Concession Rent and Dividends; and inflows ISP (oil tax) reduction (through creation of the RSC), from a cash flow standpoint.

31. OTHER RELEVANT FACTS

COMPENSATION, RESERVE OF RIGHTS, 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, before any specific request for a reinstatement of financial balance (RFB) is made, IP's counterparty must issue a so-called 'reservation of rights', i.e., it must inform IP that it considers that a given fact is

eligible for RFB purposes. Only following such reserve of right REF application requests are or can be submitted. It should also be noted that if the right of reserve is not formulated within 30 days of the occurrence of the event, any putative right to REF expires.

The following REF requests were submitted up to 31 December 2020:

SUB-CONCESSION	TYPE OF REQUEST MADE	FACT GENERATING REQUEST	STOCK OF THE SITUATION
Auto-Estrada Transmontana (AEXXI)	Interest on late payment of remuneration	Interest on arrears due to late payment of remuneration	IP's Executive Board of Directors suspended payments, at least until the Court of Auditors decision on AL's CSA appeal; payments were resumed following decision of the Audit Court (decision not to subject following re-submission).
Baixo Alentejo	Interest on late payment of remuneration	Interest on arrears due to late payment of remuneration	IP's Executive Board of Directors suspended payments, at least until the Court of Auditors decision on AL's CSA appeal; payments were resumed following decision of the Audit Court (decision not to subject following re-submission).
Baixo Tejo (AEBT)	Reinstatement of financial balance	Impossibility of construction of ER377, including Avenida do Mar	Renegotiation completed; pending Government's approval
Baixo Tejo (AEBT)	Non compliance with payment of remuneration due	Non compliance with payment of remuneration due	Arbitration proceedings - suspended; opposed views on the renegotiation of ER377/2
Litoral Oeste (AELO)	Reinstatement of financial equilibrium (based on unilateral change in Reformed SCC)	IC9-Alburitel/Carregueiros e IC9 - Carregueiros/Tomar stretches; repair of pathologies in slopes transferred to AELO	Unilateral change in Reformed SCC, IP decision There is consensus between IP/AELO about the REF and amount required; IP triggered proceedings provided in DL 111/2012, of 23 May, letter SET dated 24.10.2019; pending Government decision.
Pinhal Interior (Ascendi PI)	Interest on late payment of remuneration	Interest on arrears due to late payment of remuneration	IP's Executive Board of Directors suspended payments, at least until the Court of Auditors decision on AL's CSA appeal; payments were resumed following decision of the Audit Court (decision not to subject following re-submission).
Algarve Litoral	Compensation lawsuit	Lawsuit proposed by financing banks	In progress
Algarve Litoral	Termination of Reformed Sub-Concession Contract	Termination of Reformed Sub-Concession Contract, for reason attributable to IP	Arbitration Court set up, Dr. Luis Laureano appointed Chairman by the President of the Portuguese Bar Association, Prof. Paulo Otero, indicated by IP, Prof. Pedro Costa Gonçalves, indicated by RAL; ongoing
Algarve Litoral	Injunction within the scope of proceedings for the rescission of the reformed Sub-Concession Contract	Injunction within the scope of proceedings for the rescission of the reformed Sub-Concession Contract	Injunction within the scope of proceedings for the rescission of the reformed Sub-Concession Contract
Vialivre - Norte Litoral	Reinstatement of financial balance	Specific change in the law: Amendment to Law no. 25/2006 pursuant to approval of Law 64-B/2011, of 30 December	IP accepted the expenses presented as eligible, and these will be approved or rejected on a case-by-case basis.

COMPENSATIONS, RESERVE OF RIGHTS AND REQUESTS FOR THE REINSTATEMENT OF THE FINANCIAL EQUILIBRIUM IN STATE CONCESSIONS

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

In 2020 IP recorded expenses of € 16.4 million in co-payments, compensation and rebalancing, the most important of which were:

- i. Compensation to concessionaire AEDL – Auto-estradas do Douro Litoral, in the amount of € 8 million, pursuant to decision of the Arbitration Court dated 7 February 2017 and payment of court expenses in the amount of € 7.8 million.
- ii. Implementation of Financial Rebalancing Agreement IX with Lusoponte, resulting in a balance of € 7 million in favour of IP.
- iii. Compensation to concessionaire Brisal - Auto-Estradas do Litoral, S.A, in the amount of € 6.9 million, pursuant to decision of the Arbitration Court dated 15 April 2015.
- iv. Reimbursements in the amount of € 0.69 million to various concessionaires relating to TRIR (Road Infrastructure Regulation Charge) and SIEV.

COVID-19 IMPACT

The emergence of the Covid19 pandemic is having sharp impact on the Portuguese economy and IP's activity as well.

The Company implemented a global contingency plan, divided into several sector contingency plans, covering the business and corporate areas, taking into consideration the specificity and risk associated with the activity developed.

IP is ensuring the normal operation of the road and railway infrastructures and developing its investment plan, in line with respective programmes. This reality can be seen in the evolution of investment (own network) and conservation activities vis-à-vis the same period of 2019.

The protection of employees is ensured, in line with the directives of the National Health Authority (DGS).

At operational level the impact is practically null, however, at financial and economic levels, the impact is considerable given the sharp reduction in railway and road travels, as a result of circulation restrictions.

It is worth pointing out that IP worked closely with its shareholder, the State, in order to implement the most adequate solutions to meet additional funding requirements and thus safeguard the Company's financial sustainability.

Impact on results

In comparative terms with 2019, in 2020 Sales and Services fell by € 298 million, of which € 134 million had direct impact on results, namely as concerns the RSC (-€ 117 million), IP road tolls (-€ 9 million), and Railway fee (-€ 8 million) (note 14).

An analysis by segment shows that the larger impact was felt by revenues associated with the use of the road network, namely Road Service Contribution and toll revenues

This reduction in the use of the road network is shown in the following figures:

- i) Decrease in diesel consumption by 14. % and gasoline consumption by 17,5%, over 2019;
- ii) Decrease in toll transactions by 134 million (-21%) over 2019.

As far as the railway network is concerned, the impact was lower, having affected the months of March and April in particular, which were the months when the National Emergency States were in force.

Expenses arising from the fight against the pandemic

Total expenses recorded with working organisation measures, mitigation and fight against the Covid-19 pandemic in 2020 totalled € 2 million, as follows:

- Cleaning and disinfection measures: € 857 thousand

- Purchase of masks, gloves, temperature controllers, disinfection products: € 466 thousand
- Purchase of laptops, software and telecommunication expenses € 585 thousand
- Communication plan, increase in number of vehicles and electric equipment: € 96 thousand).

Operating Activities

IP's operating activity did not suffer any relevant impact thanks to the mitigation measures implemented and the working model adopted, as can be seen at various levels:

- Maintenance of high levels of maintenance and repair activities;
- Increase in the financial implementation of investment activities by 29% over 2019;
- The road and railway networks remained completely available always.

Public-private Partnerships

In what concerns the road Public-Private Partnerships, following the declaration of the state of emergency, several sub-concessionaires and toll collection service providers notified IP that the pandemic declared by the WHO constituted a case of force majeure triggering the effects provided in respective contracts.

The pandemic situation also triggered restrictions to the free movement of people and the free exercise of economic activity.

These restrictions of rights correspond to the fulfilment of a contractual obligation, i.e. whenever an event occurs which private partners consider to qualify and lead to a financial disequilibrium of the sub-concession, they are required to communicate such situation to IP.

On the other hand, as they comply with this requirement, private partners are also required to communicate which obligations can be complied with and which cannot, for how long, and what are the mitigation measures that were adopted.

However, despite the restriction of rights mentioned above, no claim was made so far viewing the reinstatement of the financial balance.

32. SUBSEQUENT EVENTS

See accounting policy 2.2.18

i) COVID-19 3rd WAVE

A set of consecutive regulatory decrees were published in 2021, imposing and renewing a State of Emergency, from which resulted several restrictions to business activity and the free movement of people, with a view to contain the spreading of the pandemic.

This situation had a sharp impact on IP's activity, resulting namely in a direct fall in Revenue during the first quarter of 2021, of about € 24.5 million as against estimated budget figures, of which € 14.7 million are expected to have a direct impact on results, namely revenues from the Road Service Contribution, IP road tolls, and railway fees by respectively, € 11.6 million, € 2.2 million and € 0.9 million.

Additionally, revenues from State Concessions tolls fell by € 9.8 million, which is meaningless in terms of results.

It should be mentioned that IP maintained throughout 2020 a close cooperation with the State shareholder, in order to implement the most adequate solutions to meet additional funding requirements and thus safeguard the Company's financial sustainability and its ongoing operation.

ii) Share capital increase

Pursuant to unanimous written corporate resolutions dated 25 February 2021 and 06 April 2021, the share capital of IP was increased by € 393,605 thousand and € 22,080 thousand, through the issue of respectively, 78,721 and 4,416 shares with the nominal value of € 5,000 per share, subscribed and paid up by the Portuguese State, as shareholder.

iii) Interim Decision – Rotas do Algarve Litoral (RAL)

On 9 March 2021 the Arbitration Court decided as a precautionary measure, to sentence IP to pay RAL the amount of € 30 million for works already carried out and a monthly amount of € 1.2 million until a decision on the main proceedings is reached.

Note that since these figures concern works already performed, they are included in accrued expenses (note 11.3.4).

iv) Toll reduction new law

The 2021 State Budget (articles 425 and 426) approved the introduction of reductions in toll rates, which implies a significant fall in IP toll revenues. The Government has not yet established how this measure will be applied or which corresponding compensatory measures will be provided.

Almada, 21 April 2021

The Executive Board of Directors

Financial Director

Digitally signed document

MARIA DO CARMO DUARTE FERREIRA

Certified Accountant

Digitally signed document

DIOGO MENDONÇA LOPES MONTEIRO

Chairman, ANTÓNIO CARLOS LARANJO DA SILVA

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Vice-Chairman, JOSÉ SATURNINO SUL SERRANO GORDO

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Vice-Chairman, CARLOS ALBERTO JOÃO FERNANDES

Digitally signed document

Member, ALBERTO MANUEL DE ALMEIDA DIOGO

Digitally signed document

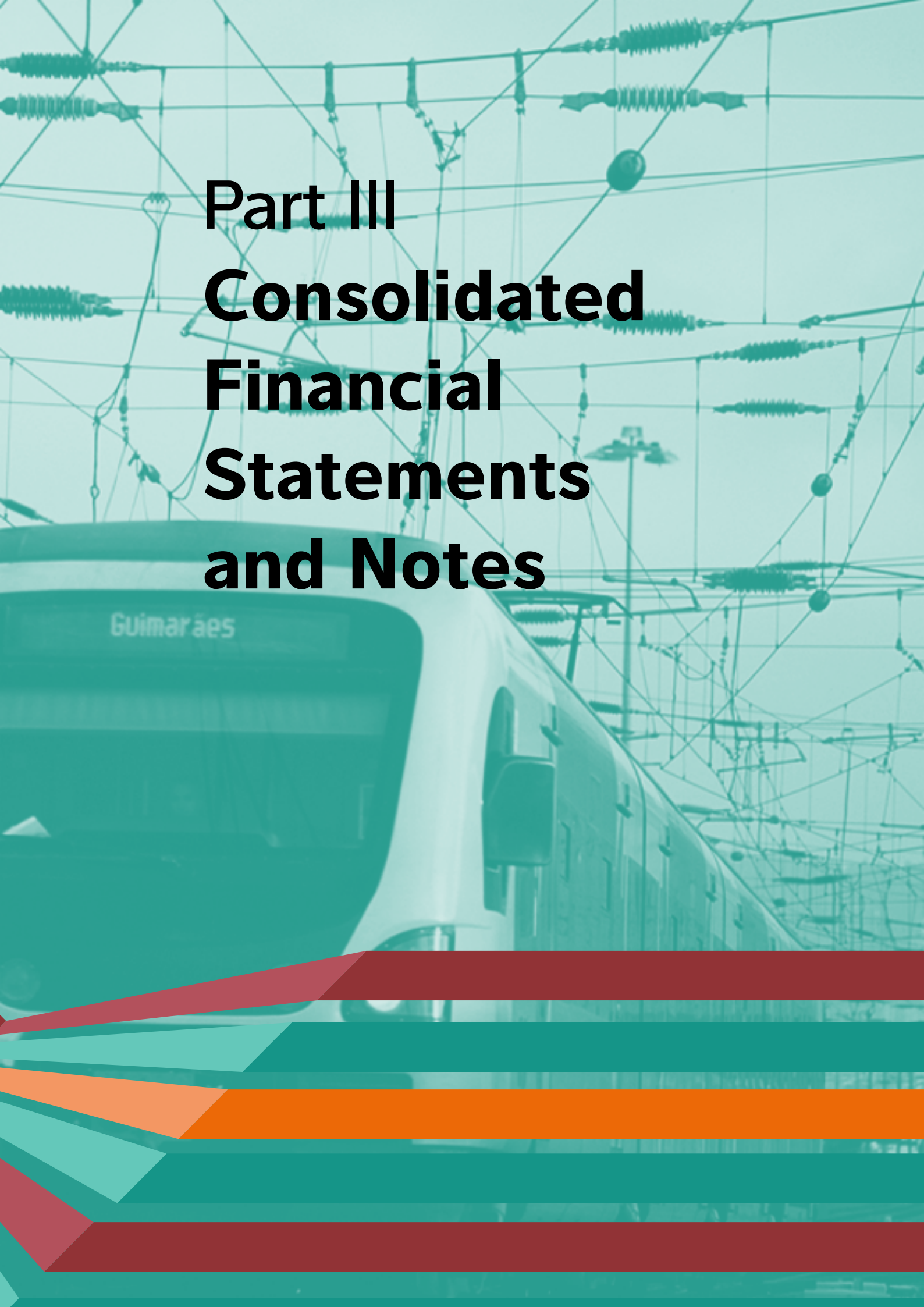
Member, VANDA CRISTINA LOUREIRO SOARES NOGUEIRA

Digitally signed document

Member, ALEXANDRA SOFIA VIEIRA NOGUEIRA BARBOSA

Digitally signed document



A high-speed train is shown in motion, blurred to suggest speed. The train is white with a dark front section. The name 'Guimarães' is visible on the front. Above the train, a complex network of overhead power lines and support structures is visible against a light sky. The entire image has a teal color overlay. At the bottom, there are several overlapping geometric shapes in shades of red, orange, and teal.

Part III
Consolidated
Financial
Statements
and Notes

Guimarães

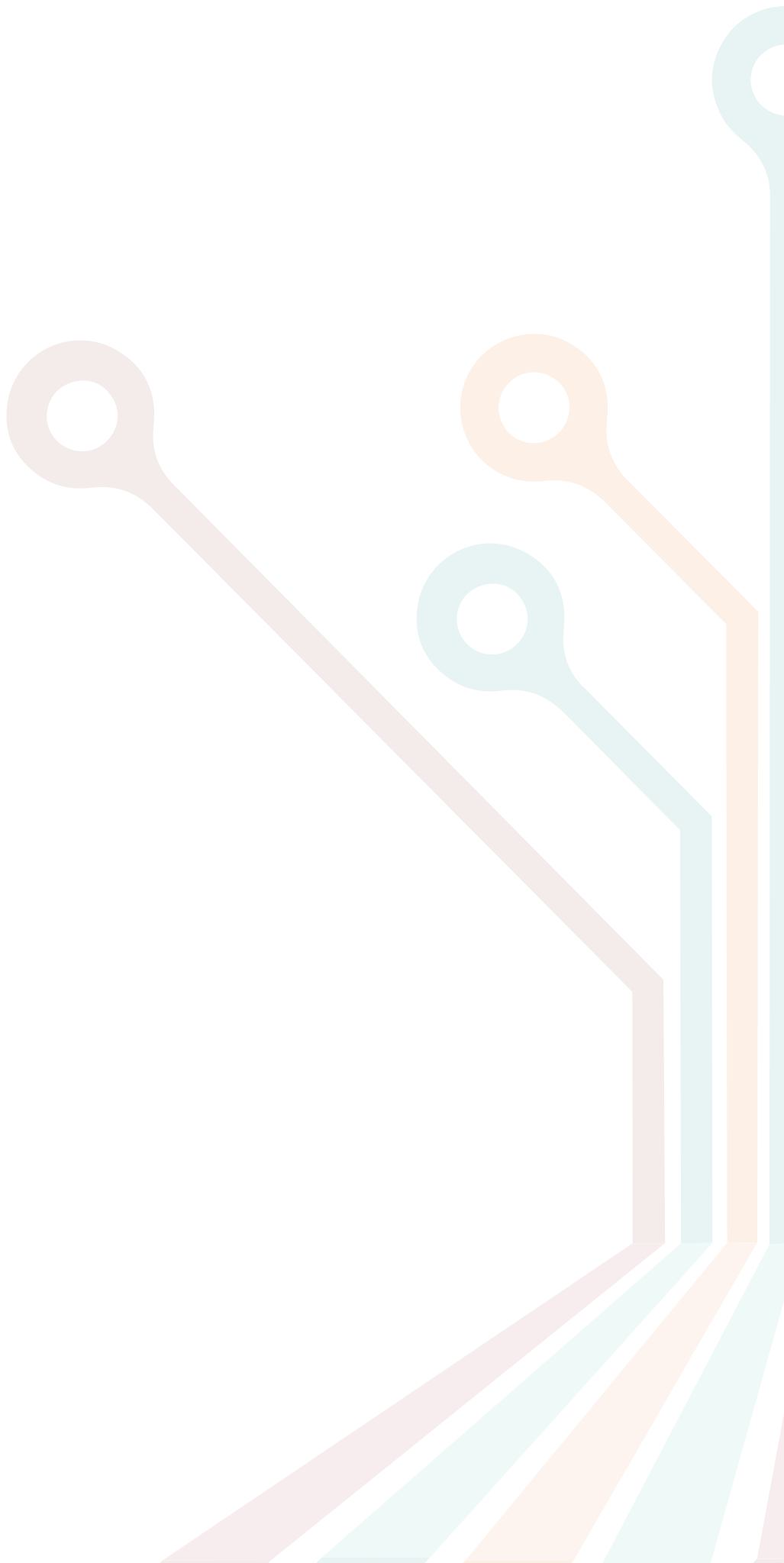


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CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

(Amounts in € thousand - €th)



STATEMENT OF COMPLIANCE

Pursuant to and for the purposes of provisions in Article 245 (1) (c) of the Portuguese Securities Code, each member of the Executive Board of Directors of Infraestruturas de Portugal, S.A., identified below, signed the following statement:

“Pursuant to and for the purposes of provisions in Article 245 (1) (c) of the Portuguese Securities Code, I hereby declare 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 pro-

vided through the Executive Board of Directors, the Consolidated Financial Statements were 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/loss of IP Group and that the management report for 2020 faithfully details the important events that occurred during the said period and the impact on respective Consolidated Financial Statements, and describes the main risks and uncertainties for the forthcoming financial year.”

The Executive Board of Directors

Chairman, ANTÓNIO CARLOS LARANJO DA SILVA

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Vice-Chairman, JOSÉ SATURNINO SUL SERRANO GORDO

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Vice-Chairman, CARLOS ALBERTO JOÃO FERNANDES

Digitally signed document

Member, ALBERTO MANUEL DE ALMEIDA DIOGO

Digitally signed document

Member, VANDA CRISTINA LOUREIRO SOARES NOGUEIRA

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Member, ALEXANDRA SOFIA VIEIRA NOGUEIRA BARBOSA

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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 AND 2019

ASSETS	NOTES	2020-12-31	2019-12-31
Non current			
Goodwill	5	21 687	21 687
Financial investments		40	32
Intangible assets	6	20 834 030	20 586 467
Tangible fixed assets	7	67 468	59 930
Investment properties	8	3 139	3 199
Clients	13.2.2	9 214	472
Deferrals	12.1	545	164
Deferred tax assets	9	279 468	272 044
		21 215 591	20 943 994
Current			
Inventories	10	74 382	83 621
Grantor - State - Accounts Receivable	13.2.1	3 914 516	3 834 542
Clients	13.2.2	52 211	75 464
Current tax assets	11	26 041	2 445
Government and other public bodies	11	1 622 049	1 452 828
Other accounts receivable	13.2.3	142 342	183 420
Deferrals	12.1	2 053	2 116
Cash and cash equivalents	13.2.4	256 497	287 092
Non-current assets held for sale	14	3	3
		6 090 093	5 921 531
Total assets		27 305 685	26 865 524
To be read jointly with the Notes to the Consolidated Financial Statements			

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT
31 DECEMBER 2020 AND 2018 (Cont'd)**

EQUITY AND LIABILITIES	NOTES	2020-12-31	2019-12-31
Capital and reserves attributable to equity holders			
Paid-up capital	15	8 257 530	7 203 380
Reserves	15	279 618	155 967
Cumulative results		48 413	153 599
		8 585 561	7 512 946
Net profit or loss for the period		- 57 193	18 465
Total equity		8 528 368	7 531 411
Liabilities			
Non current			
Provisions	14	940 105	903 525
Borrowings	13.3.1	1 924 303	2 561 036
Shareholder funding / Shareholder loans	13.3.2	-	10 667
Other accounts payable	13.3.4	1 630 911	1 959 310
Deferrals	12.2	10 245 610	10 311 078
Deferred tax liabilities	9	8	79
		14 740 937	15 745 695
Current			
Trade payables (Suppliers)	13.3.3	11 188	43 308
Cash advances of trade receivables (clients)		547	485
Government and other public bodies	11	8 098	17 980
Borrowings	13.3.1	653 291	99 750
Shareholder funding / Shareholder loans	13.3.2	2 343 354	2 475 895
Other accounts payable	13.3.4	1 009 612	940 406
Deferrals	12.2	10 289	10 594
		4 036 380	3 588 418
Total Liabilities		18 777 317	19 334 113
Total equity and liabilities		27 305 685	26 865 524
To be read jointly with the Notes to the Consolidated Financial Statements			

COMPREHENSIVE INCOME STATEMENT FROM 1 JANUARY 2020 TO 31 DECEMBER 2020
AND FROM 1 JANUARY 2019 TO 31 DECEMBER 2019

	NOTES	2020	2019
Sales and services	16	1 051 442	1 355 879
Compensatory Allowances	17	55 055	59 748
Cost of goods sold and materials consumed	18	- 274 374	- 430 148
Variation in production inventories		- 15	- 101
External supplies and services	19	- 305 850	- 308 558
Maintenance, Repair and Safety of the Road Network		- 114 389	- 118 016
Maintenance, Repair and Safety of the Railway Network		- 70 872	- 65 097
Other ESS		- 120 589	- 125 445
Personnel expenses	20	- 137 620	- 138 489
Impairments (losses/reversals)	21	- 4 272	470
Provisions (Increase/Decrease)	14	- 22 513	- 24 702
Other Income and gains	22	94 519	86 185
Other expenses and losses	23	- 10 205	- 7 954
Earnings before depreciation, financial expenses and taxes		446 167	592 328
Depreciation and amortisation expenses/reversals		- 237 628	- 284 848
Operating profit (before financing and tax expenses)		208 538	307 480
Interest and similar income	24	60 573	65 535
Interest and similar costs	24	- 305 409	- 302 734
Profit before tax		- 36 297	70 282
Income tax for the period	25	- 20 896	- 51 817
Net profit for the year		- 57 193	18 465
Total Consolidated Comprehensive Income for the year		57 193	18 465
To be read jointly with the Notes to the Consolidated Financial Statements			

CONSOLIDATED STATEMENT OF CHANGES TO SHAREHOLDERS EQUITY FROM 1 JANUARY 2020 TO 31 DECEMBER 2020 AND FROM 1 JANUARY 2019 TO 31 DECEMBER 2019

	NOTES	SHARE CAPITAL	RESERVES	CUMULATIVE RESULTS	PROFIT FOR THE YEAR	TOTAL
31-12-2018		5 811 510	33 730	190 130	85 707	6 121 076
Appropriation of net profit for 2017 (financial statements approved in 2019)		-	116 773	-116 773	-	0
Appropriation of net profit 2018		-	5 464	80 243	-85 707	0
Share capital increases		1 391 870	-	-	-	1 391 870
Comprehensive income for the year		-	-	-	18 465	18 465
31 December 2019		7 203 380	155 967	153 599	18 465	7 531 411
Appropriation of net profit for 2018 (financial statements approved in 2020)		-	109 616	-109 616	-	0
Appropriation of net profit for 2019 (financial statements approved in 2020)		-	14 034	4 431	-18 465	0
Share capital increases	15	1 054 150	-	-	-	1 054 150
Comprehensive income for the year		-	-	-	-57 193	-57 193
31 December 2020	15	8 257 530	279 618	48 413	-57 193	8 528 368
To be read jointly with the Notes to the Consolidated Financial Statements						

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FROM 1 JANUARY 2020
TO 31 DECEMBER 2020 AND FROM 1 JANUARY 2019 TO 31 DECEMBER 2019

	NOTES	2020	2019
Operating Activities			
Cash receipts from clients		1 085 688	1 196 971
Cash paid to suppliers		- 957 637	- 947 019
Cash paid to personnel		- 136 680	- 137 695
Flows generated by operations		- 8 629	112 256
Income tax (paid)/received		- 49 029	- 79 305
Other receipts/(payments) relating to operating activities		67 419	69 005
Net cash from operating activities (1)		9 761	101 956
Investing activities			
Cash receipts relating to:			
Investment subsidies		42 548	57 505
Tangible fixed assets		3 224	2 282
Interest and similar income		2	9
		45 774	59 796
Cash payments relating to:			
Investment subsidies		- 690	-
Tangible fixed assets		- 172 753	- 123 416
Intangible assets		- 787 007	- 748 906
		- 960 450	- 872 323
Net cash from investing activities (2)		- 914 676	- 812 526
Financing activities			
Cash receipts relating to:			
Capital contribution	15	1 054 150	1 391 870
		1 054 150	1 391 870
Cash payments relating to:			
Borrowings		- 89 711	- 581 065
Finance leases		- 1 562	- 288
Interest and similar costs		- 94 724	- 127 715
		- 185 996	- 709 067
Net cash from financing activities (3)		868 154	682 803
Variation in cash and cash equivalents (4) = (1) + (2) + (3)		- 36 761	- 27 767
Cash and cash equivalents at the end of the period	13.2.4	250 318	287 079
Cash and cash equivalents at the beginning of the year	13.2.4	287 079	314 846
Variation in cash and cash equivalents		- 36 761	- 27 767
To be read jointly with the Notes to the Consolidated Financial Statements			

Almada, 21 April 2021

The Executive Board of Directors

Financial Director

Digitally signed document

MARIA DO CARMO DUARTE FERREIRA

Certified Accountant

Digitally signed document

DIOGO MENDONÇA LOPES MONTEIRO

Chairman, ANTÓNIO CARLOS LARANJO DA SILVA

Digitally signed document

Vice-Chairman, JOSÉ SATURNINO SUL SERRANO GORDO

Digitally signed document

Vice-Chairman, CARLOS ALBERTO JOÃO FERNANDES

Digitally signed document

Member, ALBERTO MANUEL DE ALMEIDA DIOGO

Digitally signed document

Member, VANDA CRISTINA LOUREIRO SOARES NOGUEIRA

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Member, ALEXANDRA SOFIA VIEIRA NOGUEIRA BARBOSA

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NOTES TO THE
CONSOLIDATED
FINANCIAL



1. CORPORATE INFORMATION

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, S.A.) through which REFER merged into EP, becoming a public limited company named Infraestruturas de Portugal, S.A. (hereinafter IP). The merger entered into force on 1 June 2015, as provided in Decree-law 91/2015 of 29 May.

The immediate consequence of the merger determined that road and railway infrastructures are to be managed by as single company, in accordance with a joint, integrated and complementary strategy.

The Infraestruturas de Portugal Group, hereinafter referred to as IP or the Group, includes the following subsidiaries: IP Telecom – Serviços de Telecomunicações, S.A. (IP Telecom), which is a telecommunications operator and provider of specialised information technology systems and services; IP Património – Administração e Gestão Imobiliária, S.A. (IP Património), which manages and improves the real estate property of the Group; IP Engenharia, S.A. (IP Engenharia), whose activity is the provision of engineering and transportation services.

Additionally, IP Group holds stakes in two joint undertakings, AVEP – Alta Velocidade de Espanha e Portugal A.E.I.E., (AVEP) in partnership with ADIF – Administrador de Infraestruturas Ferroviárias (Spanish company), to study the Madrid-Lisboa-Porto and Porto-Vigo railway links and A.E.I.E Corredor Atlântico, in partnership with ADIF – Administrador de Infraestruturas Ferroviárias, SNCF – Réseau (French entity) and DB Netz AG (German entity); the object of this joint-venture is to promote measures among its members to improve freight transport competitiveness in the railway corridor. The corridor consists of existing and planned sections of the railway infrastructure including: Sines-Setúbal-Lisboa-Aveiro-Leixões / Algeciras – Madrid – Bilbao – Saragoça / Bordéus-La Rochelle-Nantes-Paris – Le Havre – Metz-S-

trasbourg and Mannheim, crossing the borders at Vilar Formoso/Fuentes de Oñoro, Elvas/Badajoz, Irun/Hendaye and Forbach/Saarbrücken.

1.1. IP Activity

According to Decree-Law No. 91/2015, the corporate object of IP is “the design, construction, financing, maintenance, operation, restoration, widening and modernisation of the national road and rail networks, including the command and control of movements of traffic movements.”

In order to carry out its activity IP takes the position of infrastructure manager, under the terms of the overall concession contract for the national road network (NRN) and the national railway network (NRWN) programme both concluded with the Portuguese State.

In the development of its business and in order to ensure 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. Activity of IP Group companies

1.2.1. Telecommunications operations activity

IP Telecom with registered office in Lisbon, was set up on 9 November 2000; its business activity is the development, management and operation of infrastructure solutions for telecommunications networks and information systems and technologies, as well as the development of subsidiary, complementary and 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 road technical channel, for the business market and public entities.

The current "Sub-Concession Contract for the Operation of the Telecommunications and Information Technology of Infrastructures de Portugal, S.A." maintains, reviewing its terms, the current sub-concession for the operation of the telecommunications infrastructure and it sub-concessions the operation of the roads' technical channel already built or to be built, under the administration and management of IP.

Pursuant to the Sub-concession contract, IP Telecom is the managing company of the Telecommunications and IT Systems infrastructure in the road and railway public domain under IP's responsibility, its networks, data centres, technical road channel and systems and related services, and therefore, it is the only company responsible for the maintenance and repair of the said infrastructure.

The operation of the telecommunications infrastructure, pursuant to the "Contract for the Operation of the Telecommunications Infrastructure", entered on February 28, 2001, and subject to addenda and amendments was revised on 29 February 2016.

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 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 Estação do Oriente (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 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. Its activities further include cartography, topography, land registration and expropriation, and the rendering of

integrated management services and supervision of undertakings, including in the areas of quality, environment and safety.

1.3. Other Equity Holdings

1.3.1. Improvement of the Atlantic Corridor Front - CFM 4

In November 2013 the infrastructure managers of Portugal (REFER), Spain (ADIF) and France (Réseau Ferré de France – RFF, currently SNCF Réseau) set up A.E.I.E Atlantic Corridor, with the purpose of developing an internal rail market, aiming at the transport of goods in particular, by setting up dedicated corridors.

A.E.I.E Atlantic Corridor then covered the existing and planned railway lines on the routes of Sines/Setúbal/Lisboa/Aveiro/Leixões – Algeciras/Madrid/Bilbao – Bordeaux/Paris/Le Havre/Metz/-Strasbourg – Mannheim crossing the borders at Vilar Formoso/Fuentes de Oñoro, Elvas/Badajoz and Irún/Hendaya and Forbach/ Saarbrücken.

On 1 January 2016, with the extension of the rail freight corridor to Mannheim, crossing the France/Germany border at Forbach/Saarbrücken, Germany joined Portugal, Spain and France as a partner of AEIE – the Atlantic Corridor. The new Atlantic-corridor configuration also encompasses another link to the river port of Strasbourg.

The role of CFM4 is, firstly, the management and revenue generation from existing infrastructures, 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 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-Lisboa-Porto corridors in the form of an European Grouping of Economic Interests (EGEI).

The mission of the said EGEI 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 –Lisboa – Porto corridors.
- 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 players of the Grouping or by the respective Governments.

2. MAIN ACCOUNTING POLICIES

2.1. Bases of presentation

The financial statements presented herein reflect the financial position, the results of the operations and the cash flows of IP Group for the periods ending on 31 December of 2020 and 2019, forming the consolidated financial statements of IP Group.

Decree-law 158/2009, in paragraph 1 of article 4, introduced in 2010 the requirement to prepare consolidated accounts in accordance with international accounting standards for companies with securities listed on a regulated market. Paragraph 1 of article 6 extends the consolidation obligation applies to any parent company subject to Portuguese law. IP was thus required to prepare consolidated accounts since the 2010 financial year.

These consolidated financial statements were approved by the Executive Board of Directors at a meeting held on 21 April 2021, to be submitted to the shareholder's approval. It is the opinion of the Executive Board of Directors that these provide a true and fair view of IP Group operations, as well as its consolidated financial position, results and cash flows.

The Financial Statements of IP Group were prepared on the basis of ongoing operations, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), issued and in force on 31 December 2020.

IFRS include accounting standards issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and respective bodies that preceded them.

The financial statements were prepared using mainly the historical cost measurement.

All figures are expressed in thousands of Euro (€ thousand), without any rounding up or down, unless otherwise stated. Sub-totals and totals in tables presented in these Consolidated Financial Statements may not be equal to the sum of the figures presented, due to rounding up or down. Additionally, initials €M are used for millions of Euro, where necessary.

The preparation of Financial Statements in accordance with IFRS requires the Group to exercise judgements, 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 deemed applicable and they form the basis for the judgements about the values of assets and liabilities that could not possibly be valued from other sources. Issues requiring a higher degree of judgement or complexity, or for which the assumptions and estimates are considered significant, are presented in Note 2.4.

2.2. Consolidation basis

The Consolidated Financial Statements of IP Group as of 31 December 2020 and 2019 include the financial statements of IP (parent company of the Group) and its subsidiaries (note 3), as from the moment they fell under the control of IP.

For controlling purposes, it is considered that IP controls a subsidiary if and only if it has cumulatively:

- control over the subsidiary;
- exposure or rights to variable results via its relationship with the subsidiary; and
- The capacity to use its control over the subsidiary to affect the value of the results for investors.

IP holds 100% of the share capital of its subsidiaries (hence there are "non controlling interests" in the Group) and does not have any agreement with any external company whereby it waives its rights. Consequently, no further considerations about the effectiveness of the Group's control over its subsidiaries are necessary.

Consolidation of a subsidiary starts from the moment the control is obtained by the parent and ends when such control ceases.

Accordingly, accounting policies of the various entities comprised in the consolidation perimeter are standardised; assets, liabilities, equity holdings, revenues, expenses and cash flow statements of the parent company are combined with equivalent components of its subsidiaries.

Additionally, the carrying amounts of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary are eliminated, according to IFRS 3 – Business Combinations, as explained in note 2.3.1.

Intragroup balances and transactions are eliminated in full. Profits and Losses resulting from intragroup transactions that are recognised in assets (such as inventories and fixed assets) are eliminated in full. The reconciliation of transactions may give rise to temporary differences, which are dealt with in accordance with IAS 12 – Income tax (Note 2.3.8).

A parent can lose control of a subsidiary for several reasons, with or without a change in absolute or relative ownership levels, or as a result of a contractual agreement.

In such situations, IP derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost and recognises:

- i. the fair value of the consideration received, if any, from the transaction, event or circumstances that resulted in the loss of control; and
- ii. if the transaction that resulted in the loss of control involves a distribution of shares of the subsidiary to owners in their capacity as owners, that distribution, and any investment retained in the former subsidiary at its fair value at the date when control is lost;
- iii. reclassifies to profit or loss, or transfers directly to retained earnings if required in accordance with other IFRS, the amounts recognised as other comprehensive income.

FINANCIAL INVESTMENTS IN JOINT ARRANGEMENTS

A joint arrangement is, according to IFRS 11 – Joint Arrangements, an arrangement whereby two or more parties have joint control.

The joint arrangements have the following characteristics:

- The parties are bound by a contractual agreement; and
- The contractual agreement confers on two or more parties joint control of the arrangement.

According to that standard, a joint arrangement is a joint operation or joint venture.

A joint operation is a joint arrangement whereby the parties holding joint control of the arrangement have rights to the assets and obligations on the liabilities related to that arrangement. These parties are designated as joint operators.

A joint operator recognises, in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its income from the sale of its share of the output of the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

A joint venture is a joint arrangement whereby the parties holding joint control of the arrangement have rights over the net assets of the arrangement. These parties are designated as joint venturers.

2.3. Summary of main accounting policies

2.3.1. Business Combinations and goodwill

Business combinations are accounted for using the purchase method of accounting, whereby the identifiable assets acquired or liabilities assumed are recognised at their fair value at the acquisition date.

For each business combination, the acquirer shall measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

At the acquisition date, the acquirer shall classify or designate the identifiable assets acquired and liabilities assumed as necessary to apply other IFRSs subsequently.

The price of the acquisition excludes the administrative costs associated with the acquisition, which are recognised in the consolidated income statement as other expenses and losses, and includes any asset or liability resulting from a contingent consideration arrangement at fair value.

Changes in the fair value of contingent consideration following acquisition date may result from additional information obtained after that date about facts and circumstances that existed at the acquisition date, which are considered adjustments at initial measurement recorded against goodwill. However, changes resulting from events after the acquisition date are not measurement period adjustments, are recognised at fair value with impact on equity or the profit and loss for the period from a contingent consideration arrangement at fair value whether the concern contingent considerations initially recorded in equity or in any other caption, respectively.

Any excess between the consideration transferred and the identifiable net assets at the date of acquisition must be recorded in a separate caption in the Consolidated Statement of Financial Position under goodwill, except if they concern increase in equity holdings where control already existed, in which case any resulting difference will be recognised in other comprehensive income.

Goodwill is subject to impairment tests annually, or whenever there are indications that it is subject to impairment.

Any impairment loss relating to the goodwill is deducted to goodwill and recognised in the Consolidated Profit and Loss Statement under impairment and cannot be reversed later in any situation.

Occasionally, a bargain purchase, which is a business combination in which the amount of the identifiable net assets exceeds the amount of the consideration transferred, may occur, in which case before recognising any income, the operation must be reassessed to assess the correction of the amounts involved relating to:

- the identifiable assets acquired and liabilities assumed;
- the non-controlling interest in the acquiree, if any;

- for a business combination achieved in stages, the acquirer's previously held equity interest in the acquiree; and
- the consideration transferred.

The recognition of a business combination is a process involving a set of operations with some complexity, since it implies, among other obligations, assigning fair values to identifiable assets and assumed liabilities, the identification of contingent liabilities and contingent remunerations, through the analysis of underlying agreements, and the full recognition of the operation does not always coincide with the Group's reporting obligations. Hence, the Group sometimes recognises these operations using the best information available at the time.

The values determined provisionally will be adjusted when the fair values of assets, liabilities and contingent liabilities are determined, over a maximum period of twelve months after the acquisition date. Goodwill or any other recognised gain shall be adjusted from the date of acquisition by an amount equal to the adjustment at fair value on the date of acquisition of the identifiable assets, liabilities and contingent liabilities to be recognised or adjusted and the comparative information presented for periods prior to completion of the initial accounting for the combination. This includes any depreciation, amortisation or other effect of profit or loss recognised as a result of completing the initial accounting.

When a controlled company, a joint venture or associated company is sold, the corresponding goodwill is included in the calculation of the capital gain or loss.

2.3.2. Segments

A business segment is a component of an entity that conducts a business activity:

- i) from which it can obtain revenue and incur expenses;
- ii) the operating results of which are regularly reviewed by the chief operational decision-maker of the entity; and
- iii) for which financial information is available.

The IP Group identified the Executive Board of Directors as the body responsible for operational de-

cision-making and as the body which revises the internal information prepared in order to assess the Group's performance and resource allocation. The determination of the operational segments was carried out based on information that is analysed by the Executive Board of Directors.

An entity must separately report the information on each identified segment, resulting from the aggregation of two or more segments with similar economic characteristics, or exceeding the quantitative levels set out in IFRS 8 – Business Segments.

2.3.3. Current/Non Current Classification

The IP Group classifies assets and liabilities as current and non current, separately, in order of liquidity in the Consolidated Statement of Financial Position, in accordance with provisions in IFRS.

An asset is classified as current when:

- The Group expects to realise the asset, or intends to sell or consume it, during its normal operating cycle (which includes situations where assets do not show any defined maturity).
- The asset is held primarily for the purpose of being traded;
- The asset is expected to be realised within twelve months after the balance sheet date; or
- The asset is cash or a cash equivalent asset unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date.

Remaining assets are classified as non current.

An asset is classified by the Group as current when:

- it expects to settle the liability in its normal operating cycle;
- The liability is held primarily for the purpose of being traded;
- the liability is due to be settled within twelve months after the reporting period; or
- it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

All remaining liabilities are classified as non current.

2.3.4. Foreign currency transactions

The Financial Statements of the Group were prepared in Euro, which is also the functional currency of the Group, as provided in note 2.1.

Foreign currency transactions are converted to the functional currency at initial recognition, using the relevant exchange rates at transaction date. Exchange gains and losses resulting from differences between relevant exchange rates at the dates of the transactions and those in force on collection and payment dates or the date of the Consolidated Statement of Financial Positions, with regard to monetary assets and liabilities, are recognised as income or expenses in the Consolidated Profit and Loss Statement.

2.3.5. Fair value

The IP Group IP does not present assets or liabilities valued at fair value, however, fair value is used in the following circumstances:

- Investment properties for the purposes of disclosure, where variables associated to their determination may be verified in notes 2.3.8 and 8;
- Inventories, when calculating the net realisable value of inventories relating to the real estate segment of the Group, where variables associated to their determination may be verified in notes 2.3.11 e 10; and
- Financing loans at fixed rate only for disclosure purposes.

Fair value concerns the price to be received from the sale of an asset or payable for the transfer of liability in an orderly transaction between market participants on the measurement date.

Measurement/use of fair value is based on the presumption that the sale transaction of the asset or transfer of the liability occurs:

- a) on the main market of such asset or liability; or
- b) where there is no main market, on the most advantageous market for such asset or liability.

Measurement at fair value of a non financial assets takes into consideration the capacity of a new market participant to generate economic benefits, using the asset as best as possible or selling it to

another market participant, which shall use it the best as possible.

The Group uses valuation techniques appropriate to the circumstances and for which there are enough input to measure their fair value, maximizing the use of observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities measured or disclosed at fair value are classified into one of the following categories:

- **Level 1** - Quoted prices (unadjusted) in active markets for identical assets or liabilities to which the entity has access at measurement date;
- **Level 2** - includes distinct input from quoted prices included in Level 1, for which all significant inputs are observable, directly or indirectly.
- **Level 3** - inputs for the asset or liability that are not based on observable market data.

2.3.6. Intangible assets

Intangible assets are recognised and measured according to the transactions that gave rise to them. Intangible assets in IP Group comprise the road concession right and other intangible.

ROAD CONCESSION RIGHT

Through the application of IFRIC 12, the asset resulting from the Road Concession Right which has been assigned by the Road Concession Contract with the State is considered to be an intangible asset.

The Road Concession Right was recognised by virtue of a business combination at the time the merging company's corporate object was changed (EP).

The Road Concession Right is increased by the management of the national road network infrastructure, which includes, namely, the construction, financing and operation of the National Road Network (including the Concessioned Network) and the Future National Road Network, namely as a result of:

(i) Provision of construction services

It is increased on completion of each significant component of the Future National Road Network,

by its execution value. Construction can occur through direct construction of the company or by sub-concession.

Until the completion of each component, the proportion of the amount of the expected execution of the works is recognised as an intangible asset in progress, using the completed percentage method calculated based on the actual physical evolution of each works.

Expenditure incurred with the launching of sub-concession calls for tenders is recognised as intangible assets until the nature of the expenditure made is billed to the sub-concessionaire.

(ii) Acquisition of future rights on the Concessioned Network

It is increased by payments relative to the Concessions, accumulated up to the initial term of each concession, after which the company is entitled to the underlying economic benefits of the corresponding section.

Until the initial term, they are recorded in intangible assets in progress when spending occurs.

The Concession Contract presents the following definitions for the three key components of the Concession Undertaking:

“Concessioned Network — designates the routes that integrate the National Road Network and which are, on the date of signing the concession contract, subject to a state concession contract or those that the State included in a public call for tenders still pending on the same date, with a view to the respective concessioning;”

“National Road Network — designates the "Itinerários Principais" (trunk roads), "Itinerários Complementares" (secondary roads), National Roads and Regional Roads included in the PRN 2000 (National Road Plan) in operation or with construction started on the date of signing the Concession Contract. "The construction of the Trunk Roads, Secondary Roads, National Roads and Regional Roads as set out in the PRN 2000, is deemed to have started upon award by the State, or by EP — Estradas de Portugal, S. A., of the contract for their construction;”

“Future National Road Network — designates the Trunk Roads, Secondary Roads, National Roads and

Regional Roads foreseen in the PRN 2000 or any legislation that modifies or replaces it and comes into force up to 5 (five) years prior to the term of the Concession Contract, that are not built on the date of signing the Concession Contract. The Trunk Roads, Secondary Roads, National Roads and Regional Roads envisaged in the PRN 2000 are considered as not having been built if on the date of signing the Concession Contract their construction has not been awarded by the State or EP — Estradas de Portugal, S. A."

The IP Group amortises the Concession Right based on its best estimate of the consumption pattern of the economic benefits associated to the asset, i.e., in accordance with the production unit method as defined by IFRIC 12.

The production unit corresponds to the best estimate of the infrastructure use measured by revenue inherent to credits directly associated with the rights already acquired by the Group, which excludes income from the toll collection activity before the initial term of the underlying concessions.

Any changes in estimates are corrected prospectively, impacting on the value of amortisation of future periods.

The depreciation value of the Road Concession Right, revised annually in accordance with the best expectations of the company, corresponds to the overall total amount of costs incurred and responsibilities incurred in the general concession for national road infrastructure.

The Group capitalises the financial charges associated with the acquisition, construction or production of qualifying assets.

The IP Group considers as qualifying assets all those which take a period of more than 12 months to be completed for their intended use. The most significant qualifying asset in the road infrastructure network is the Concession Right. Any component of the National Road Network or the Future National Road Network is considered a component of that same qualifying asset, provided that the estimated duration of its construction is greater than twelve months.

The components of the Concession Right qualifying for capitalisation of loan expenses are essentially the result of:

(i) Provision of construction services

The provision of construction services usually lasts more than 1 year, so the costs associated with funding obtained for the implementation are considered eligible, irrespective of whether the services are directly provided by IP Group or by sub-concession.

(ii) Acquisition of future rights on the Concessio- ned Network

Payments made on account of the acquisition of future rights on the Concessio-
ned Network up to the initial end of each section of the current Con-
cessio-
ned Network.

Direct financial charges are considered as a cost of the component specifically financed. Whenever there is no funding directly attributable to each component of the current network, a weighted average rate of funding is used during the period, which is applied to the expenditure incurred in the development of the aforementioned network.

The components that were built using grants or which are in a position to become operational, regardless of the completion of the contract they belong to, are not considered for the purpose of calculating the basis for the capitalisation of funding costs obtained.

OTHER INTANGIBLE ASSETS

The remaining intangible assets concern, mostly, contractual rights on computer software and result from separate acquisition transactions.

The intangible assets result from separate acquisition transactions, and their cost reflects:

- The purchase price, including costs of intellectual rights and taxes on non-refundable purchases, after deduction of trade discounts and write-offs;
- any cost directly attributable to the preparation of the asset for its intended use.

The company values its intangible assets, after initial recognition, by the Cost Model, as defined in IAS 38 - Intangible Assets, and amortises them on a systematic basis as from the date they become available for use, during their estimated useful life, corresponding to a period of 3 years.

The Group does not hold intangible assets with indefinite useful life.

The IP Group assesses for impairment whenever events or circumstances may indicate that the book value of the asset exceeds its recoverable amount, any impairment being recognised in the income statement.

2.3.7. Tangible fixed assets

Tangible fixed assets are recorded at acquisition cost minus any accumulated depreciation and any impairment losses.

The acquisition cost includes the acquisition cost of the asset, expenses directly attributable to its acquisition and any cost directly attributable to the preparation of the asset for its intended use.

Interest on loans directly attributable to the acquisition or construction of assets are capitalised as part of the cost of these assets. An asset eligible for capitalisation is an asset that requires a substantial period of time before it is available for use or for sale.

Costs are recognised as tangible assets only if any future economic benefits are expected and those benefits as well as the cost of the asset can be reliably measured.

The IP Group assesses for impairment whenever events or circumstances may indicate that the book value of the asset exceeds its recoverable amount, any impairment being recognised in the income statement.

The recoverable amount is determined as the higher of the fair value of the assets minus the estimated costs of sale and the value in use determined by the expected present value of future cash flows expected to be derived from the continued use of the asset and its disposal at the end of its useful life.

Current repair and maintenance expenses are recorded in the income statement.

Cost of operations that can extend the useful expected life of an asset, or from which are expected higher and significant future benefits, are capitalized.

Land is not depreciated. Depreciation is calculated using the straight-line method, so that the value of the asset is depreciated until the end of its estimated useful life, according to the following rates.

	AVERAGE %
Buildings and other constructions	2-10
Basic equipment	
...Optical fibre	5
DWDM / SDH transmission equipment	12.5
Data network equipment	12.5
SHDSL equipment	12.5
Other equipment	10-100
Tools and utensils	10
Transport equipment	25
Administrative equipment	10-100
Right of use	25
Other fixed assets	12.5-25

Depreciation starts as from the moment the asset is ready for its intended use. The useful lives of assets are reviewed at the end of each financial year if expectations as to the expected economic benefits and the planned technical use of the assets differ from previous estimates. Changes occurring in the depreciation charge of the year are accounted for prospectively.

Gains and losses arising from the disposal of tangible fixed assets are determined as the difference between the assets' sales value and net book value, and are recognised in the statement of comprehensive income.

LEASES

The Group assesses the existence of a potential right of use at the beginning of any contract, i.e. if the contract conveys the right to control the use of an identified asset for a certain period against a consideration.

The right of use is initially measured at cost, comprising the initial amount of the lease liability adjusted of any lease payments made on or prior to commencement date, plus any initial direct costs incurred, minus any incentive granted.

Right-of-use assets are subsequently evaluated at cost minus depreciation and any impairment losses.

The depreciation of right-of-use assets is determined using the straight-line methods, during the period of the lease.

The liability for the lease is initially recognised by the present value of rents not yet paid at the date of the lease, minus any interest at the interest rate implicit in the lease.

LEASES OF IP GROUP CONCERN VEHICLE LEASE CONTRACTS.

The Group does not recognise as right of use or lease responsibility leases with a duration of less than 12 months, opting, pursuant to IFRS 16, to recognise as lease expense on a straight line basis as rents under the external supplies and services heading (note 19) until the end of the leases.

The Group opted to present in the Consolidated Statement of Financial Position the right of use duly segregated in caption Tangible Fixed Assets (Note 7) and liabilities for leases in Other Accounts Payable (note 13.3.4).

2.3.8. Investment properties

The Group distinguishes property held to earn rentals or for capital appreciation, which generate cash flows independent from other assets of the Group (investment properties dealt with in accordance with IAS 40 – Investment Properties) from those whose generated cash flows are associated with production or their use for administrative purposes whose generated cash flows are not independent from other assets (dealt with in accordance with IAS 16 – Tangible fixed assets).

Investment properties are initially recorded at cost, comprising its purchase price and any directly attributable expenditure.

Following its initial recognition, they are measured at cost minus any cumulative depreciation (see Tangible assets, intangible assets and investment properties – Useful Lives – note 2.4) and any cumulative impairment losses (see impairment of non monetary assets – note 2.3.17), in accordance with the cost model.

Depreciation is made in accordance with the straight-line method, by twelfths, whereas investment properties of IP Group are being depreciated over 50 years.

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:

- Commencement of development with a view to sale, in case of transfer or ownership of investment property to owner-occupied property;
- commencement of development with a view to sale, for a transfer from investment property to inventories (only when, there is a change in use).
- end of owner-occupation, for a transfer from owner-occupied property to investment property; or
- commencement of an operating lease to another party, for a transfer from inventories to investment property.

Investment properties are derecognized when disposed of or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal, and any gain or loss will be recognised in the income statement as other income and gains or other expenses and losses.

Rents received for the lease of investment property are recognised in the income statement as other income.

Costs incurred with investment property, namely management and maintenance costs, insurance and property tax (IMI) are recognised in the comprehensive income statement for the year they concern. Improvements that are estimated to generate additional economic benefits are capitalised under the caption Investment properties.

2.3.9. Income tax

Income tax for the period includes current and deferred tax. Income tax is recorded in the Consolidated Income Statement, unless these are related to items that are recognised directly in equity. The amount of current tax payable is determined based on pre-tax profit, adjusted in accordance with tax rules.

Deferred taxes are recognised when there are differences between the book value of assets and liabilities at a certain time and their value for tax purposes using the expected tax rates in effect on the date of reversal of temporary differences.

Deferred tax liabilities are recognised for all taxable temporary differences, except for:

- i. When they result from the initial recognition of an asset not stemming from a business combination, where accounting and tax profit of an entity are not affected; or
- ii. In what concerns tax differences associated with investments in subsidiaries, associates, interests in joint ventures or joint undertakings, where the parent company, the investor, the venturer or joint operator is able to control the timing of the reversal of the temporary difference.

In relation to deferred tax assets, they are only recognised in relation to:

- i. When they result from the initial recognition of an asset not stemming from a business combination, where accounting and tax profit of an entity are not affected; or
- ii. In what concerns tax differences associated with investments in subsidiaries, associates, interests in joint ventures or joint undertakings, where the parent company, the investor, the venturer or joint operator is able to control the timing of the reversal of the temporary difference.

In relation to deferred tax assets, they are only recognised in relation to:

- i. the deductible temporary differences which are expected to be reversible in the future, or
- ii. when deferred tax liabilities exist, the reversal of which is estimated to occur at the same time as deferred tax assets.

The temporary differences underlying the assets and liabilities are reviewed periodically in order to recognise or adjust them according to their expectation of future recovery, in line with the current tax law, taking into account any uncertainties in tax treatment, as provided in IFRIC 23.

Potential tax benefits arising from business combinations which fail to meet the initial recognition criteria may come to be recognised as follows:

- i. when they result from new information about facts and circumstances that existed at the acquisition date, they must be recognised against goodwill, except if goodwill does not exist, in which case it will be recognised in the separate profit and loss statement; and

- ii. when they result from subsequent events, stemming from other facts, they will be recognised in the Consolidated Profit and Loss statement.

Deferred tax assets and liabilities will only be offset against one another if:

- i. There is an enforceable right to set off deferred tax assets with deferred tax liabilities; and
- ii. the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either, or it likely that the assets and liabilities originating the temporary differences will be realised on a net basis.

In March 2014, IP Group adopted the special tax system for groups of companies (RETGS).

This tax group includes all companies resident in Portugal that are 75% or more owned by IP (parent company of IP Group), and which meet the conditions of article 69 and subsequent of the Corporate Income Tax Code. These are presented below:

- Infraestruturas de Portugal, S.A.
- IP Património – Administração e Gestão Imobiliária, S.A.
- IP Telecom – Serviços de Telecomunicações, S.A.
- IP Engenharia, S.A.

2.3.10. Financial assets and liabilities

Financial assets and liabilities are recognised in the Consolidated Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

Therefore, pursuant to IFRS 9, financial assets are initially recognised in one of the following categories:

- i. Amortised cost - If the financial asset is held within the scope of a business model whose purpose is to hold the financial asset in order to collect contractual cash flows that are established in capital repayments and interest on outstanding capital.
- ii. Fair value through other comprehensive income - If the financial asset is held in a business model whose objective is achieved by both collecting

contractual cash flows and selling financial assets. The financial asset's contractual terms give rise, on defined dates, to cash flows which are appended to principal repayments and payment of interest on the outstanding capital.

- iii. Fair value through profit or loss - Except if measured at amortised cost or at fair value through other comprehensive income. However, there is the irrevocable option of initial recognition of certain investments in equity instruments that are considered at fair value through profit and loss.

The following are the Group's financial assets:

GRANTOR - STATE - ACCOUNTS RECEIVABLE

Following the spin-off of the railway activity in Portugal in 1997, IP (formerly REFER) was assigned the responsibility of building and renovating long-duration railway infrastructures. This activity is carried out according to the Government directives; its financing is guaranteed through the share capital, by State and European grants and loans. The majority of the loans are secured by the State, and IP plays the role of "agent".

Applying this understanding, the effects of this activity are recognised and measured in accordance with IFRIC 12 - Concession Arrangements.

Therefore, for the purposes of IFRIC 12, the Investment Activity in Long-Duration Infrastructure (LDI) is considered to constitute the existence of a concession between the State (Public Entity) and IP (equivalent to Private Entity despite the only shareholder being the State), with IP taking the role of "concessionaire" in this activity.

IFRIC 12 applies to public service concession contracts in which the grantor (State) controls (regulates):

- The services to be provided by the concession holder (through the use of infrastructure), to whom and at what price; and
- Any residual interests over the infrastructure at the end of the contract.

IFRIC 12 applies to infrastructures:

- built or acquired by the operator from third parties; and
- that already exist and to which the operator is given access.

therefore, in the light of the above, it is the understanding of IP Group that the existing railway concession is included within the scope of this IFRIC for the following reasons:

- IP is a profit-making entity and subject to the application of the Companies Code, despite its shareholder being the State, it is set up according to the framework established in the legislation applicable to the public corporate sector (Decree Law 133/2013 of 3 October) having equity and financial independence vis-à-vis its shareholder, thereby averting the exclusion of application of IFRIC 12 in accordance with its §4;
- The decree-law which created IP may, in substance, be considered as concession agreement, since the State as Grantor, controls and governs the public services provided by IP, as concessionaire of the infrastructures belonging to public railway domain or which may come to be included in the public railway domain in the future, and defines to whom the services are to be provided and at what price; and
- The State, through ownership, controls the infrastructure, as this belong to the public domain of the State, leasing to IP the right to access the same in order to provide the public service by charging a tariff to passenger and freight transport operators.

This interpretation establishes the generic principles for the recognition and measurement of rights and obligations under the concession contracts with the above-mentioned characteristics.

Taking into accounting the types of existing models, the model which best translates IP's railway activity is the Financial Asset model, since according to the law in force, the State (public entity) will fully bear the costs of the investments in national railway infrastructures, whereas IP has an unconditional right to receive funds from the State for its investments in LDI. This right is granted either by article 11 of the General Land Transportation Law for rail transport (IARC), by Decree-Law 141/2008 of 22 July, or by the 2011-2015 Strategic Transport Plan (PET) and finally, in 2014, by the Strategic Plan for Transport and Infrastructures (2014-2020) (PETI3+).

As regards the Financial Asset, resulting from the application of this standard, it was framed in ac-

cordance with the provisions of IAS 32, IFRS 7 and IFRS 9.

FINANCIAL INVESTMENTS

These concern holdings in Workers Compensation Funds and holdings in other entities, where there is no control, estimated at fair value through profit or loss and at fair value through other comprehensive income, respectively.

TRADE RECEIVABLES (CLIENTS)

Includes current accounts with several entities, which are initially recorded at fair value and subsequently measured at amortised cost, less impairment losses. When impairments occur, they have a direct impact on results.

Impairment losses carried stem from the use of the expected loss model.

Other trade receivables further include outstanding balances for accrued income, relating to services rendered but not yet invoiced.

CASH AND CASH EQUIVALENTS

For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents cover the amounts recorded in the Consolidated Statement of Financial Position, including the cash and cash equivalents in other credit institutions and in the Treasury and Public Debt Management Agency – IGCP, E.P.E. (IGCP).

Cash and cash equivalents include cash, bank deposits and short-term, high liquidity deposits with original maturity of up to 3 months.

Accounting overdrafts are presented in the Consolidated Statement of Financial Position, current liabilities, under “Loans”.

Regarding impairments (change in the model of loss incurred for the expected loss model), there was no impact on the Group.

Regarding financial liabilities, the existing categories are:

- i. Amortised cost
- ii. Fair value through profit or loss.

In the case of IP Group, all its financial liabilities

(bank and shareholder financing, suppliers and others) are considered in the “Amortised Cost” category.

LOANS OBTAINED

The IP Group recognises non-current loans obtained as a financial liability in accordance with IFRS 9. These financial liabilities are recorded as follows:

- (i) initially at fair value less transaction costs incurred, and
- (ii) subsequently at amortised cost, based on the effective interest rate method.

The Group has loans in the form of bilateral loans and bond loans to fund the construction of long-duration railway infrastructure (LDI), the railway infrastructure management activity and the road network management activity.

TRADE PAYABLES (SUPPLIERS) AND OTHER ACCOUNTS PAYABLE

The balances of suppliers and other accounts payable are measured initially at fair value and subsequently recorded at amortised cost, using the effective rate method. Usually, the amortised cost of these liabilities does not differ from their nominal value.

2.3.11. Inventories

Inventories are recorded at cost of acquisition/production or net realisable value, whichever is lower, except for materials held to use in Long Duration Infrastructure, which are recorded at cost, this amount being debited to the grantor.

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

The quantities existing at the end of the period are determined from the accounting records, and confirmed by physical inventory taking. The outflows from warehouses (consumption) are measured at the weighted average cost, in accordance with IAS 2 – Inventories.

Whenever the net realisable value is lower than acquisition cost, such difference is recognised as impairment losses in the consolidated profit and loss statement, which will be reduced or eliminated when the reasons that originate them will cease to exist.

The IP Group has materials in its warehouses purchased for the specific and unique purpose of application in the long-duration infrastructures.

The products and works in progress correspond to production costs incurred with the construction and promotion of real estate developments and incorporate the cost of purchasing the land, raw materials, capitalised financial costs and subcontracting and labour costs.

2.3.12. Grants

Grants received from the Portuguese State and the European Union or equivalent bodies are recognised at fair value when there is reasonable certainty that the conditions for receiving the grant will be met, except those relating to the LDI that are recognised only in the event of actual receipt.

Non-refundable subsidies obtained for investment in tangible and intangible fixed assets are recognised as deferred income.

These subsidies are subsequently credited to the Statement of comprehensive income, under "Other income and gains", pro-rata to the depreciation/amortisation of the subsidized assets.

Grants obtained for financing assets acquired/built into long-duration infrastructure are recognised in the Consolidated Statement of Financial Position under the "Grantor-State-Account receivable" item since, as they are allocated within the scope of the concessioned railway activity, they represent a repayment of part of the expenses incurred and are deducted from the amount receivable from the Grantor.

Non-refundable operating grants are recognised in the Consolidated Profit and Loss Statement, under "Other Income and Gains" systematically, in the same period in which the associated expenses are incurred.

2.3.13. Provisions and contingent liabilities

Provisions are recognised by IP Group when there is a current obligation arising from past events and it is probable that an expenditure of future domestic resources will be required to settle that obligation and the amount of that obligation can reasonably be estimated. When any of the foregoing conditions is not met, the Group discloses these contingent liabilities.

Contingent liabilities are not recognised in the Consolidated Financial Statements but are disclosed in the notes to the Consolidated Financial Statements, unless the possibility of an outflow of funds affecting future economic benefits is remote, in which case they are not subject to disclosure.

Provisions are reviewed at the date of each reporting period and adjusted in accordance with the best estimate on that date.

Provisions are measured at the present value of the estimated expenditures to settle the obligation using a pre-tax discount rate that reflects the market assessment for the discount period and the risk of the liability in question.

2.3.14. Revenue

Revenue corresponds to the fair value of the consideration received or receivable from transactions with clients during the ordinary course of business. Revenue is recognised net of taxes, discounts and other costs incurred to realise them, at the fair value of the amount received or receivable.

In accordance with IFRS 15, revenue was recognised at the date of transfer of control to the client, the value of the transaction being allocated to the diverse performance obligations assumed to the client, and adjusted in its measurement whenever the consideration is variable or subject to a significant financial effect according to the 5-step methodology, which comprises:

- 1) Identify contract with client;
- 2) Identify separate performance obligations to be fulfilled in the contract;
- 3) Determine transaction price;

- 4) Allocate a price to the transaction; and
- 5) Recognise revenue.

The IP Group's revenue comprises:

Railway infrastructure management: tariffs for infrastructure use, power supply, manoeuvres, capacity claimed not used, and other services according to the network directory available on IP Group's site, in compliance with the provisions of Decree-Law 217/2015 and Decree-Law 270/2003, as amended by Decree-Law 151/2014, (in part kept in force under Decree-Law 217/2015), in particular provisions in article 27 and annex IV of Decree-Law 217/2015.

The Directory aims to provide to applicants, authorities and any interested party the general terms and conditions to acquire capacity and on the services provided by the national railway network.

In addition to describing the characteristics of the network, the Network Directory states the conditions for access, describes the services provided by IP Group and discloses charging principles and tariffs, including the methodology, rules and scales used to apply them.

Road revenue is derived from the road concession contract (hereinafter "Contract") which the State entered into with the former EP on 23 November 2007. The bases were approved in an annex to Decree-Law 380/2007 of 13 November, amended by Law 13/2008 of 29 February, Decree-Law 110/2009 of 18 May, and Decree-Law 44-A/2010 of 5 May.

Regarding the Road Concession Contract, which ends at midnight on 31 December 2082, the purpose of the Concession by the Portuguese State to the extinguished EP is the following:

- Design, construction, financing, maintenance, operation, regeneration and widening of the routes that integrate the National Road Network;
- Design, construction, financing, maintenance, operation, regeneration and widening of the routes that integrate the Future National Road Network;
- Financing, operation, maintenance, regeneration and widening of the roads of the national

road network or future national Road Network, but also integrating the concession network, though these liabilities are subject to the initial term of the concession agreements currently in force between the State and third parties. The initial term also marks the end of the assumption by IP Group of all payments to be made by the State and the receipts to be collected by it, under the aforementioned contracts.

The IP Group's own revenues, among others, resulting from the 75-year concession agreement, which has been in force since 2008, are:

i. Road Service Contribution (RSC)

The RSC created by Law 55/2007 of 31 August, represents the consideration paid by users for the use of the national road network. It is levied on petrol and road vehicle diesel subject to tax on petroleum and energy products (ISP) and not exempt from such. In 2014, the RSC was extended to LPG for vehicles, which had been exempted before then.

The cash inflow is made with a mismatch relative to the collection date, through which the revenue is recognised on an accrual basis.

ii. Other Revenue from the Concession Contract

The company has to provide construction services for the development of the national road infrastructure network, in pursuit of its business purpose.

The result of the construction of each new component of the national road infrastructure network is registered in accordance with the completion percentage method.

The amount of revenue to be recognised results from the product between the percentage of completion and total value of the works. The total value of the work is the amount agreed with the grantor (State) or, if not agreed, it is the result of the sum of the specific expenses components of the works, both internal and external.

The amount receivable from the provision of construction services under the concession is swapped for the Concession Right.

In the case where the total value of the work is agreed with the grantor, whenever the sum of the specific costs incurred and to be incurred exceeds

the agreed revenue, the estimated loss is immediately recognised in profit or loss.

iii. The value of toll fees - Roads under the IP management or sub-concessioned

Toll collection on roads included in the network managed by the company or the sub-concessioned network is recognised in the year's profit or loss according to the real tolls in the period, in so far as these tolls are charged in roads over which the Group already has full rights to operate the Concession.

iv. The value of toll fees - Roads under sub-concessioned management

Toll collection on roads included in the Concessioned Network is recognised according to the real tolls in the period, with the resulting amount being deducted from the Group's investment in the acquisition of rights over said Concessioned Network, as stipulated in the Concession Contract signed with the Portuguese State.

Revenue from the telecommunications business comprises rental of optical fibre and data networks services.

As regards the transport engineering segment, revenue comprises consultancy services and studies.

In the real estate management segment, revenue concerns consideration paid for the use of commercial and services spaces, sales of apartments and commercial spaces and the provision of asset valuation services, technical assistance and other related services.

In the sale of apartments and commercial spaces, revenue is recognised on the date of the deed or when the risks and benefits have been transferred to the buyer (taking "possession" of the asset).

The IP Group recognises revenue relating to the rendering of services in accordance with IFRS 15, taking into account that the client simultaneously receives and uses the benefits generated by the Group.

2.3.15. Employment benefits

Personnel expenses are recognized when the service is provided by employees, regardless of their payment date.

The former EP granted temporary early retirement pensions and supplements to retirement pensions and survivors' benefits to a restricted and closed group of employees.

These post-employment supplements are paid by Caixa Geral de Aposentações to employees, which then charges them to IP Group, until those employees are in a position to retire according to General Law.

The liabilities related to the payment of these benefits are reviewed on an annual basis. The present value of the obligation is determined using the immediate lifetime rent method, by deducting future payments of the benefits that are perfectly identifiable, using the interest rate of high-rated bonds in the same currency in which the benefits will be paid and with a maturity close to the liability taken on.

Liabilities recognised in the Consolidated Statement of Financial Position correspond to the present value of the benefit obligation determined on the date of the Consolidated Statement of Financial Position.

2.3.16. Impairments

The assets of IP Group are assessed for impairment purposes when an event or change in circumstances suggest that the carrying amount may not be recoverable.

The recoverable amount of an asset corresponds to the higher of the asset's fair value less costs to sell and its value in use.

The asset's value is the present value of the future cash flows expected to be derived from the continued use of the asset and its disposal at the end of its useful life. For the determination of future cash flows, the assets are allocated to the lowest level for which there are separate identifiable cash flows (cash-generating units), when such assessment is not possible for each asset on an individual basis.

The Group recognises impairment losses in results for the year whenever the book value of an asset exceeds its recoverable amount, unless the loss offsets a revaluation surplus recognised in equity.

Non-financial assets for which impairment losses have been recognised are assessed on each reporting date for the possible reversal of impairment losses. The reversal of impairment losses is recognised in the Consolidated Profit and Loss Statement, except for the assets which were re-valued, in which case the reversal will correspond to an increase in revaluation. The reversal of impairment losses is recognised up to the limit of the amount (net of amortisation or depreciation) that would have been recognised if no impairment loss had been recognised in previous years.

2.3.17. Related parties

The revision of IAS 24 – Disclosures of related parties, established the obligation to disclose existing transactions with the State and with entities that are considered to be related, because they are also owned by the State.

After internal review the Executive Board of Directors did not deem relevant, considering its activity as a whole, the disclosure of balances and transactions with other entities, except those indicated below.

Related parties are those which have control over (Portuguese State) or are controlled by IP Group (subsidiaries), or which are under common control (joint ventures) and other entities (Railway Operators).

Group IP discloses balances and transactions with related entities in Note 26.

2.3.18. Subsequent events

Events occurred after the date of the Consolidated Statement of Financial Position and the date when the Consolidated Financial Statements were approved by the Executive Board of Directors, which provide additional information on conditions that existed at the date of the Consolidated Statement of Financial Position are reflected in the Group's Consolidated Financial Statements.

Events occurring between the date of the Consolidated Statement of Financial Position and the date of approval by the Executive Board of Direc-

tors of the Consolidated Financial Statements are indicative of conditions that arose after the date of the Consolidated Statement of Financial Position, if material, are disclosed in note 33.

2.4. Main judgements and estimates and assumptions used in the preparation of the financial statements

In preparing the Consolidated Financial Statements of IP Group in accordance with IFRS, the Executive Board of Directors of IP is required to make judgements, estimates and assumptions that affect the amounts of assets, liabilities, income, financial flows as well as the disclosure of contingent liabilities. Judgements, estimates and assumptions 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.

The estimates were determined based on the best information available at the date of preparation of the consolidated financial statements. However situations may occur in subsequent periods that are not foreseeable at the time and were not considered in these estimates, and may result in relevant changes in the future financial position, performance and cash flows of the Group, which will be considered prospectively in the profit or loss for the year.

Additionally, note 13.4 discloses a set of risks to which the Group is exposed.

The most significant accounting estimates reflected in the financial statements are:

INVESTMENT PROPERTIES

The IP Group opted to recognise investment properties using the cost method, notwithstanding disclosing their fair value.

INTANGIBLE ASSETS - CONCESSION RIGHT

The IP Group amortises its Road Concession Right by the equivalent production units method. This amortisation is based on: i) the estimate of total

income generated by the concession until its end and on ii) the recovery of total investments to be made by the 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.

GRANTOR .- STATE - ACCOUNT RECEIVABLE

As there is no defined maturity, as a result of the absence of a formalised concession contract, the amounts receivable are assumed to become due on the debit date. As a result, it is assumed that the amounts receivable are due on the moment of the debit. Consequently, from that date, the interest on the outstanding amount is deemed to be payable to the concessionaire (IP). Interest is determined on the same terms as the loans obtained to directly fund this activity. Interest and other financial expenses incurred with borrowings for financing the concession are therefore debited.

GRANTS

Rail and road activities have been financed by means of investment grants.

Accordingly, concessioned rail assets are shown in the Consolidated Financial Statements net of respective grants, this being the model which best represents how these investments are expected to be reimbursed.

On the other hand, grants associated with the road concession right are shown in the Consolidated Financial Statements as deferred income, under deferred liabilities.

TANGIBLE, INTANGIBLE ASSETS AND INVESTMENT PROPERTIES - USEFUL LIVES

The determination of useful lives of the assets as well as the depreciation/amortisation method to be applied is essential to determine the amount of depreciation/amortisation to be recognised in the Consolidated Profit and Loss Statement for each year.

These two parameters are defined in accordance with the best estimate of the Executive Board of Directors for the assets and businesses in ques-

tion, while also considering the practices adopted by the companies of the sector.

INVESTMENT PROPERTIES - DETERMINATION OF FAIR VALUE

Investment properties are subject to external evaluations made by qualified evaluators for the purposes of this report. Such evaluation is only made in case of evidence justifying it (see in this chapter - impairment of non monetary assets/investment properties), according to the income method, where the potential unit rent is estimated based on local market rental values. Rents practised are assumed as perpetual, and the determination of the yield is based on the characteristics of the buildings concerned, with the risk level associated to the real estate market.

JOINT ARRANGEMENTS

The two European Groupings of Economic Interest of which IP Group is member are considered joint arrangements as provided in IFRS 11.

The determination of the typology of agreement is based on the judgement made by the entities involved, taking into account the rights and obligations arising from the agreements, taking into account:

- Structure and legal form of the agreement – Both agreements concerned are structured under separate vehicles. In these circumstances, according to the applicable standard (IFRS 11), a joint arrangement is where the legal form of the said instrument does not allow separation between the parties and the separated vehicle, which is the case here, since the by-laws of both Groupings mention the existence of unlimited and joint liability of the partners in the agreement, which makes them responsible for credits claimed by third parties, as well as the fact that, in the event of losses, the general meeting has the right to ask the parties to contribute proportionately, i.e. pro rata to their respective share of the Grouping's debt settlement, which seems to confer to the parties obligations for the liabilities originated by the agreement.
- The terms agreed by the parties – both agreements provide that the projects will be deemed as undivided assets of members.

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 Executive Board of Directors' best outlook for the future, having the same calculation base of the revenues introduced in the multi-annual financial model, with the changes considered in the following paragraphs.

A sensitivity analysis was also carried out on the development of IP's revenues throughout the life of the contract and its impact on amortisation for the year. The analyses were based on the following scenarios:

- 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 Budget and Business Plan for 2020-2022 and after 2022 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 2020-2022, and after 2022 it would be 0.5%, with growth remaining in line with the CPI.
- c) It was considered that the 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 2020-2022 and after 2022 it would be 1%, with growth remaining in line with the CPI.

The result of these different scenarios for 2020 is shown in the table below:

SENSITIVITY ANALYSIS OF GROWTH OF RSC AND TOLL REVENUE	SCENARIO A)	SCENARIO B)	SCENARIO C)
Amortisation for the year	230	209	167
Amortisation of grants	-59	-54	-46
	171	155	121
Difference	-17	-50	-63
Unit: €M			

DEPRECIATION VALUE OF CONCESSION RIGHT

The value taken as the depreciation value of the Concession Right must take into account the value of works and maintenance scheduled up to the term of the concession.

Changes in planned, contracted and executed amounts may vary due to factors outside the company's control with an impact on the depreciation value recorded in the future.

REGULAR MAINTENANCE OF ROADS AND ENGINEERING STRUCTURES

The annualised cost of scheduled works required to maintain the network's average quality index at the same level as when the network was received (a stipulation of IP's Concession Contract) is calculated based on technical assessments of repair needs and an index of the average quality of road and engineering structures.

RAILWAY CONCESSION

As there is no formal concession agreement for the Investment Activity in Long-Duration Infrastructures, IP Group makes the following assumptions to determine the value of the concession, based on the principle of substance over form and the existing legislation, namely:

- The General Land Transportation Law Infrastructure Maintenance and Supervision Law 10/90 - which establishes in number 3 of article 11 the compensation payable by the State for shouldering in full the infrastructure construction, maintenance and supervision costs, in accordance with rules to be approved by the Government.
- In the The Strategic Transport Plan (RCM 45/2011):

The investment necessary for the construction of transport infrastructure, as goods and assets in the public domain, is the responsibility of the State as set out in the General Land Transportation Law. Nevertheless, over the past decades, state-owned enterprises operating in the land transport and railway sectors have carried the burden of having to register in their financial statements - via the issuing of debt - the costs of this investment made on behalf of the State," and

"The historic debt of state-owned enterprises operating in the public railway transport and infrastructures sector, results in part from the development of investment projects which are the State's responsibility, (...)"

- PET13+ - Strategic Plan for Transports and Infrastructures (2014-2020).

PET13+ "...is a revision of PET 2011-2015, including a second phase of structural reforms to be made in this sector, as well as a set of investments in transport to be carried out until the end of this decade. It is estimated that 61% of priority railway projects can be financed through community funds and 39% through public funds. "Where any assets are withdrawn from the public railway domain, the profit or loss will be allocated to this activity, as established in each withdrawal order.

Therefore, the costs borne with LDIs assume the form of "accounts receivable" (financial assets) charged to the "State grantor", being initially recognised at fair value.

Financial assets correspond to the investment in the assets under concession, which include public railway domain property, to which IP only has access to provide "Infrastructure Management" services, less the return on assets and any grants received plus the interest of loans contracted, debited to the concession and not settled by the Grantor. As there is no defined maturity, as a result of the absence of a formalised concession contract, the amounts receivable are assumed to become due on the debit date. Consequently, from that date, the interest on the outstanding amount is deemed to be payable to the concessionaire (IP). The form of calculating that interest is based on the same terms of financing obtained to directly fund this activity. Interest and other financial expenses incurred with borrowings for financing the concession are therefore debited.

LONG DURATION INFRASTRUCTURES (LDI)

Tangible fixed assets classified as long-duration infrastructures belong to the public railway domain, and IP only has access to them so as to provide the services associated with the Railway Infrastructure Management Accordingly, they are recorded under the statement of contingent financial position Grantor - State - Account receivable item, as they constitute an unconditional right to receive money from the State for the investments made. These assets, in addition to acquisitions and buildings after the spin-off of the CP assets, include the assets of the former divisions, freight terminals and property transferred from that company, which have the nature of "public domain goods".

CONSTRUCTION BY MEANS OF SUB-CONCESSIONS

Construction through Sub-Concessions is recognised to reflect the effective evolution of the works, based on the percentage of completion data obtained from the sub-concessionaires and validated by IP Group.

PROVISIONS

The IP Group regularly analyses any obligations arising from past events and which must be recognised or disclosed.

The subjectivity inherent in determining the likelihood and amount of future internal resources required for the payment of the obligations may lead to significant adjustments, either due to changes in the assumptions used or the future recognition of provisions previously disclosed as contingent liabilities.

Provisions resulting from ongoing legal proceedings are periodically assessed by the internal and external lawyers of IP Group responsible for the cases in question.

As regards the provision for disqualified roads, IP Group makes a comprehensive survey of the disqualified roads still under its responsibility and checks, on the basis of technical analyses of the cost of preparing them for hand over to the municipalities, if the recorded value of this provision is appropriate.

As a result of the evolution of the VAT proceeding described in note 11, a provision was set up for the VAT proceeding, which is estimated to be the impact of a potential negative decision against the former EP, which corresponds to the total VAT deducted by IP Group in activities financed by the RSC (Note 16).

IMPAIRMENT OF NON MONETARY ASSETS

Goodwill - the recoverable amounts from the cash-generating units to which goodwill is allocated are determined internally based on the calculation of values in use, using the discounted cash flows methodology. The cash flows used in the calculation stem from the company's budget for a period of 3 years with an additional project of two further years, excluding any effect of future restructuring which were not approved by the Executive Board of Directors. The said cash flows are discounted using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset concerned, using weighted average cost of capital (WACC). Note 5 shows the main variables associated with this theme as well as respective sensitivity analyses.

Tangible and intangible assets with defined useful life - any indication of impairment losses is verified, namely through the discontinuing/destruction of assets.

Investment properties - at the end of each financial year, the Executive Board of Directors assesses any existence of indications entailing changes in the value of investment properties by analysing internal and external data, including the following:

- Sales earnings of the year and respective margins;
- Relationship between the type of units sold, compared to those in portfolio;
- Specific characteristics of the units under evaluation;
- Promissory purchase and sale contracts for the following year;
- Rents existing in the market in the lease zones;
- Purchase and sale contracts undergoing negotiation.

If further evaluations are necessary, they will be carried out by qualified external evaluators.

Inventories of the 'Railway Infrastructure Investment Activity' segment - they will not be reduced below cost as since they are integrated in the infrastructure, they will be debited to the Grantor at acquisition price. The only exception to this concerns materials that are obsolete or technically depreciated and which cannot be used for the activity, which will notwithstanding be adjusted taking into account their recoverable value from their sale as waste.

Inventories held to be used in production - they will not be reduced below cost as since they are integrated in the infrastructure, they will be debited to the Grantor at acquisition price. The only exception to this concerns materials that are obsolete or technically depreciated and which cannot be used for the activity, which will notwithstanding be adjusted taking into account their recoverable value from their sale as waste.

Inventories of the real estate management segment - these are annually subject to impairment test. Evaluations are undertaken externally by independent evaluators, in accordance with the income method, which is to plan the future cash flows associated with the various projects and discount them at a rate that reflects their risk. In the future cash flow projection, future returns are estimated using the market-based comparative method, which consists of determining the current value of the properties compared with similar ones, of which their price on the real estate market and their relevant characteristics are known. Expenses are projected in accordance with the constructive reality of the real estate properties and the area concerned. As regards the discounted cash flow discount rate, it is the result of the use of a risk-free return rate, based on government bonds with a maturity similar to the time horizon of projects, associated with a risk premium.

IMPAIRMENT OF FINANCIAL ASSETS

Sundry debtors - based on the evaluation by the Executive Board of Directors of the probability of recovering such receivables, the seniority of the balances, cancellation of debts and other factors. Other circumstances and facts are also considered that may alter estimated impairment losses of receivables in the face of considered assumptions, including changes in the economic climate and sector trends, the creditor position of main clients and significant defaults.

This evaluation process is subject to various estimates and judgements. Changes in these estimates may imply different levels of impairment; consequently, they may have different impacts on income.

Trade receivable from clients of the Infrastructure Management and High Performance segments - in general, they have not been subject to impairment given the specific characteristics of the clients (railway operators partly held by the State and toll operators).

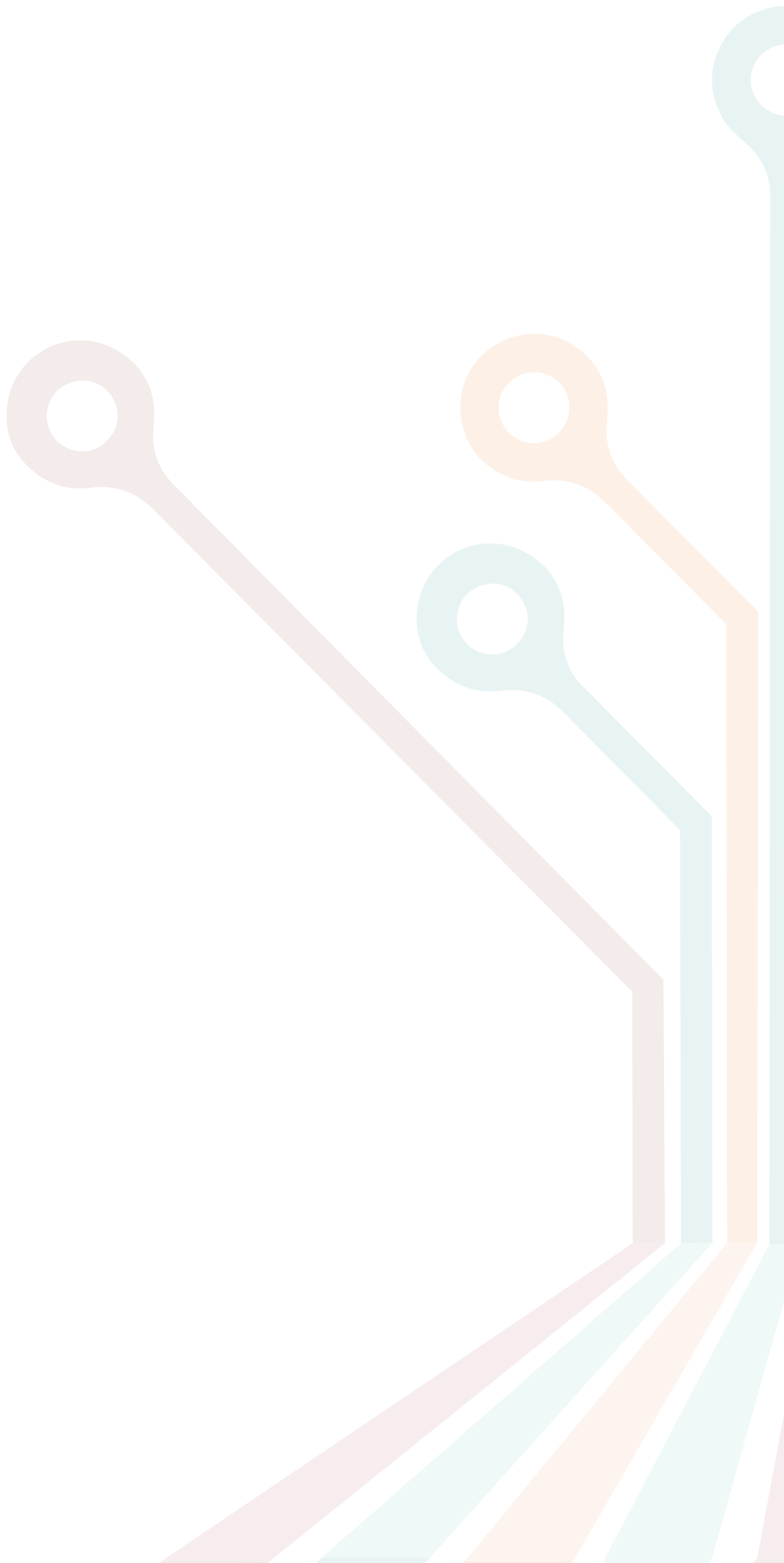
Trade receivable from clients of the real estate sector - a historic matrix of irrecoverable debt is used to determine expected losses for the whole life cycle of the claims, based on the following criteria:

- Historic of losses over the last three years
- Trade receivables above 1 year are fully adjusted;
- Trade payables are deducted of:
 - Debts in favour of clients;
 - Surety bonds
 - Debts of public entities;
 - Debts of clients with payment plans, where the financing component of the operation is assessed.

Trade receivable (clients) (remaining business segments - recognised based on the counterparty credit risk profile, its financial situation and historic seniority of the balances.

INCOME TAX

Deferred tax assets are recognised only when there is strong certainty that there will be profit and future taxable income available for the use of temporary differences, or when there are deferred tax liabilities, the reversal of which is expected in the same period in which deferred tax assets are reversed. The assessment of deferred tax assets is made by the Executive Board of Directors at the end of each reporting period, taking into account the expected future performance of IP Group. Deferred taxes are determined based on current tax legislation or legislation published for future application. Changes in tax legislation can influence the value of deferred taxes and these are analysed carefully by management.



3. GROUP

The companies included in the consolidation, their head offices, main activity and the proportion of capital held in them at 31 December 2020 and 31 December 2019 are as follows:

COMPANY	REGISTERED OFFICE	PERCENTAGE OF CAPITAL HELD		MAIN ACTIVITY
		2020-12-31	2019-12-31	
PARENT COMPANY				
Infraestruturas de Portugal, S.A.	Almada	-	-	Design, construction, financing, maintenance and operation, renovation, widening and modernisation of the national road and rail networks, including in the latter the command and control of traffics.
SUBSIDIARIES				
IP Telecom, Serviços de Telecomunicações, S.A.	Lisbon	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.	Lisbon	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 IP Group and the management and operation of stations and associated facilities, including their operational management.
IP Engenharia, S.A.	Lisbon	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 OPERATIONS				
AVEP - Alta Velocidade de	Madrid	50,00%	50,00%	Realização de estudos necessários às ligações Madrid-Lisboa - Porto e Porto - Vigo.
A.E.I.E. - Corredor Atlântico (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.
a) Entity jointly controlled by IP and ADIF, in the form of European Economic Interest Grouping (E.E.I.G.). b) Entity jointly controlled by IP, ADIF, SNCF - Réseau and DB NETZ (the latter since the 1st of January 2016), in the form of European Economic Interest Grouping (E.E.I.G.), established in 2013, with no share capital.				

4. SEGMENT REPORTING

See accounting policy 2.3.2.

The Group has the following business segments:

- High Performance;
- Road Infrastructure Management Activity;
- Railway Infrastructure Investment Activity;
- Railway Infrastructure Management Activity;
- Telecommunications;
- Commercial Real Estate Management; and
- Engineering and Transport Services.

The 'High Performance' segment corresponds to the entire activity related to Road High Performance and includes all currently managed Public-Private Partnerships (PPP), including concessions of the State and sub-concessions, and the other high-performance routes currently directly managed by the Group.

The 'Road Infrastructure Management Activity' segment includes management of the whole National Road Network not included in the previous segment. It comprises both the activities of building and upgrading the routes and engineering structures and the activities of management, maintenance and improvement of network safety.

The 'Railway Infrastructure Investment Activity' segment includes the set of investments associated with new infrastructure and/or expansion of the network; modernisation and rehabilitation, with the introduction of new technologies in the mode of operation; and infrastructure replacement, which comprises interventions that introduce improvements of a lasting nature or which can increase the value and/or useful life of the asset without changing operating conditions.

The contracting of the funding needed for the investments described above is made by the Group and is in the form of credit from financial and capital market institutions, shareholder loans and obtaining grants.

The 'Railway Infrastructure Management Activity' segment corresponds to the provision of a public

service, including functions such as maintenance and repair of infrastructures, capacity management, management of regulatory and safety control, command and control of traffic, and including other activities supplementary to the infrastructure management.

The 'Telecommunications' segment refers to the provision of Information Systems and Technologies and Communications services.

The 'Commercial Real Estate Management' segment covers the management and operation of its own and others' property and real estate developments, acquisition, expropriation, registry office updating and sale of real estate or the establishment of rights on these assets.

The 'Engineering and Transport Services' segment includes the provision of transport engineering services in road and/or rail multidisciplinary projects and the respective mobility solutions both nationally and internationally.

The revenues and expenses of the Telecommunications, Real estate management, and Engineering and transport services segments were calculated from the perspective of generating revenue from the Group's excess capacity, arising from the mandatory public service of management of the integrated infrastructure of the national rail network (provided for in the Programme Contract signed with the Portuguese State) and the national road network that promotes efficiency in the Group.

The information relating to the results from 1 January 2020 to 31 December 2020 and from 1 January 2019 to 31 December 2019, assets and liabilities for the periods ended 31 December 2020 and 31 December 2019 of the identified segments is as follows:

2020	TELECOMMUNICATI- ONS	PROPERTY AND COMMERCIAL REAL ESTATE MANAGEMENT	ENGINEERING AND TRANS- PORTATION SERVICES	INV. ACT. RAILWAY INFR.	MANAGEMENT ACT. RAILWAY INFR.	HIGH PERFORMANCE	MANAG. ACT. ROAD INFRAST.	TOTAL	
Sales and services	12 007	12 007	77	33 708	77 226	292 035	624 381	1 051 442	
Impairment	- 429	- 279	- 92	-	- 3 472	-	-	- 4 272	
Provisions	40	- 131	- 95	-	3 606	-	- 25 933	- 22 513	
Other income	17	1 235	-	-	68 583	8 926	70 814	149 574	
Other expenses	- 6 442	- 6 596	- 66	- 32 787	- 201 500	- 289 023	- 191 651	- 728 064	
EBITDA	5 193	6 237	- 175	921	- 55 557	11 938	477 611	446 167	
Amortisation and depreciation	- 1 364	- 101	-	- 921	- 3 832	- 231 410		- 237 628	
EBIT	3 829	6 136	- 175	0	- 59 389	258 138		208 538	
Financial expenses	- 9	- 8	-	- 60 571	- 24 586	- 220 235		- 305 409	
Financial income	-	-	-	60 571	-	2		60 573	
EBT	3 820	6 127	- 175	0	- 83 974	37 906		- 36 297	
Income tax for the period								- 20 896	- 20 896
Net Income								- 57 193	- 57 193

2019	TELECOMMUNICATI- ONS	PROPERTY AND COMMERCIAL REAL ESTATE MANAGEMENT	ENGINEERING AND TRANS- PORTATION SERVICES	INV. ACT. RAILWAY INFR.	MANAGEMENT ACT. RAILWAY INFR.	HIGH PERFORMANCE	MANAG. ACT. ROAD INFRAST.	TOTAL	
Sales and services	12 304	16 958	364	31 538	84 071	502 030	708 614	1 355 879	
Impairment	11	430	92	-	- 87	-	23	470	
Provisions	- 68	-	- 184	-	1 292	-	- 25 743	- 24 702	
Other income	3	2 366	-	-	63 400	8 947	71 216	145 933	
Other expenses	- 6 090	- 6 681	- 137	- 30 499	- 190 748	- 478 430	- 172 665	- 885 250	
EBITDA	6 160	13 073	137	1 038	- 42 073	32 547	581 445	592 328	
Amortisation and depreciation	- 1 313	- 100	-	- 1 038	- 3 067	- 279 329		- 284 848	
EBIT	4 848	12 973	137	0	- 45 140	334 663		307 480	
Financial expenses	- 12	- 6	-	- 65 524	- 27 393	- 209 800		- 302 734	
Financial income	-	-	-	65 524	12	-		65 535	
EBT	4 836	12 967	137	0	- 72 521	124 863		70 282	
Income tax for the period								- 51 817	- 51 817
Net Income								18 465	18 465

2020-12-31	TELECOMMUNICATI- ONS	PROPERTY AND COM- MERCIAL REAL ESTATE MANAGEMENT	ENGINEERING AND TRANSPORTATION SERVICES	INV. ACT. RAI- LWAY INFRAST.	MANAG. ACT. RAI- LWAY INFRAST.	HIGH PERFOR- MANCE	MANAG. ACT. ROAD INFRAST.	TOTAL
Assets								
Concession right	-	-	-	-	-	20 829 528		20 829 528
Grantor	-	-	-	3 914 516	-	-	-	3 914 516
Other assets	13 002	20 522	6 313	36 869	146 049	31 745	2 307 141	2 561 641
Total assets	13 002	20 522	6 313	3 951 384	146 049	23 168 414		27 305 685
Liabilities								
Borrowings	-	-	-	1 818 379	524 658	2 577 911	-	4 920 948
Grants	-	-	-	-	-	9 975 333		9 975 333
Other liabilities	3 736	4 090	1 331	1 570	73 615	2 522 520	1 274 175	3 881 036
Total Liabilities	3 736	4 090	1 331	1 819 949	598 273	16 349 938		18 777 317

2019-12-31	TELECOMMUNICATI- ONS	PROPERTY AND COM- MERCIAL REAL ESTATE MANAGEMENT	ENGINEERING AND TRANSPORTATION SERVICES	INV. ACT. RAI- LWAY INFRAST.	MANAG. ACT. RAI- LWAY INFRAST.	HIGH PERFOR- MANCE	MANAG. ACT. ROAD INFRAST.	TOTAL
Assets								
Concession right	-	-	-	-	-	20 583 724		20 583 724
Grantor	-	-	-	3 834 542	-	-	-	3 834 542
Other assets	15 214	30 472	7 429	38 468	167 959	28 190	2 159 527	2 447 258
Total assets	15 214	30 472	7 429	3 873 010	167 959	22 771 441		26 865 524
Liabilities								
Borrowings	-	-	-	1 894 582	669 688	2 583 077	-	5 147 347
Grants	-	-	-	-	-	10 031 880		10 031 880
Other liabilities	4 014	13 210	1 885	1 770	98 180	2 800 715	1 235 111	4 154 886
Total Liabilities	4 014	13 210	1 885	1 896 353	767 868	16 650 783		19 334 113

OPERATIONS WITH SEGMENTS (CONCILIATION)	2020-12-31	2019-12-31
Reportable segments revenue	1 056 568	1 360 783
Internal revenue	- 4 929	- 5 101
Other Adjustments	- 197	197
Consolidated revenue	1 051 442	1 355 879
Aggregate results	- 55 942	24 607
Internal expenses / Income	- 2 638	- 3 478
Other Adjustments	1 387	- 2 664
Consolidated Results	- 57 193	18 465
Segment assets	27 308 590	26 872 254
Internal balances	- 21 872	- 23 861
Other Adjustments	18 967	17 132
Consolidated Assets	27 305 685	26 865 524
Segment liabilities	18 787 683	19 346 917
Internal balances	- 11 067	- 13 056
Other Adjustments	700	252
Consolidated liabilities	18 777 317	19 334 113

5. GOODWILL

See accounting policy 2.3.1.

The goodwill is the result of the acquisition of the remaining capital of GIL in 2014, when the Group gained control of the said entity. The evolution is as follows:

	GOODWILL
31 December 2018	21 687
Increases	-
Impairment	-
31 December 2019	21 687
Increases	-
Impairment	-
31 December 2020	21 687

Goodwill is subject to impairment test at the end of each year.

Estimates used to measure recoverable amounts of cash-generating unit containing goodwill

CASH-GENERATING UNIT

It is the business of operating the commercial spaces of Gare Intermodal de Lisboa which is integrated into the reportable segment "Real Estate and Commercial Real Estate Management". The recoverable amount for this cash-generating unit was calculated based on its value-in-use, taking into account the provisions of IAS 36.


The following are the main assumptions considered relevant by the Executive Board of Directors to determine the value-in-use:

	2020-12-31	2019-12-31
Cash flow estimate		
Number of periods with projected cash flows (years)	5	5
EBIT average growth rate	1.05 %	1.00 %
Recoverable amount of the Cash-generating unit (€M)	27984	59801
WACC	3.12 %	3.10 %
<i>Unlevered Beta</i>	0.68	0.54
Risk free interest rate	0.06 %	0.45 %
ROE	6.85 %	7.37 %
Average cost of capital	4.69 %	4.42 %
Average cost of debt	1.90 %	2.29 %

- Project EBIT – EBIT for the first 3 periods of the projection results from the projection of expenses and income for this cash-generating unit included in the budget for 2021-2023, and the remaining 2 periods correspond to the average of the budgeted figures with the effective amount for this year. Additionally, any discrepancies are estimated comparing projected figures with effective expenses and income figures; EBIT to consider is then subject to correction vis-à-vis the average of historic deviations (-9% in 2020).
- Discount rate - the discount rate used reflects the current market assessments of the market risks specific to the cash-generating unit, taking into account the time value of money and the risks specific to the underlying assets.

The discount rate presented in accordance with WACC rate reflects the calculation of the average cost of capital for an average cost of debt of 50% net of its fiscal effect. The tax rate for the period was considered to be 22.5%.

In relation to the average cost of capital, it reflects the use of a risk free interest rate added of a risk premium translated in the return on equity desired by the shareholder, corrected of the risk



specific to the business by integrating the specific beta of the cash-generating unit publicly available.

As for the average cost of debt, since the business segment associated has no debt, a risk-free rate is assumed (10-year treasury bond rate) added of a risk component associated with any new debt being obtained.

On the basis of previous assumptions, no impairment on goodwill was deemed to exist.

As regards the model's sensitivity analysis, it is also verified that with the data contained in the model, goodwill would be impaired if the model's WACC rate was higher than the current one by more than 8.12% (2019: 8.15%).



6. INTANGIBLE ASSETS

See accounting policy 2.3.6.

In the years ended 31 December 2020 and 31 December 2019, the movement in the value of intangible assets, as well as in accumulated amortisation, was as follows:

	CONCESSION RIGHT	OTHER	TOTAL
Gross assets			
31 December 2018	22 912 579	32 850	22 945 429
Acquisitions	535 352	514	535 865
Transfers	-	190	190
2019-12-31	23 447 931	33 554	23 481 485
Acquisitions	477 320	586	477 907
31 December 2020	23 925 251	34 140	23 959 391
Amortization and Impairment			
31 December 2018	- 2 587 206	- 28 805	- 2 616 010
Amortisation for the year	- 278 551	- 457	- 279 008
31 December 2019	- 2 865 757	- 29 262	- 2 895 018
Amortisation for the year	- 229 967	- 376	- 230 343
31 December 2020	- 3 095 723	- 29 638	- 3 125 361
Net value			
31 December 2019	20 582 174	4 292	20 586 467
31 December 2020	20 829 528	4 502	20 834 030

The value of 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, as mentioned in note 2.3.6.

Assets are calculated according to the percentage of completion of each works, regardless of whether this construction is directly carried out by IP Group or under Public-Private Partnerships (PPP).

Of the € 478 million of investments in 2020, about € 435 million correspond to net payments of receipts from State concessions, € 42 million to IP Group's own work.

These figures include capitalised financial expenses in the amount of € 13 million in 2020.

The amortisations for the year are calculated under IFRIC 12 according to the equivalent units method,

on the value of total investment already made or to be made in the future within the scope of the Concession between Group IP and the State, based on the estimated economic and financial flows during the period of the Concession. These figures have the same basis as the multi-annual financial model of IP with the changes mentioned in note 2.4.

The estimated total investment of the concession was based on the following main assumptions:

- Expenses with construction present in Sub-concession contracts in force valued at cost of each base case;
- 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;
- Expenses with regular maintenance reflect the

revision of study made in 2019, based in the implementation of the business plan;

- The National Road Plan 2000 is implemented until 2052.

The total investment is amortised according 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:

- The Road Service Contribution (RSC) until 2022 is the best management estimate for those years. From 2023 onwards, 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 IP.

In the State Concessions of tolled motorways, after they revert to the State, the growth rate considered is that of the CPI, based on the last year of the respective base cases or in the more recent traffic surveys prepared by IP specialised consultants;

Overall, the remaining operating income (revenue from service areas, telematics and others) was estimated in 2020, as part of the revision of the economic and financial model for the concession period

On the basis of these assumptions, the amortisation recorded amounted to € 230 million.

The remaining intangible assets concern, mostly, contractual rights on computer software (licences).

7. TANGIBLE FIXED ASSETS

See accounting policy 2.3.7.

In the years ended 31 December 2020 and 31 December 2019, the movement in gross assets, as well as in accumulated depreciation and impairment losses was as follows:

	LAND AND NATURAL RESOURCES	BUILDINGS AND OTHER CONSTRUCTION	BASIC EQUIPMENT	TRANSPORT EQUIPMENT	ADMINISTRATIVE EQUIPMENT	RIGHT OF USE	OTHER TANGIBLE FIXED ASSETS	WORK IN PROGRESS	TOTAL
Gross assets									
31 December 2018	7 042	82 437	61 481	11 522	22 113	114	7 671	2 920	195 299
Change in Accounting Policy IFRS 16	-	-	-	-	-	659	-	-	659
01 January 2019	7042	82 437	61 481	11 522	22 113	773	7 671	2 920	195 958
Acquisitions	-	-	3 197	-	652	-	20	1 116	4 985
Transfers	-	-	60	578	-	-	-	- 828	-190
Disposals /Corrections	-	-12	-	-	- 63	-	-	-	- 74
2019-12-31	7042	82 425	64 738	12 099	22 700	773	7 691	3 208	200 675
Acquisitions	-	-	2 721	-	613	8 218	6	3 199	14 757
Transfers	-	-	1 048	-	-	-	-	- 1 048	0
31 December 2020	7042	82 425	68 507	12 099	23 313	8 997	7 697	5 359	215 439
31 de dezembro de 2019	7 042	82 425	64 738	12 099	22 700	7 691	3 208	773	200 676
Depreciation and Impairment									
31 December 2018	0	- 45 040	- 50 599	- 11 282	-20 899	0	- 7 220	0	- 135 040
Depreciation of the year	-	- 1 723	- 2 919	- 87	- 617	- 303	- 128	-	- 5 778
Depreciation - Write-downs/ Corrections	-	6	-	-	65	-	-	-	71
2019-12-31	0	- 46 757	- 53 517	- 11 369	- 21 451	-303	- 7 349	0	- 140 746
Depreciation of the year	-	- 1 624	- 2 776	- 160	- 778	- 1 770	- 119	-	- 7 226
31 December 2020	0	- 48 381	- 56 294	- 11 529	- 22 229	-2073	- 7 466	0	- 147 971
Net value									
31 December 2019	7 042	35 668	11 220	730	1 249	470	342	3 208	59 930
31 December 2020	7 042	34 044	12 213	571	1 084	6 924	230	5 359	67 468

The IP Group holds a number of surplus land resulting from land expropriation required for the construction of the National Road Network (NRN). 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.

8. INVESTMENT PROPERTIES

See accounting policy 2.3.8.

The movements in investment properties are as follows for the periods ending on 31 December 2020 and 31 December 2019.

	2020-12-31	2019-12-31
Acquisition cost		
1 January	5 474	5 726
Disposals	-	- 252
31 December	5 474	5 474
Amortization and Impairment		
1 January	- 2 275	- 2 295
Depreciation of the year	- 60	- 61
Disposals	-	82
31 December	- 2 335	- 2 275
Net value		
1 January	3 199	3 430
31 December	3 139	3 199

Investment properties consist of:

- 18 units held for lease in Sines, of which 10 have effective lease agreements (2019: 18 units/10 with effective lease agreement);
- 3 units in Viana do Castelo (2019: 3 units); and
- 3 units in Alfragide (2019: 3 units).

At 31 December 2020, the Executive Board of Directors assessed the possible existence of evidence that would trigger/reverse the existing impairments, as set out in the IAS 36 and in accordance with note 2.4 relating to impairment of non monetary assets.

According to the previous analysis, no evidence was found to justify the preparation of new valuations, due to:

- Existing lease agreements remained stable;
- The properties in the portfolio, besides being located in the same area (Sines), are of similar types to those sold in previous years; and

- The result of the sales of the five units in 2019 originated very similar results to the book value of real estate.

As a result, the fair value of investment properties in Sines amounts to € 3.532 thousand, which results from the study carried out by external evaluators, and supported internally by Management for the year ended on 31 December 2015.

In relation to the 3 properties located in Viana do Castelo, the potential existence of signs of a change in value was also verified, and it was concluded that there was no significant change in the value of the properties in question compared to the valuation carried out in 2017. The following specific aspects and characteristics relating to these properties were taken into account:

- The three properties and respective garages are not leased to any entity;
- There were no transactions relating to these properties;
- The Executive Board of Directors deems that the commercial units on these properties have specific characteristics that influence their market performance, such as their size (clearly larger than the majority of the stores on the market where demand is focused), the layout and architecture of the units (polygonal areas interrupted with many pillars), which hinders their use, in even their legal form as they cannot be separated. A potential buyer/leser cannot purchase the commercial space solely, he will be "obliged" to buy/rent at least 4 parking spaces;
- As regards the location and surrounding area of the properties, the situation did not change much in relation to the previous year; the weak activity recorded in 2019 remained low in 2020, particularly as from the 3rd quarter onwards, as a result of the Covid-19 pandemic situation;
- During 2020 no changes occurred regarding land management instruments likely to have impact on the value of the property, (such as the Municipal Master Plan (PDM), Detail Plan or Land Development Plan). It should be noted that the revision of the Municipal Master Plan of Viana do Castelo (PDMVC) is already well under way, inclusively the period of public

consultation has already ended, however, with no relevant changes introduced in relation to the former version, and therefore, no impact on the value of the property concerned.

- vi. Viana do Castelo is a city of little weight in the national commercial property market, which makes it extremely difficult to obtain reliable data or studies about the reality of this market segment in this city. Nevertheless, we reviewed the evolution of dwelling prices per square metre and concluded that the recorded increase in prices was irrelevant in 2020 (average quarterly change of +2.52% for the three quarters available), in line with 2019.
- vii. The banking indicator for the value by sq.m of housing covering the NUTSIII Alto Minho area (including the city of Viana do Castelo), made available by the National Statistics Institute (INE) (and used in the previous year), ceased to be revised in February 2020, preventing the drawing of conclusions based on this indicator. Therefore, and alternatively, we analysed the banking average value by sq.m and its change over the year in the municipality of Viana do Castelo in 2020, and we concluded that there were no significant changes, in absolute terms: the average monthly change was +0.61%, which is clearly irrelevant.

Considering the aforementioned aspects, the Executive Board of Directors takes the view that any variation in the value of the properties that may have occurred was not significant and does not justify the updating of the valuations considered in 2017 for these properties, which amounted to approximately € 1.210 thousand.

The value of the investment properties located in Alfragide amounts to about € 98,000 (2019: € 12,094 thousand).

Note that investment properties held by IP Group are not subject to any restriction concerning their transfer, and there is no contractual obligation of IP Group to build, develop or repair and maintain the said property.

Rents received from investment properties are recognised as other income (note 22) and amounted to € 134,000 (2019: € 134 thousand).

The following table presents a summary of the valuation technique used, as well as the identification of non-observable variables for assets, as well as the inter-relationships between these variables and the changes in fair value:

LOCATION	ASSESSMENT TECHNIQUES	NON OBSERVABLE DATA	INTER-RELATION BETWEEN THE SAID VARIABLES AND FAIR VALUE
Sines	These investment properties were assessed according to the income method where, the potential unit rent is estimated on the basis of the local market rent. The rents are considered perpetual. The determination of the yield is essentially based on the characteristics (qualitative and quantitative) of the property and on the level of risk of real estate investment in the relevant market, which is reflected in the risk/yield ratio associated with the assets in question.	Rents sq.m [€3 - €47,50] Yield [47.1% - 8.00%]	<ul style="list-style-type: none"> • occupancy rate of spaces, the greater these are the higher fair value is, and vice versa. • Changes in the price of the rental market, increases in value imply increases in fair value and vice-versa; • The risk premium associated with the yield, the higher it is, the lower is the fair value and vice-versa.
Viana do Castelo		Rents sq.m [€40,00]/Car parking Rents/sq.m [€ 1,20] Yield [8.00%]	

The calculations relating to fair value are classified within Level 3 of the fair value hierarchy.

9. DEFERRED TAX ASSETS AND LIABILITIES

See accounting policy 2.3.9.

The amounts of deferred tax assets and liabilities recognised in the Consolidated Financial Position as at 31 December 2020 and 2019 are stated by their gross value.

The Executive Board of Directors is convinced that the tax results generated in the future will enable the reversal of all deferred tax assets recorded.

The impact on the profit/loss of movements in deferred tax items in the financial years was as follows:

	NOTES	2020	2019
Current income tax		- 28 392	- 60 918
Deferred income tax	9	7 496	9 101
		- 20 896	- 51 817

Changes occurred in deferred tax assets and liabilities during the years are as follows:

DEFERRED TAX ASSETS	FINANCING EXPENSES	VAT PROVISION	REGULAR MAINTENANCE	AMORTISATION OF CONCESSION RIGHT	OTHER ADJUSTMENTS	TOTAL
31-12-2018	17 618	70 442	94 086	76 507	4 234	262 887
Set-up / (Reversal)	-	7 021	5 639	14 315	- 199	26 775
Revision of estimate	- 17 618	-	-	-	-	- 17 618
31 December 2019	0	77 463	99 724	90 822	4 035	272 044
Set-up / (Reversal)	-	7 772	1 440	- 1 930	142	7 424
31 December 2020	0	85 235	101 164	88 892	4 178	279 468

DEFERRED TAX LIABILITIES	OTHER	LEASES	TOTAL
31-12-2018	24	-	24
Set-up / (Reversal)	- 1	57	55
2019-12-31	22	57	79
Set-up / (Reversal)	- 15	- 57	- 71
31 December 2020	8	0	8

At 31 December 2020 there are other temporary differences for which reversals are not expected in future years and which therefore do not result in deferred tax assets. We highlight existing impairments in other accounts receivable and inventories.

The reconciliation of the income tax rate is shown on note 25.

10. INVENTORIES

See accounting policy 2.3.11.

At 31 December 2020 and 31 December 2019 the Group has registered the following balances under deferrals:

	NOTES	2020-12-31	2019-12-31
Raw materials and consumables	10.1	71 441	79 964
Finished products (properties)	10.2	7 122	7 138
Other material	10.3	268	247
		78 831	87 349
Cumulative impairment	21	- 4 450	- 3 728
		74 382	83 621

10.1. Raw materials and consumables

The raw materials and consumables item refers to the various types of materials that are incorporated into the maintenance and construction of railway infrastructure.

On the date of reporting of accounts, a physical inventory was taken with the aim of quantifying the adjustment of inventory losses. Therefore, impairment concerns materials that are obsolete and technically depreciated and cannot be used for Group IP's activities, and which might be sold should an interested buyer emerge;

Expenses with railway material totalled €23,796 thousand (€8,773 thousand in 2019). €17,786 thousand), (note18).

At the end of the year, following analysis, the impairment of inventory was adjusted by € 720 thousand (note 21).

10.2. Finished products

The finished product item refers to land and the units for housing and trade in Sines.

Inventories were the subject of impairment tests carried out according to the income method, which is to plan the future cash flows associated with the various projects and update them at a rate that reflects their risk.

In the projection of future cash flows, future returns are estimated using the market-based comparative method, which consists of determining the current value of the properties comparing them with similar ones, whose market price and relevant characteristics are known.

As regards the cost projections, these are designed in accordance with the constructive reality of the real estate properties and the area in question.

As regards the discounted cash flow discount rate, it is the result of the use of a risk-free return rate, based on government bonds with a maturity similar to the time horizon of projects, associated with a risk premium.

The summary of the variables considered previously is shown below:

	2020-12-31	2019-12-31
Discount rate (annual)	11 %	11 %
Cash flow margin - [Cash Flow / (Future income)]	23 %	22 %

There was an increase in impairments of € 2,000.

The impact on impairment is mainly due to the fact that the revision of the income and expenses associated with the projects was estimated in relation to the same period last year, resulting in an increase in projected income exceeding the rise in projected expenses, +4%-13%, respectively, which justified a slight increase in the margin associated thereto, as can be seen above.

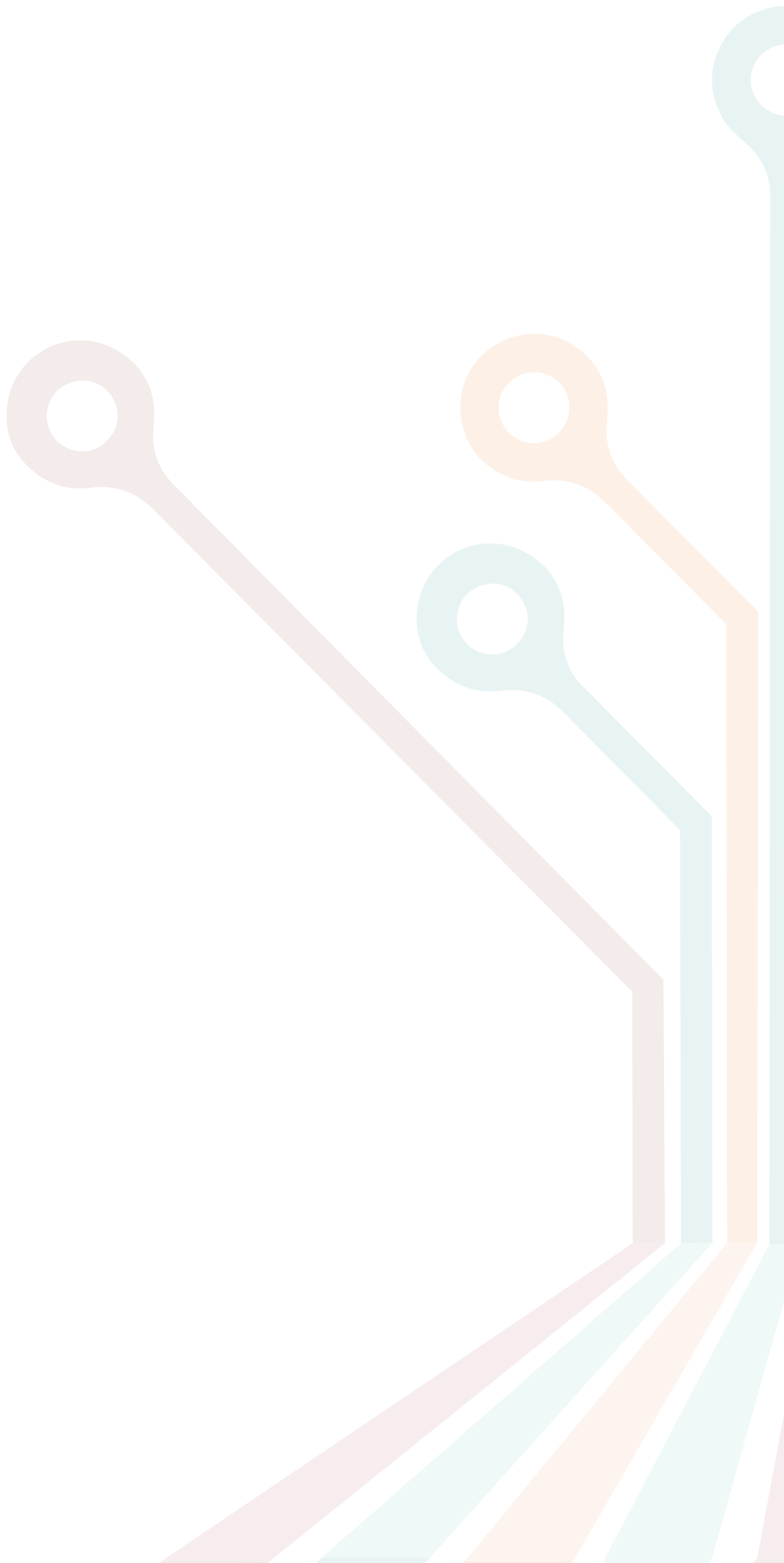
If the discount rate were to change 1% in this context, there would be a variation in the value of the properties opposite to the change in the rate, by € 700 thousand and -€765 thousand.

10.3. Other materials

The so called "other materials" are intended for the use/integration deriving from the rendering of telecommunications services.

These materials are subject to impairment when deemed obsolete. No change occurred in other materials during the year under review.

Expenses with the use of telecommunications materials amounted to € 283 thousand (2019: €252 thousand), (note 18).



11. GOVERNMENT AND OTHER PUBLIC BODIES (ASSETS AND LIABILITIES)

At 31 December 2020 and 31 December 2019 this item is detailed as follows:

	31-12-2019	31-12-2018
DEBIT BALANCES		
CIT	26 041	2 445
Current tax assets	26 041	2 445
VAT	1621794	1452509
Other taxes and levies	256	319
Government and other public bodies	1 622 049	1 452 828
CREDIT BALANCE		
Contributions to SS, CGA and ADSE health systems	6 184	6 408
Personal Income Tax – Withholdings	1 726	1 674
VAT	175	9 884
Other taxes and levies	13	14
Government and other public bodies	8 098	17 980

The payable/receivable balance of corporate income tax is made up as follows:

	2020-12-31	2019-12-31
CIT		
Withholdings	36	36
Advance tax payment	52313	61060
Tax estimate	-26351	-58538
RETGS Benefit	43	-111
Current tax assets	26041	2445

The balance of Personal Income - Withholdings correspond to December 2020 wages processed in the year but settled in January 2021.

Payments to SS, CGA and ADSE (social security systems), include liabilities with holiday pay and holiday bonuses to be settled in 2021 relating to Social Security, as well as the amounts processed in December 2020 and settled in 2021, relating to Social Security, Caixa Geral de Aposentações and ADSE.

The balance of VAT receivable comprises the amount of € 1,621.085 thousand to be received by IP, where an amount of € 227,562 was already claimed in 2009, relating to the period of January 2008 to

October 2009. This balance is essentially the result of the VAT deducted by former EP and IP in its road activity. The company considers it is entitled to this deduction since the State collected VAT on a revenue of IP - the Road Service Contribution -, which in accordance with the legally established mechanisms for its settlement and collection, was paid to the company by the fuel distributors.

IP has two ongoing legal proceedings. The first is relative to the application for repayment of VAT up to June 2009 and the second relative to the request for the refund of VAT from July to September and deduction of October 2009.

The first case, concerning the request for reimbursement of VAT up to June 2009, was refused by the Tax and Customs Authority which issued notifications of additional VAT payments and interest in the amount of € 277.124 thousand and € 11.697 thousand, respectively

The company did not agree with these demands for payment considering them unfounded; as a result, on 30 November 2010 it filed a claim with the Almada Administrative and Tax Court against the rejection of the hierarchical appeal. The claim made by former-EP was considered inadmissible by the court of first instance, in January 2013. Former-EP did not agree with the decision, and filed an 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 € 64.506 thousand and € 763,000 respectively. On 29 July 2011, Former-EP filed a claim with the Almada Administrative and Tax Court against the ruling out of the hierarchical appeal. This claim was deemed inadmissible in the court of first instance, in January 2013. Former-EP did not agree with the decision, and filed an 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 EP's claim to be fully valid, thereby cancelling all additional demands for VAT issued by the Tax Authority. About this Decision:

- The Treasury claimed against it, invoking various errors. These were considered totally inadmissible on 26 January 2018.
- The Tax Authority on 1 March 2018 filed an appeal with the Supreme Administrative Court, which was accepted for consideration purposes. This appeal is deemed of exceptional nature, i.e. it considers that the court's decision can be reviewed whenever the issue is deemed of crucial fundamental importance on account of its legal or social importance, or when a better application of the law requires so. 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. The Group awaits the decision.

In the course of the usual annual tax inspection process, the Tax and Customs Authority has been making corrections on the same basis as those described for the above proceedings. IP has followed the complaints process, maintaining its position also in the terms described above. The situation of the proceedings for each year inspected are as follows:

YEAR	PROCEEDINGS PHASE	PHASE DATE	ADDITIONAL TAX SETTLEMENTS	INTEREST
2011	Judicial challenge of the rejection of the hierarchical appeal	2018-05-22	195 514	29 412
2012	Judicial challenge of the rejection of the hierarchical appeal	2018-05-22	188 756	2 867
2013	Judicial challenge of the rejection of the hierarchical appeal	2020-02-28	171 213	13 300
2014	Judicial challenge of the rejection of the hierarchical appeal	2020-10-30	248 308	12 475
2015 (January to May)a)	Judicial challenge of the rejection of the hierarchical appeal	2020-11-11	121 043	4 164
2015 (June to December) b)	Hierarchical Appeal	2020-07-31	139 415	9 484
2016	Administrative Complaint ("Reclamação Graciosa")	2021-03-17	286,873	10 349

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

As a result of the evolution of the VAT case as described above, in 2020 IP Group increased the provision by € 30,682 thousand, taking its cumulative value at 31 December 2020 to € 422,377 thousand, which corresponds to the VAT which 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 14).

Additionally, the figures corrected by 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 in 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.

12. DEFERRALS

12.1. Deferred assets

At 31 December 2020 and 31 December 2019 the Group has registered the following balances under deferrals:

	2020-12-31	2019-12-31
Non current expenses to recognise		
Other services	545	164
	545	164
Current expenses to recognise		
Other services	2 053	2 116
	2 053	2 116

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

12.2. Deferred liabilities

At 31 December 2020 and 31 December 2019 the Group has registered the following balances under deferrals:

	NOTES	2020-12-31	2019-12-31
Non current income to recognise			
Investment Subsidies - Road Concession Right	12.2.1	9 975 333	10 031 880
Term Sale - Brisa Concession		152 300	152 300
Douro Litoral Concession Fee		99 937	107 624
Greater Lisbon Concession Fee		17 500	18 666
Optical Fibre contracts		541	608
		10 245 610	10 311 078
Current income to recognise			
Douro Litoral Concession Fee		7 687	7 687
Optical Fibre contracts		1 237	1 289
Greater Lisbon Concession Fee		1 167	1 167
Technical road channel		166	209
Other income		32	243
		10 289	10 594

The income to be recognised essentially resulted from investment grants of € 9,975 million (see note 12.2.1) and prepayments from concessions amounting to € 279 million to be recognised in profit or loss over the period of the respective concession.

12.2.1. Investment grants - Road Concession Right

This item incorporates the investment grants received by IP to finance the intangible assets relative to the Concession Right and not yet recognised through profit or loss. Changes occurred during the period ending on 31 December 2020 and 31 December 2019 are as follows:

	NOTES	INVESTMENT GRANTS
31 December 2018		10 094 906
Increases		152
Imputation to income	22	- 63 179
31 December 2019		10 031 880
Increases		2 000
Imputation to income	22	- 58 548
31 December 2020		9 975 333

13. FINANCIAL ASSETS AND LIABILITIES

See accounting policy 2.3.10.

13.1. Categories according to IFRS 9

The breakdown of financial assets and liabilities by category according to IFRS 9 for the years ended at 31 December 2020 and 31 December 2019 is as follows:

2020-12-31	NOTES	AMORTISED COST	FAIR VALUE THROUGH PROFIT OR LOSS.	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
Assets						
Financial investments		-	8	32	-	40
Grantor - State - Account Receivable	13.2.1	3 914 516	-	-	-	3 914 516
Clients	13.2.2	61 425	-	-	-	61 425
Other accounts receivable	13.2.3	100 604	-	-	41 738	142 342
Cash and cash equivalents	13.2.4	256 497	-	-	-	256 497
		4 333 042	8	32	41 738	4 374 819
Liabilities						
Suppliers	13.3.3	11 188	-	-	-	11 188
Borrowings	13.3.1	2 577 593	-	-	-	2 577 593
Shareholder funding/ loans	13.3.2	2 343 354	-	-	-	2 343 354
Other accounts payable	13.3.4	2 591 712	-	-	48 812	2 640 524
		7 512 660	0	0	48 812	7 561 471

2019-12-31	NOTES	AMORTISED COST	FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	NON FINANCIAL ASSETS AND LIABILITIES	TOTAL
Assets					
Financial investments		-	32	-	32
Grantor .- State - Account Receivable	13.2.1	3 834 542	-	-	3 834 542
Clients	13.2.2	75 935	-	-	75 935
Other accounts receivable	13.2.3	141 417	-	42 003	183 420
Cash and cash equivalents	13.2.4	287 092	-	-	287 092
		4 338 986	32	42 003	4 381 021
Liabilities					
Suppliers	13.3.3	43 308	-	-	43 308
Borrowings	13.3.1	2 660 786	-	-	2 660 786
Shareholder funding/ loans	13.3.2	2 486 561	-	-	2 486 561
Other accounts payable	13.3.4	2 853 489	-	46 227	2 899 716
		8 044 144	0	46 227	8 090 372

Non-financial assets relate mainly to surety bonds in the amount of approximately €31 million (2019: idem) and advances from suppliers in the amount of € 6.6 million (2019: €6.2 million).

Non-financial liabilities include debts from employment benefits of approximately €14.9 million (2019: €16.3 million) and advances on sales of approximately € 22 million (2019: approximately €21 million).

13.2. Financial assets

13.2.1. Grantor .- State - Account Receivable

The breakdown of the financial asset underlying the rail concession at 31 December 2020 and 31 December 2019 is as follows:

	2020-12-31	2019-12-31
Concessed assets (LDI)	9 708 527	9 502 179
Interest charged	1 762 528	1 701 957
Grants	- 4 629 637	- 4 590 467
Receipts	- 2 613 005	- 2 465 714
Impairment	- 305 200	- 305 200
Return on assets	- 8 696	- 8 213
	3 914 516	3 834 542

Assets under concession, known as Long-Duration Infrastructure (LDI) form part of the Public Railway Domain, with IP having access to that infrastructure to provide the public service of Infrastructure Management. Accordingly, they are recorded under the statement of contingent financial position Grantor - State - Account Receivable item, as they constitute an unconditional right to receive money from the State for the investments made.

In addition to the acquisitions and construction made subsequent to the merger of CP – Comboios de Portugal, E.P.E., as provided for in Decree-Law 104/97, of 29 April, these assets include the property belonging to extinct entities (Gabinete do Nó Ferroviário de Lisboa, Gabinete do Nó Ferroviário do Porto and Gabinete de Gestão das Obras de Instalação do Caminho-de-Ferro na Ponte sobre o Tejo) and property transferred from the said company, deemed as assets of the public railway domain.

The increase resulting from grants directly allocated to IP for the development of the railway infrastructure comprises a net increase of € 39,170 thousand from European Structural and Investment Funds (€ 1,132 thousand from ERDF and € 25,254 thousand from the Cohesion Fund, € 11,227 thousand from CEF-GERAL and € 1,557 thousand from CEF-Cohesion Fund), which corresponds to advances and repayment of applications approved in the 2014-2020 planning period (COMPETE 2020 and CEF programmes).

The Return on assets item is the result of the obligation, expressed in the joint Orders of the Ministries of Finance and Economy, to authorise the public railway domain separation and results of the sales to be deducted from the amounts receivable from the grantor.

In the current year, the amount of interest charged to the grantor totalled € 60,571 thousand (2019: € 65,524 thousand) and the respective financial consideration is offset under the Financial Gains – interest earned – Grantor – State item (note 24).

When REFER was set up, the paid-in capital was carried out in kind with the delivery of the railway infrastructure then valued at € 62,350 thousand. From 1998 to 2001, the Portuguese State increased the statutory capital of REFER in the total of € 242.850 thousand. These increases were intended, as set out in each joint approval package, to finance investments in long-duration infrastructure forming the public railway domain.

On the date of incorporation, the public domain assets were registered as fixed assets (tangible fixed assets in the then accounting standards – POC) of REFER, and so the consideration for the capital injection was the recognition of those same assets. With the adoption of IFRIC 12, these figures take the form of repayment in due time for investments in the long-duration infrastructure by the concessionaire, totalling € 305.200 thousand (initial contribution in kind, plus the capital increases that occurred between 1998 and 2001).

Consequently, this value will no longer be reimbursed by the State/Grantor, and the amount of € 305,200 thousand is impaired.

Note moreover the inflow of € 147 million (2019: € 150 million) resulting from offsetting the amount receivable by Group IP recorded under the Grantor - State - Account Receivable item and the value of the debt servicing for State loans granted by the DGTF to finance the railway activity, pursuant to provisions in article 135 of State Budget Law 2020, as described in note 11.4.4.

13.2.2. Clients

The breakdown of this caption at 31 December 2020 and 31 December 2019 is as follows:

	NOTES	2020-12-31	2019-12-31
Non current			
Sundry		9 214	472
		9 214	472
Current			
Sundry		23 749	39 168
Tolls		20 882	16 792
Other related parties	26.3	10 668	22 428
		55 299	78 389
Cumulative impairment		- 3 088	- 2 925
		52 211	75 464
		61 425	75 935

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

Exposure of these balances to credit risk is shown in note 13.4.1.

13.2.3. Other accounts receivable

At 31 December 2020 and 31 December 2019 this item is broken down as follows:

	NOTES	2020-12-31	2019-12-31
Accounts receivable for accrued income		86 332	121 009
Road Service Contribution	26.2	74 733	113 026
Other		8 408	6 634
Railway Operators	26.3	3 191	1 349
Surety deposits		31 289	31 007
Other accounts receivable		33 946	38 024
Sundry		33 946	38 024
Cumulative impairment		- 9 226	- 6 620
		142 342	183 420

The Accrued Income - Contribution Road Service item corresponds to the recognition of the revenue charged by the TA and not yet delivered to IP Group.

Item Deposits of surety bond concerns mainly the provision of guarantee in the amount of € 28,126 thousand relating to VAT proceedings.

Caption "Other debtors – Sundry" comprise, amongst others, protocols with several municipal councils (namely, Cascais, Lisboa, Águeda and Espinho) relating to the recovering of infrastructures, in the amount of € 9,269 thousand, and € 2,679 thousand relating to a deposit with the Tax and Customs Authority pursuant to a litigation with this entity, following a tax inspection in 2006 relating to VAT, which IP Group considers to lack grounds as it fully complied with the relevant rules; as of the date of approval of the accounts the final outcome of this litigation was not yet known

Exposure of these balances to credit risk is shown in note 11.4.1.

13.2.4. Cash and cash equivalents

The cash and cash equivalents shown in the Consolidated Cash Flow Statement for the financial years ending on 31 December 2020 and 31 December 2019 are reconciled with the amounts shown in the Consolidated Statement of Financial Position, as follows:

DESCRIPTION	NOTES	2020-12-31	2019-12-31
Other investments		249 760	220 000
Bank deposits		6 679	66 964
Cash		58	128
Cash and cash equivalent in the Consolidated Statement of Financial Position		256 497	287 092
Accounting overdrafts	13.3.1	- 6 179	- 13
Cash and cash equivalent in the Consolidated Cash Flow Statement		250 318	287 079

Accounting overdrafts in the Consolidated Statement of Financial Position are shown in liabilities under the borrowings item.

At 31 December 2020 there was no restriction on the movement of these amounts.

Exposure of these balances to credit risk is shown in note 13.4.1.

13.3. Financial liabilities

13.3.1. Borrowings

The breakdown of current and non current borrowings as of 31 December 2020 and 31 December 2019 is as follows:

DESCRIPTION	2020-12-31	2019-12-31
Non current loans		
Borrowings	1 924 303	2 561 036
Current loans		
Borrowings	653 291	99 750
	2 577 593	2 660 786

The terms and timing of repayment are as follows:

ACTIVITY	NAME	DATE OF SIGNATURE	CONTRACTED AMOUNT	PRINCIPAL DUE	REPAYMENT			INTEREST RATE SCHEME	INTE-REST RATE	PERIODI-CITY
					OPENING DATE	CLOSING DATE	PERIODICITY			
Railway	CP III Linha do Norte-B	14/07/1997	49 880	6 651	15/06/2008	15/06/2022	Annual	EIB variable, cannot exceed Euribor 3M+0.15%	0.000%	15/mar 15/jun 15/sep 15/dec
Railway	Connection to Algarve-A	08/10/2001	90 000	36 000	15/09/2012	15/09/2021	Annual	EIB variable, cannot exceed Euribor 3M+0.12%	0.000%	15/mar 15/jun 15/sep 15/dec
Railway	Minho Line-B	08/10/2001	59 856	23 942	15/09/2012	15/09/2021	Annual	EIB variable, cannot exceed Euribor 3M+0.12%	0.000%	15/mar 15/jun 15/sep 15/dec
Railway	CP III/2 L. Norte-A	02/10/2002	100 000	60 000	15/03/2013	15/03/2022	Annual	EIB variable, cannot exceed Euribor 3M+0.12%	0.000%	15/mar 15/jun 15/sep 15/dec
Railway	CP III/2 L. Norte-B	02/06/2004	200 000	130 000	15/12/2014	15/12/2023	Annual	EIB variable, cannot exceed Euribor 3M+0.15%	0.000%	15/mar 15/jun 15/sep 15/dec
Railway	Suburban	28/10/2004	100 000	42 857	15/06/2009	15/06/2024	Annual	EIB variable, cannot exceed Euribor 3M+0.15%	0.000%	15/mar 15/jun 15/sep 15/dec
Railway	Suburban B	14/12/2005	100 000	47 619	15/09/2010	15/09/2025	Annual	Revisable rate	3.615%	15/sep
Railway	Suburban C	12/10/2006	55 000	28 810	15/03/2011	15/03/2026	Annual	Revisable rate	4.247%	15/mar
Railway	Connection to Algarve-B	02/10/2002	30 000	14 000	15/03/2013	15/03/2022	Annual	EIB variable, cannot exceed Euribor 3M+0.12%	0.000%	15/mar 15/jun 15/sep 15/dec
Railway	CP III 2 Linha do Norte-C	11/12/2006	100 000	80 000	15/06/2017	15/06/2026	Annual	Revisable rate	1.887%	15/jun
Railway	CP III Linha do Norte-D	12/07/2007	100 000	80 000	15/12/2017	15/12/2026	Annual	Euribor 3M+0.108%	0.000%	15/mar 15/jun 15/sep 15/dec
Road	EIB- Estradas 2009-2019	17/12/2009	200 659	113 707	15/06/2014	15/06/2029	Half-year	Fixed Rate	2.189%	15/jun 15/dec
Railway	Refer V	04/08/2008	160 000	104 000	15/03/2014	15/03/2033	Annual	Revisable rate	2.653%	15/mar
Railway	Refer VI	10/09/2009	110 000	66 000	15/09/2013	15/09/2032	Annual	Revisable rate	2.271%	15/sep
Railway	Eurobond 06/26	10/11/2006	600 000	599 435	16/11/2026		Bullet	Fixed Rate	4.047%	16/nov
Railway	Eurobond 09/24	16/10/2009	500 000	499 065	16/10/2024		Bullet	Fixed Rate	4.675%	16/oct
Railway	Eurobond 06/21	11/12/2006	500 000	499 592	13/12/2021		Bullet	Fixed Rate	4.25%	13/Dec
Road	Eurobond 10/30	09/07/2010	125 000	121 505	13/07/2030		Bullet	Fixed Rate	6.450%	13/jul
	External Loans			2 553 183						
	Accrued interest			18 232						
	Accounting over-drafts			6 179						
	TOTAL			2 577 593						

Interest on these loans is paid in arrears on a quarterly, half year or annual basis.

In what concerns the EIB loan, the principal will be repaid on a regular basis following the grace period. Remaining loans (Eurobonds) will be fully repaid at maturity (bullet).

At 31 December 2020 loans secured by State guarantee totalled €1,934 thousand (2019: €m 2,023).

13.3.2. Shareholder funding/ Shareholder loans

As at 31 December 2020 and 31 December 2019 the breakdown of Shareholder Loans was as follows:

DESCRIPTION	2020-12-31	2019-12-31
Non current loans		
State Loan	-	10 667
Current loans		
State Loan	2 343 354	2 475 895
	2 343 354	2 486 561

The purpose of these shareholder loans is to meet the companies' borrowing requirements (REFER and EP) since 2011.

In 2020 the shareholder did not grant new loans to IP, having provided for its requirements through capital increases (Note 15).

The reduction in the value of State loans/Shareholder loans was due to the amortisation of State loans allocated to the railway activity in the amount of € 144.8 million following the offsetting transaction concluded with the Portuguese State (Note 13.2.1).

These loans pay interest at various fixed annual nominal rates, as agreed with the DGTf according to the amount and dates of the disbursements. The breakdown is as follows:

ACTIVITY	NAME	DATE OF SIGNATURE	CONTRACTED AMOUNT	PRINCIPAL DUE	REPAYMENT			INTEREST RATE SCHEME	INTEREST RATE	PERIODICITY
					OPENING DATE	CLOSING DATE	PERIODICITY			
Railway	State Loan	27/05/2014	15 000	2 500	31/05/2016	30/11/2021	Half-year	Fixed Rate	2.430%	31/may 30/nov
Railway	State Loan	27/05/2014	15 000	2 500	31/05/2016	30/11/2021	Half-year	Fixed Rate	2.330%	31/may 30/nov
Railway	State Loan	27/05/2014	20 000	3 333	31/05/2016	30/11/2021	Half-year	Fixed Rate	2.220%	31/may 30/nov
Railway	State Loan	27/05/2014	14 000	2 333	31/05/2016	30/11/2021	Half-year	Fixed Rate	2.010%	31/may 30/nov
Road	State Loan	30/12/2011	1 705 000	852 500	31/05/2013	30/11/2016	Half-year	Fixed Rate	2.770%	31/may 30/nov
Road	State Loan	27/01/2012	204 000	153 000	31/05/2014	30/11/2017	Half-year	Fixed Rate	3.690%	31/may 30/nov
Road	State Loan	27/01/2012	230 000	172 500	31/05/2014	30/11/2017	Half-year	Fixed Rate	3.440%	31/may 30/nov
Road	State Loan	27/01/2012	75 000	56 250	31/05/2014	30/11/2017	Half-year	Fixed Rate	2.930%	31/may 30/nov
Road	State Loan	27/01/2012	28 000	21 000	31/05/2014	30/11/2017	Half-year	Fixed Rate	2.690%	31/may 30/nov
Road	State Loan	30/05/2012	44 000	33 000	31/05/2014	30/11/2017	Half-year	Fixed Rate	2.690%	31/may 30/nov
Road	State Loan	30/05/2012	80 000	60 000	31/05/2014	30/11/2017	Half-year	Fixed Rate	2.700%	31/may 30/nov
Road	State Loan	30/05/2012	33 500	25 125	31/05/2014	30/11/2017	Half-year	Fixed Rate	1.980%	31/may 30/nov
Road	State Loan	26/09/2012	156 800	117 600	31/05/2014	30/11/2017	Half-year	Fixed Rate	1.810%	31/may 30/nov
Road	State Loan	29/10/2012	16 000	12 000	31/05/2014	30/11/2017	Half-year	Fixed Rate	1.710%	31/may 30/nov
Road	State Loan	29/10/2012	13 300	9 975	31/05/2014	30/11/2017	Half-year	Fixed Rate	1.590%	31/may 30/nov
Road	State Loan	29/01/2013	85 000	85 000	31/05/2015	30/11/2020	Half-year	Fixed Rate	2.750%	31/may 30/nov
Road	State Loan	29/01/2013	135 600	135 600	31/05/2015	30/11/2020	Half-year	Fixed Rate	2.420%	31/may 30/nov
Road	State Loan	29/01/2013	17 400	17 400	31/05/2015	30/11/2020	Half-year	Fixed Rate	2.150%	31/may 30/nov
Road	State Loan	08/03/2013	25 654	25 654	31/05/2015	30/11/2020	Half-year	Fixed Rate	2.150%	31/may 30/nov

ACTIVITY	NAME	DATE OF SIGNATURE	CONTRACTED AMOUNT	PRINCIPAL DUE	REPAYMENT			INTEREST RATE SCHEME	INTEREST RATE	PERIODICITY
					OPENING DATE	CLOSING DATE	PERIODICITY			
Road	State Loan	08/03/2013	266 405	266 405	31/05/2015	30/11/2020	Half-year	Fixed Rate	2.180%	31/may 30/nov
Road	State Loan	08/03/2013	28 042	28 042	31/05/2015	30/11/2020	Half-year	Fixed Rate	2.610%	31/may 30/nov
Road	State Loan	04/09/2013	26 202	26 202	31/05/2015	30/11/2020	Half-year	Fixed Rate	2.190%	31/may 30/nov
Road	State Loan	04/09/2013	25 000	25 000	31/05/2015	30/11/2020	Half-year	Fixed Rate	2.180%	31/may 30/nov
Road	State Loan	04/09/2013	17 943	17 943	31/05/2015	30/11/2020	Half-year	Fixed Rate	2.070%	31/may 30/nov
Road	State Loan	09/10/2013	3 688	3 688	31/05/2015	30/11/2020	Half-year	Fixed Rate	2.100%	31/may 30/nov
Road	State Loan	09/10/2013	21 805	21 805	31/05/2015	30/11/2020	Half-year	Fixed Rate	1.870%	31/may 30/nov
Road	State Loan	09/10/2013	49 891	49 891	31/05/2015	30/11/2020	Half-year	Fixed Rate	1.970%	31/may 30/nov
	Total shareholder financing			2 226 245						
	Accrued interest			117 110						
	TOTAL			2 343 354						

FLAT-RATE FINANCING

As of 31 December 2020 the fair value of the fixed rate debt was as follows:

NAME	NOMINAL VALUE	PRINCIPAL DUE	FAIR VALUE	INTEREST RATE
EIB - Suburbans B	100 000	47 619	55 470	3.615 %
EIB - Suburbans C	55 000	28 810	34 102	4.247 %
EIB - REFER V	160 000	104 000	123 582	2.653 %
EIB - REFER VI	110 000	66 000	76 970	2.271 %
EIB - CP112 Northern Line C	100 000	80 000	90 039	1.887 %
EIB- Estradas 2009-2019	200 659	113 707	127 366	2.189 %
Eurobond 06/26	600 000	600 000	706 307	4.047 %
Eurobond 09/24	500 000	500 000	594 381	4.675 %
Eurobond 06/21	500 000	500 000	520 740	4.250 %
Eurobond 10/30	125 000	125 000	147 333	6.450 %
State Loan	15 000	2 500	2 553	2.430 %
State Loan	15 000	2 500	2 552	2.330 %
State Loan	20 000	3 333	3 400	2.220 %
State Loan	14 000	2 333	2 376	2.010 %
State Loan	1 705 000	852 500	888 280	2.770 %
State Loan	204 000	153 000	164 132	3.690 %
State Loan	230 000	172 500	184 280	3.440 %
State Loan	75 000	56 250	59 578	2.930 %
State Loan	28 000	21 000	22 153	2.690 %
State Loan	44 000	33 000	34 811	2.690 %
State Loan	80 000	60 000	63 304	2.700 %
State Loan	33 500	25 125	26 185	1.980 %
State Loan	156 800	117 600	122 204	1.810 %
State Loan	16 000	12 000	12 448	1.710 %
State Loan	13 300	9 975	10 326	1.590 %
State Loan	85 000	85 000	93 337	2.750 %
State Loan	135 600	135 600	147 415	2.420 %
State Loan	17 400	17 400	18 760	2.150 %
State Loan	25 654	25 654	27 659	2.150 %

NAME	NOMINAL VALUE	PRINCIPAL DUE	FAIR VALUE	INTEREST RATE
State Loan	266 405	266 405	287 494	2.180 %
State Loan	28 042	28 042	30 662	2.610 %
State Loan	26 202	26 202	28 284	2.190 %
State Loan	25 000	25 000	26 979	2.180 %
State Loan	17 943	17 943	19 297	2.070 %
State Loan	3 688	3 688	3 970	2.100 %
State Loan	21 805	21 805	23 307	1.870 %
State Loan	49 891	49 891	53 493	1.970 %
TOTAL	5 802 887	4 391 380	4 835 530	

13.3.3. Suppliers

The breakdown of this caption at 31 December 2020 and 31 December 2019 is as follows:

	NOTES	2020-12-31	2019-12-31
General suppliers		11 030	43 155
Other related parties	26.3	158	153
		11 188	43 308

13.3.4. Other accounts payable

At 31 December 2020 and 2019, the details of this item are as follows:

	NOTES	2020-12-31	2019-12-31
Non current			
Accounts payable for accrued expenses		1 630 911	1 959 310
Sub-concessions		1 625 915	1 959 132
Leases		4 997	178
		1 630 911	1 959 310
Current			
Accounts payable for accrued expenses		947 732	868 148
Sub-concessions		585 308	503 039
Regular road maintenance		323 725	319 118
Other		33 613	44 506
Other related parties	26.3	2 940	1 179
Leases		2 146	306
Investment Suppliers		11 107	23 817
Advances to be forwarded to Sales		21 601	20 991
Remuneration payable		14 559	15 978
Other creditors		14 614	11 473
		1 009 612	940 406
		2 640 524	2 899 716

Caption Accounts Payable for Accrued Expenses comprises the liability of IP Group to sub-concessionaires for construction, operation and maintenance services carried out by these companies and not yet invoiced, in the amount of €2,211 million, bearing interest at rates between 5% and of 13%, of which € 585 million are payable within twelve months (note 24).

This liability is assessed annually and represents the best estimate of the Executive Board of Directors of the valuation of the services already rendered by sub-concessionaires determined based on the estimate of future financial flows from these contracts, regardless of their nature, including those resulting from contingencies and legal proce-

dings.

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.

Item Others comprises the amounts payable by IP Group relating to its Concession Contract with the State, in the amount of € 24 million, as well as the recognition of sums relating to the Railway Activity Regulation Fees for the years 2019 to 2020, totaling € 2.94 million.

Amounts comprised in the Lease caption concern car leases of IP Group.

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.

13.4. Financial risk management policies

The Group's financial assets concern mainly accounts receivable for multiple reasons, namely the balances receivable from the railway concession and several clients of the Group, and several deposit accounts with banks and the IGPC. The Group has other investments, though quite residual, in equity instruments and does not have any derivative financial instruments.

The Group's financial liabilities include mainly: loans obtained with the financial system (bank loans and capital market operations), shareholder loans, accounts payable to suppliers and other entities, their main goal being to finance the Group's operations.

In respect of loans obtained with the financial system, Decree-Law 133/2013 of 3 October changed the autonomy of reclassified public entities (EPR) as regards access to funding from the financial system and risk management based on derivative instruments.

Article 29 of the said DL provides that EPRs' access to commercial banking funding is prohibited, except for banks having a multilateral nature (e.g. European Investment Bank); article 72 provides

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).

Stemming from its assets and liabilities, the 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.

These risks are managed by the Finance and Markets Division according to the risk mitigation policies defined by the Executive Board of Directors.

13.4.1. 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 Group is exposed to this risk in both its operating activities (through the credit granted in the form of accounts receivable) and its financing activities, through deposits and financial applications with financial institutions and IGPC.

The credit risk associated with the Group's operating activities is managed on a separate basis according to the specific characteristics of each business segment and specific clients.

In order to minimize exposure to this risk, the Group obtains credit guarantees from clients in the form of surety bonds or bank guarantees. Note 13.1 details the maximum exposure of the Group to credit risk.

Table below provides a brief characterisation of accounts receivable (clients), according invoicing intervals and respective segments:

2020-12-31	TOLLS	[> 1 000 M[	[1,000 M < 10 M[	[10M>0]	TOTAL
Number of clients	-	6	119	1 022	1 147
Railway	-	4	7	22	33
Road	Various	1	25	295	321
Real estate management	-	1	46	570	617
Engineering	-	-	1	1	2
Telecommunications	-	-	40	134	174
Debt	-	34 365	7 764	22 385	64 513
Railway	-	27 682	530	16	28 228
Non tolled roads	-	4 622	1 755	340	6 717
Tolls	-	-	-	20 882	20 882
Real estate management	-	2 060	2 270	874	5 204
Engineering	-	-	396	1	397
Telecommunications	-	-	2 812	273	3 085

2019-12-31	TOLLS	> 1 000 M[	[1,000 M < 10 M[	[10M>0]	TOTAL
Number of clients	-	6	69	1 663	1 738
Railway	-	4	14	14	32
Road	Various	1	43	897	941
Real estate management	-	1	4	569	574
Engineering	-	-	1	4	5
Telecommunications	-	-	7	179	186
Debt	-	50 208	6 533	22 120	78 861
Railway	-	43 526	1 179	9	44 714
Non tolled roads	-	4 622	2 186	1 006	7 815
Tolls	-	-	-	16 792	16 792
Real estate management	-	2 060	627	2 784	5 472
Engineering	-	-	396	109	506
Telecommunications	-	-	2 144	1 419	3 563

At 31 December 2020 IP Group had a portfolio of 1 147 clients (2019: 1 738 clients), of which 6 (2019: 6) have balances above € 1000 thousand accounting for approximately 53% (2019: 64%) of amounts due.

Additionally, the weight of debts from tolls as against the total balance of clients is 32% (2019: 21%)

As shown in tables above, amounts owed for all

segments decreased over 2019; in particular, the amounts owed by the railway segment activity fell 38% over the previous year.

As regards the Road segment, we point out the change in the number of clients (2020: 321 clients vis-à-vis 941 clients in 2019); the impact at debt level is irrelevant.

The following table shows the seniority of the balances of Group clients by category/type:

2020-12-31	]0-30[	[30-60[	[60-90[	[90-360[	[360[	TOTAL
Tolls	20 882	-	-	-	-	20 882
Railway Operators	10 085	606	176	1 489	15 486	27 843
Public entities	57	2	-	10	2 202	2 271
Other debtors	1 881	248	222	924	10 066	13 341
Clients with payment plans	18	13	2	76	54	162
Surety bonds provided by clients	-	-	-	-	-	14
	32 923	869	401	2 498	27 808	64 513
Impairment	- 157	- 3	- 22	- 67	- 2 839	- 3 088
	32 766	866	378	2 431	24 969	61 425
Average rate	0.48 %	0.39 %	5.54 %	2.68 %	10.21 %	4.79 %

2019-12-31	]0-30[	[30-60[	[60-90[	[90-360[	[360[	TOTAL
Tolls	16 792	-	-	-	-	16 792
Railway Operators	8 129	7 584	5 812	4 908	18 006	44 440
Public entities	55	15	21	19	2 482	2 591
Other debtors	1 673	924	216	1 218	10 432	14 461
Clients with payment plans	25	6	1	12	70	116
Surety bonds provided by clients						461
	26 674	8 529	6 049	6 157	30 990	78 861
Impairment	- 14		- 5	- 134	- 2 772	- 2 925
	26 660	8 529	6 044	6 023	28 218	75 935
Average rate	0.05 %	0.00 %	0.08 %	2.18 %	8.94 %	3.71 %

The credit risk associated with debts of Group clients has the following characteristics:

Road Activity - accounts receivable (clients) concern mainly tolls which have a diversified customer base and comprises low-value transactions, and are collected by the Tax Authority if not paid, so they do not have significant associated credit risk.

Railway Activity - 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, thus included in the State's fiscal consolidation perimeter.

As regards the historic debt of operators, in 2020 the Group continued its debt renegotiation efforts, having completed two additional negotiation processes establishing payment plans in the amount of € 14.6 million added of default interest in the

amount of € 1.7 million (of which € 3 million added of default interest in the amount of € 42 thousand were paid in 2020), to be settled until 2025.

Commercial Real Estate Management Activity

- This is the most relevant segment for this type of risk, being associated with the possibility of non compliance with payment obligations of concessionaires relating to leases and sub concessions of commercial areas belonging to IP Group.

In order to mitigate this risk, the Group follows the following policies, among others:

- provision by clients of credit guarantees, in the form of surety bonds or bank guarantees;
- negotiation of payment plans with debtors showing problems to meet payment deadlines;
- possibility given to this segment clients to pay invoices by ATM (using a reference number provided for the purpose), this procedure having had considerable success; and,
- use of direct debit systems since 2019, thus ensuring the payment of invoices on respective due dates, thus improving the efficacy of the collection system.

Notwithstanding the above, and although the

number of this segment's clients increased over 2019, the amounts due have fallen in relation to the previous year, as will be fully explained in note 16 of this report.

Telecommunications Activity – Credit risk in this segment is considered low, as the Group's client portfolio has remained stable over the years. Moreover, it is current practice the provision of credit guarantees in the form of surety bonds or bank guarantees.

Engineering and Transport Services Activity – this segment has no credit risk for IP Group.

Impairment recognised concern clients included in table above as other accounts receivables (clients), according to the calculation criteria disclosed in note 2.4 (impairment of main judgements, estimates and assumptions – financial assets impairment). This balance includes a sum receivable from a former State concessionaire, in the amount of EUR 4.6 million, jointly with several other balances with no relevant in the Group's client portfolio. The Executive Board of Directors thus believes that the impairment recognised is appropriate.

In what concerns credit risk associated to other accounts receivable, it is worth mentioning the weight of the Road Service Contribution (RSC), which is collected and given to IP by the Tax Authority (TA) and the debts of Municipalities, which are not considered to have credit risk given their public nature.

As regards credit risk associated with the financial activity, IP is exposed to the national banking sector for the current account balances held with such entities. This exposure is reduced, since according to Treasury Unit of the State Principle, public companies liquid assets must be held with IGCP, as far as possible. Currently 99% of IP's cash assets are held with IGCP.

To date, IP has not incurred any impairment resulting from non-compliance with contractual obligations entered into with financial entities.

The following table provides a summary of the credit quality of IP Group's deposits at 31 December 2020 and 31 December 2019:

	2020-12-31		2019-12-31	
	RATING	BALANCES	RATING	BALANCES
BANCO BPI	BBB	130	BBB	364
BANCO SANTANDER	A	2	A	115
BBVA	A-	33	A-	35
CBI	(-)		(-)	1
CGD	(-)	16	(-)	83
IGCP(*)	BBB	256 180	BBB	285 329
BCP	BB	69	BB	622
Novo Banco	(-)	9	(-)	30
		256 439		286 578

Note: The ratings used are those awarded by Standard and Poor's.
(*) includes € 249,760 thousand of CEDIC deposit.

13.4.2. Liquidity risk

This type of risk is measured by the ability to raise financial resources to meet the liabilities with the different economic agents that interact with IP Group, such as suppliers, banks, the capital market, etc. This risk is measured by the liquidity available to the Group to meet the assumed liabilities as well as the capacity to generate cash flow in the course of its business.

IP Group seeks to minimise the likelihood of non-compliance with its commitments through rigorous and planned management of its business. Prudent management of liquidity risk requires the maintenance of an appropriate level of cash and cash equivalents to meet the liabilities assumed. Liquidity risk is considerably low as IP is financed directly by the Portuguese State.

Table below shows the liabilities of IP Group by intervals of contracted maturity. The amounts presented represent non discounted future cash flows as of 31 December 2020.

	LESS THAN 1 YEAR	1 TO 5 YEARS	+ THAN 5 YEARS
Borrowings			
- Repayment of loans	89 711	1 558 551	1 000 035
- interest on loans	89 106	322 037	79 488
- Repayment of shareholder funding/Shareholder's loans	2 360 335	10 667	-
- interest on shareholder funding/Shareholder's loans	119 623	182	-
- Surety	4 030	15 665	2 527
Trade payable and other accounts payable	972 159	1 631 326	78
	4 036 885	3 598 175	290 216

13.4.3. Interest rate risk

IP Group is subject to interest rate risk as long as it holds loans contracted with the (national and international) financial system and the State to finance its activity.

The main objective of interest rate risk management is to provide protection against interest rate rises, insofar as the companies' revenues are immune to this variable and, thereby, make a natural hedge infeasible.

The Group does not use interest rate hedging instruments.

Presently, the purpose of the interest rate risk management is basically to monitor interest rates affecting Euribor-based financial liabilities.

SENSITIVITY TEST TO CHANGE IN INTEREST RATE

IP Group uses periodic sensitivity analyses to measure the impact on profit or loss of changes in interest rates on fair value of loans. These analyses have helped decision-making in interest rate risk management. The sensitivity test is based on the following assumptions:

- As of 31 December 2020 IP Group had not recognised any loan obtained at fair value;
- Changes in the fair value of financial loans and liabilities are estimated discounting future cash flows using market rates at the time of reporting;
- On the basis of these assumptions, at 31 December 2020, a 0.5% increase or decrease in the Euro interest rate curves would result in the following changes in the fair value of loans with direct impact on profit and loss:

INCREASE/(DECREASE) IN THE FAIR VALUE OF LOANS	
Change in the Interest rate curve	
-0.50 %	0.50 %
6 1659	-59525
Net effect on results	
-0.50 %	0.50 %
-6 1659	59525

13.4.4. Capital risk

The IP Group's objective with regard to capital risk management, which is a broader concept than the capital shown in the Consolidated Statement of Financial Position, is to safeguard the ongoing nature of the company's operations.

The key instrument to manage this risk is the funding plan (or financial plan) of the companies; the plan identifies and monitors funding sources; we point out the strengthening of the capital structure promoted by the shareholder through capital increases in cash.

IP was set up with a share capital of EUR 2,555,835,000 represented by 511,167 shares, with a nominal value of EUR 5,000 each. At 31 December 2020, the share capital amounted to € 8,257,530 thousand represented by 1,651,506 shares, with a nominal value of € 5000 each.

In 2020 capital increases in cash amounting to € 1,054,150 thousand (note 15) were made, as set out in the table below:

	2020-12-31	2019-12-31
Share capital increases	1054150	1391870
Investment	870969	685887
Debt Service	183181	705983

The operation of conversion into capital of the debt service of State loans allocated to the road segment planned for November in the Activity Plan and Budget for 2020-2022 revised in August amounted to € 2,332.7 million (amortisation of € 2,215.6 million and interest in the amount of € 117.1 million). However, the DGTF approved an additional moratorium, extending due date to 30 November 2021. Deferrals granted in this context are not subject to the payment of interest.

As provided in article 154 of the SB2020 law, in line with previous years, DGTF and IP agreed again to offset the amount recorded under caption Grantor - State - Accounts Receivable against the amount of the debt service on the State Loans provided to finance railway activity. This operation was concluded in 30 December pursuant to written agreement, covering the amount of € 147.3 million (amortisation: € 144.8 million and interest € 2.5 million). This agreement was effective as of 30 November.

13.5. Changes in liabilities deriving from financing activity

The reconciliation of liabilities whose flows affect financing activities is as follows:

	LOANS	SHAREHOLDER'S LOANS	LEASES	TOTAL
31 December 2019 (1)	2 660 786	2 486 561	485	5 147 832
Cash				
Interest	- 87 581	-	- 308	- 87 889
Amortisation (2)	- 89 711	- 144 757	- 1 562	- 236 029
Other financial expenses	- 6 835	-	-	- 6 835
Non Cash				
Effective Rate (3)	793	-	-	793
Specialised interest (4)	- 406	1 550	-	1 144
Other financial expenses (5)	- 34	-	-	- 34
Other changes (6)	6 166	-	8 224	14 390
31 December 2020 (1) + (2) + (3) + (4) + (5) + (6)	2 577 593	2 343 354	7 148	4 928 095

	LOANS	SHAREHOLDER'S LOANS	LEASES	TOTAL
31-12-2018	3 274 876	2 627 065	0	5 901 941
Restated IFRS 16	-	-	773	773
31 December 2018 (restated) (1)	3 274 876	2 627 065	773	5 902 714
Cash				
Interest	- 119 488	-	- 35	- 119 523
Amortisation (2)	- 581 065	- 144 757	- 288	- 726 110
Other financial expenses	- 8 192	-	-	- 8 192
Non Cash				
Effective Rate (3)	819	-	-	819
Specialised interest (4)	- 25 878	4 253	-	- 21 625
Other financial expenses (5)	- 903	-	-	- 903
Other changes (6)	- 7 063	-	-	- 7 063
31 December 2019 (1) + (2) + (3) + (4) + (5) + (6)	2 660 786	2 486 561	485	5 147 832

14. PROVISIONS

See accounting policy 2.3.13

The evolution of provisions for other risks and charges in 2020 and 2019 was as follows:

	GENERAL RISKS	LAND EXPROPRIATIONS	CONTRACT WORKS	EMPLOYEE BENEFITS	DISQUALIFIED ROADS	VAT PROCEEDINGS	TOTAL
31-12-2018	39 830	21 945	52 805	1 061	408 752	366 479	890 872
Increase/Reinforcement	8 283	3 042	952	121	-	25 216	37 615
Reduction/Use	- 6 168	- 6 911	- 11 374	- 158	- 350	-	- 24 962
31 December 2019	41 945	18 075	42 383	1 024	408 402	391 695	903 525
Increase/Reinforcement	2 639	1 141	12 025	286	-	30 682	46 773
Reduction/Use	- 5 283	- 4 096	- 625	- 188	-	-	- 10 192
31 December 2020	39 301	15 121	53 783	1 121	408 402	422 377	940 105

PROVISIONS FOR ONGOING LEGAL PROCEEDINGS

GENERAL RISKS

Following analysis made by the Legal Affairs Department, this provision concerns potential liabilities with litigations unrelated to work contracts.

LAND EXPROPRIATIONS

This provision was set up to face potential payments deriving from land expropriation processes currently in litigation. The provision was set up following consultations with external and internal lawyers of the cases conducted by the Legal Department.

It should be noted that, by its nature, the total increases and reductions of this provision are offset by intangible assets.

CONTRACTS

Provision set up relating to general litigation proceedings arising from road contract works.

The increase/decrease in this provision is made against intangible assets given the nature of the proceedings.

VAT PROCEEDINGS

For conservative reasons, and in light of the developments in the VAT proceedings described in

Note 11, it was decided in 2010 to set up a provision for the estimated impact of an unfavourable decision to IP Group.

Since the issue giving rise to the dispute between the former EP and the Tax Authority was the acceptance or not of the RSC as income liable for VAT, a provision was set up which is equivalent to the amount of VAT deducted by the former EP and by IP in activities financed by the RSC. It should also be noted that the consideration of this provision was based on the accounting classification of the expenditure that resulted in the deductible VAT, i.e. VAT deducted from the financial year's expenses was provisioned against costs (€ 24,870 thousand) and VAT deducted from the acquisition or construction of assets was provisioned by being offset against intangible assets (€ 5,812 thousand).

PROVISIONS FOR OTHER NON LITIGATION SITUATIONS

EMPLOYEE BENEFITS

The IP Group grants temporary early retirement benefits and retirement and survival pension benefits to its employees.

The complementary retirement and survival pension benefits attributed to the employees constitute a defined benefit plan under which IP pays early retirement pensions to a closed group of employees covered by the plan until such time as

they retire under the Caixa Geral de Aposentações system.

This provision refers to liabilities for benefits attributed to an already reduced group of beneficiaries (28) for a limited period of time. It was therefore the Executive Board of Directors' opinion that it was not necessary to have the annual liabilities assessed by a specialised firm, as this could be done internally.

PROVISION FOR DISQUALIFIED ROADS:

Group IP is required to hand over disqualified roads under the National Road Plan to respective municipalities, having set up a provision which reflects the best estimate to fulfil the obligations of renovating disqualified roads still under the company's responsibility. This provision did not change in 2020 in relation to the previous year, as no transfer was made to municipalities under the Protocols agreed.

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 2019 the share capital was € 7,203,380 thousand fully subscribed and paid up by its shareholder, corresponding to 1,440,676 shares with a nominal value of € 5,000 each.

During 2020 the share capital was increased as follows:

MONTHS	NO. OF SHARES	AMOUNT
March 2020	60 029	300 145
May 2020	6 200	31 000
June 2020	4 699	23 495
August 2020	38 001	190 005
September 2020	18 500	92 500
October 2020	35 084	175 420
December 2020	48 317	241 585
	210 830	1 054 150

Totalling € 8,257,530 thousand corresponding to 1,651,506 fully subscribed and paid up shares.

The basic/diluted earnings per share are as follows:

	31 DECEMBER 2020	2019-12-31
Profit allocated to shareholders (in Euro)	- 57 193 267	18 464 961
Average number of shares in the period	1 518 830	1 377 519
Average number of diluted shares in the period	1 518 830	1 377 519
Basic earnings per share (in Euro)	-37.66	13.40
Diluted earnings per share (in Euro)	-37.66	13.40

The basic and diluted earnings per share is €-37.66 as there are no dilution factors.

The IP Group calculates its basic and diluted earnings per share by using the weighted average of the shares in circulation during the reporting period, as follows:

MONTHS	NO. OF SHARES
March 2020	1 500 705
May 2020	1 506 905
June 2020	1 511 604
August 2020	1 549 605
September 2020	1 568 105
October 2020	1 603 189
December 2020	1 651 506
Average number of outstanding shares	1 518 830

ii) Reserves

Reserves are made up as follows:

	2020-12-31	2019-12-31
Reserves	279 527	156 058
Other changes	- 95	- 95
Donations	4	4
	279 618	155 967

Commercial legislation establishes that at least 5% of the annual net profit is allocated to increase the legal reserve until it represents at least 20% of the share capital. This reserve is not distributed unless the Group is liquidated, but it can be used to absorb losses after the other reserves are exhausted, or incorporated into capital.

Notwithstanding the above, during the year under review, the appropriation of results for the years 2018 and 2019 was carried out, resulting in an increase in Legal Reserve for the overall amount of the results of such years.

16. SALES AND SERVICES

See accounting policy 2.3.14

From 1 January 2020 to 31 December 2020 and from 1 January 2019 to 31 December 2019, sales and services are detailed as follows:

	2020	2019
Road Service Contribution	584 089	701 539
Tolls	278 835	334 959
Use of slots (fees)	61 991	69 632
Construction contracts	49 585	170 635
Construction of new infrastructures	36 513	3 991
Capitalized financial expenses	13 071	16 853
Sub-concessioned network - construction	-	149 792
Other	43 234	47 576
State Grantor - Revenue LDI	33 708	31 538
	1 051 442	1 355 879

The unit values of the Road Service Contribution (fee paid by users for use of the road network) for 2020 remained in line with those established for the 2019 financial year, at € 87/1,000 litres for petrol, €111/1,000 litres for road diesel and €63/1,000 litres for LPG vehicles.

Travel restrictions imposed as a result of the COVID-19 pandemic naturally affected fuel consumption, resulting in a sharp decrease of 17% in RSC revenues over the previous year.

This evolution in traffic also explains the decrease in the Tolls heading by € 56.1 million (-17%) on the whole tolled network.

The largest slice of income from tolls derives from the use of the State Concessions network, where IP Group holds revenues from toll collection fees, reaching € 229 million.

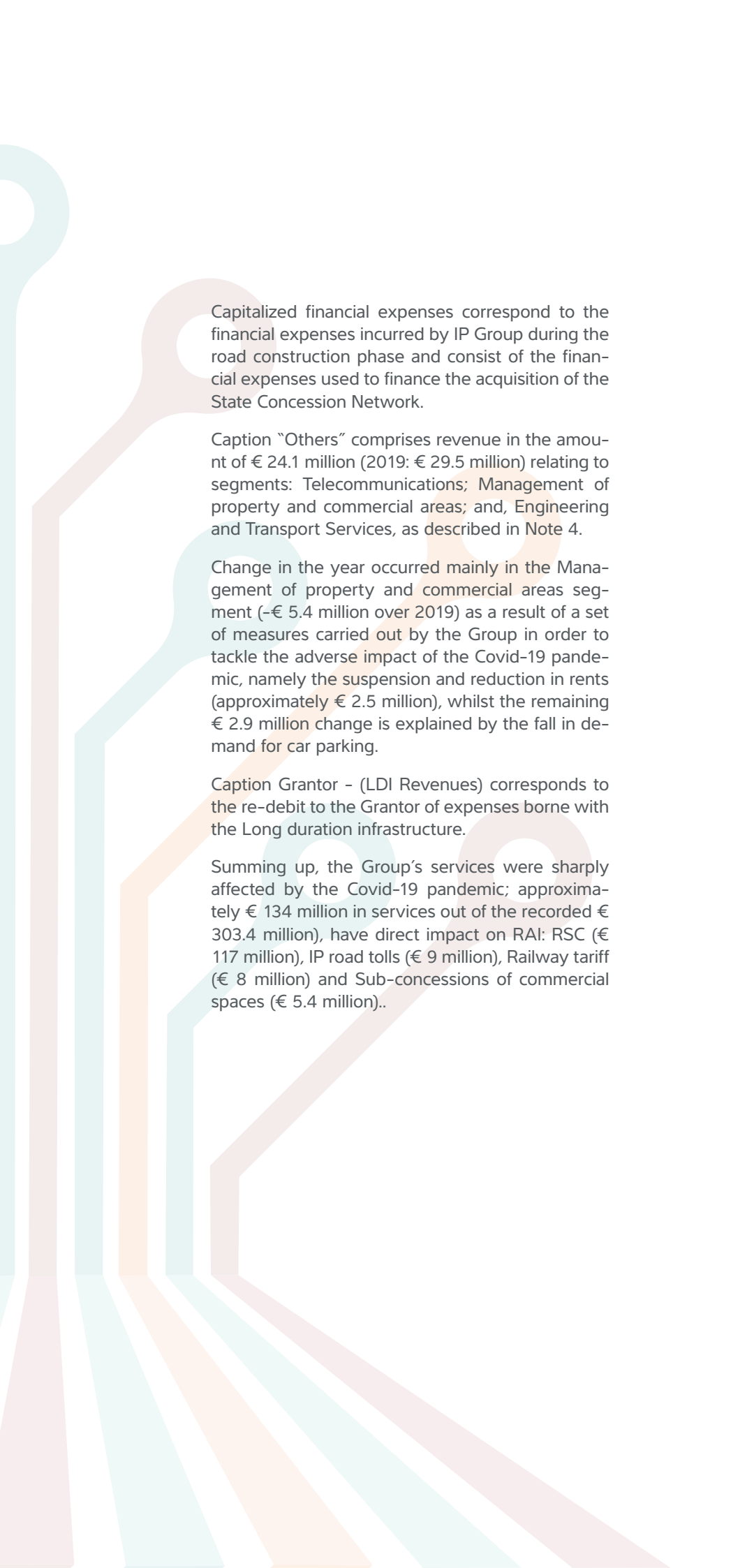
The use of slots (Tariffs) item refers mainly to income from the Infrastructure Use Tariffs (IUT). The most outstanding in terms of volume are Passenger (€ 54.6 million) and Goods (€ 6.9 million), which both decreased, by respectively 10.68% and

11.32%, as a result of the pandemic and the consecutive states of national emergency imposed by the Government.

Construction contracts reflect IP Group's income from its NRN construction activity as established in the Concession Contract. It includes all IP Group's construction activities, whether carried out directly or sub-concessioned.

The amounts of New Infrastructure Construction concern construction activities under Group IP's direct management, and are calculated based on monthly monitoring reports stating the state of progress of the works and the expenses directly attributable to preparing the assets for their intended use.

The construction of the Sub-concessioned network is calculated based on the construction values contracted for each sub-concession and the percentage of completion reported to the Group for each sub-concession. It reflects the physical evolution of the works and is therefore independent of the billing flow.




Capitalized financial expenses correspond to the financial expenses incurred by IP Group during the road construction phase and consist of the financial expenses used to finance the acquisition of the State Concession Network.

Caption "Others" comprises revenue in the amount of € 24.1 million (2019: € 29.5 million) relating to segments: Telecommunications; Management of property and commercial areas; and, Engineering and Transport Services, as described in Note 4.

Change in the year occurred mainly in the Management of property and commercial areas segment (-€ 5.4 million over 2019) as a result of a set of measures carried out by the Group in order to tackle the adverse impact of the Covid-19 pandemic, namely the suspension and reduction in rents (approximately € 2.5 million), whilst the remaining € 2.9 million change is explained by the fall in demand for car parking.

Caption Grantor - (LDI Revenues) corresponds to the re-debit to the Grantor of expenses borne with the Long duration infrastructure.

Summing up, the Group's services were sharply affected by the Covid-19 pandemic; approximately € 134 million in services out of the recorded € 303.4 million, have direct impact on RAI: RSC (€ 117 million), IP road tolls (€ 9 million), Railway tariff (€ 8 million) and Sub-concessions of commercial spaces (€ 5.4 million)..



17. COMPENSATORY ALLOWANCES

See accounting policy 2.3.14

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 Framework Contract, 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 granting of financial compensation by the State is sustained by IP's activity of provision of services in the public interest, which, by nature, is different from business activities which IP would develop if it took into consideration its business interests, and which is aimed to ensure the coverage of specific costs resulting from its obligations of public service.

The amount for 2020 considered under the Framework Contract was € 55,055 thousand (note 26.2.).

At 31 December 2020, the payment of € 719 thousand relating to 2017 and € 3,302 thousand relating to 2019 (plus VAT) is outstanding.

18. COST OF GOODS SOLD AND MATERIALS CONSUMED

See accounting policy 2.3.11

From 1 January 2020 to 31 December 2020 and in the same period of 2019, the detail of this item is as follows:

	NOTES	2020	2019
Capitalization Concession Tolls		213 782	258 328
Construction of new infrastructures		36 513	3 991
Railway equipment	10.1	23 796	17 786
Telecommunications material	10.3	283	252
Sub-concessioned network - construction		-	149 792
		274 374	430 148

As mentioned in note 2.2 p) (revenue) the amounts received by IP Group from tolls on government concessions (net of collection costs) are deducted from IP Group investment in the acquisition of rights over that same concession network. This deduction is offset in this item.

The amounts corresponding to the construction of New Road Infrastructures concern construction activities under the direct management of IP Group, and are calculated based on monthly monitoring reports stating the state of progress of the works.

The change occurred in the current year is mainly explained by the construction of the stretch of IP5 linking Vilar Formoso to the Spanish border (€ 8,360 thousand), the stretch of by-pass to EN14 from Jumbo Junction to Diagonal Road inaugurated in December (€ 3,926 thousand), and Mondim de Basto link to EN210 (€ 3,259 thousand), A32 link to Escariz (€ 2,614 thousand) and levelling of Silvares junction link to Avepark (€ 2,535 thousand).

Expenses with railway materials concern mainly various types of materials included in the maintenance of railway infrastructures.

Telecommunications material are intended for use deriving from the rendering of telecommunications services.

The construction of the Sub-concessioned network is calculated based on the construction values contracted for each road sub-concession and the percentage of completion reported to the Group for each sub-concession. It reflects the physical evolution of the works and is therefore independent of the billing flow.

Following the renegotiation of the sub-concession contracts during 2019, changes were recognised in estimated expenses relating to these contracts with direct impact on sales and services, cost of goods sold and materials consumed, which explains the decrease by € 150 million over 2019.

19. EXTERNAL SUPPLIES AND SERVICES

From 1 January 2020 to 31 December 2020 and from 1 January 2019 to 31 December 2019, external supplies and services are detailed as follows:

	2020	2019
Railway maintenance	70 872	65 097
Current Maintenance and Road Safety	57 975	62 351
Regular road maintenance	55 665	55 665
Operation and Maintenance Sub-concessions	40 846	40 915
Toll collection costs	19 036	21 738
Electricity	15 389	15 642
Collection costs RSC	11 682	14 031
Surveillance and Safety	7 487	7 073
Cleaning, Hygiene and comfort	4 941	3 159
Maintenance and repair	4 307	3 696
Specialised works	3 966	4 008
Software licences	3 021	2 835
Rents and rentals	2 288	3 107
Fuel	1 715	2 447
Insurance	966	990
Water consumption	925	986
Other	4 770	4 817
	305 850	308 558

The costs of railway maintenance relate essentially to the outsourcing of maintenance services:

- i) Track - € 32,641 thousand (€ 23,358 thousand in 2019),
- ii) Signalling - 11,430 thousand (€ 14,288 thousand in 2019),
- iii) Railway telematics - € 4,128 thousand (€ 4,141 thousand in 2019),

- iv) Deforestation in the amount of € 7,407 thousand (€ 7,311 thousand in 2019, included in the sub contract for railway and civil construction, which explains the reduction in these items in 2020); and
- v) Catenary totalling € 5,407 thousand (€ 5,311 thousand in 2019).

The Regular Maintenance and Road Safety item contains the year's expenditure on current maintenance of roads and engineering structures and road safety.

Regular Road Maintenance corresponds to the recognition of the increase in the responsibility of IP Group with the costs needed to maintain the service level of the routes and road engineering structures which is imposed on it by the Concession Contract. This value does not correspond to a need for investment in conservation in the period but rather the average annual investment needed to maintain the service level of the network.

Operating costs and maintenance of sub-concessions result from the accounting recognition of the operation and maintenance carried out by sub-concessionaires under the sub-concession contracts in force.

The expenses for collecting the RSC correspond to 2% of the RSC withheld by the Tax Authority for provision of the service of calculation and collection of the RSC (note 26.2).

Caption rents and rentals includes € 1,842 thousand (€ 2,715 thousand in 2019) relating to expenses with the operational leasing of cars and € 61 thousand (€ 29 thousand in 2019) with the operational leasing of administrative equipment.

The reduction in this caption reflects the acquisition in 2018 of administrative equipment included in assets, with related expenses concerning merely their maintenance.

20. PERSONNEL EXPENSES

See accounting policy 2.3.15

From 1 January 2020 to 31 December 2020 and from 1 January 2019 to 31 December 2019, personnel expenses are detailed as follows:

	2020	2019
Wages	106 764	106 288
Wage expenses	24 173	24 118
Other Personnel Expenses	4 036	5 356
Occupational accidents insurance	1 344	1 349
Social security expenses	628	659
Remuneration of members of governing bodies	676	720
	137 620	138 489

In 2020 staff costs of IP Group (€137.6 million) stood at practically the same level of the previous year (2019: € 138,5, i.e. - 0.63%).

The Group's average workforce in 2020 was made up of 3,582 workers, as against 3,599 in 2019.

Wages and staff related expenses increased slightly (+ 0.4%, i.e. € 0.5 million) as a result of the Collective Bargaining Agreement, translated in wage rises as provided in the Career System and cash payments associated with the different work formats.

Caption "Other Personnel Expenses" comprises, amongst others, amounts relating to payments following rescission by mutual agreement in 2019, which did not happen in 2020, thus explaining the change.

21. IMPAIRMENT (LOSSES)/REVERSALS

See accounting policy 2.3.16

The evolution of impairment for the years ended at 31 December 2020 and 31 December 2019 is as follows:

	INVENTORIES	CLIENTS	OTHER ACCOUNTS RECEIVABLE	TOTAL
NOTES	10	13.2.2	13.2.3	
Balance as at 31 December 2018	3 833	3 761	6 623	320 871
Increase / (Reversal)	- 62	- 406	- 2	- 470
Used	- 43	- 430	-	- 558
Balance as at 31/12/2019	3 728	2 925	6 620	319 844
Increase / (Reversal)	721	793	2 757	4 272
Used	-	- 630	- 152	- 782
Balance as at 31/12/2020	4 449	3 088	9 226	321 964

Uses for the year concern the write-off of impairment balances recorded in previous years.

22. OTHER INCOME AND GAINS

Other income and gains from 1 January 2020 to 31 December 2020 and from 1 January 2019 to 31 December 2019 are broken down as follows:

	NOTES	2020	2019
Allocation of investment grants	12.2.1	58 548	63 179
Income from concession fees		8 854	8 854
Concessions for use and licences		4 078	2 653
Gains on the sale of waste/used materials		3 168	3 491
Accidents		2 391	2 212
Gains on the sale of tangible fixed assets		2 033	486
Other		15 447	5 310
		94 519	86 185

Income recognised in Allocation of Investment Grants is recognised in Liabilities under Deferrals (note 12.2.1).

The item Concession Signature Fees refers to the amount recognised in 2019 of the Fee assigned when signing the Grande Lisboa and Douro Litoral Concessions. (note 12.2).

The Concessions and Licences item comprises € 1,894 thousand (2019: € 1,64 thousand) relating to the concession of plots of land at the Bobadela terminal, € 407 thousand (2019: € 405 thousand), relating to the transfer of the use of the Colina complex to Fertagus, € 386 thousand (2019: € 410 thousand), relating to the use of land and buildings, and € 134 thousand (2019: € 134 thousand) relating to Investment Properties (Note 8).

The most relevant amount comprised in Gains on the sale of waste/used materials relates to the sale of ferrous waste in the amount € 3,096 thousand (2019: € 3,229 thousand).

The Accidents item corresponds to the revenue resulting from the reimbursement of damages caused on the National Road Network.

Gains on the sale of tangible fixed assets concern the sale of 24 properties.

The change recorded in Item "Others" concerns mainly the settlement of accrued expenses relating to the Railway Infrastructure Regulatory Rate (TRIF) from 2013 to 2018 in the amount of € 9,523 thousand (note 26.2.)

23. OTHER EXPENSES AND LOSSES

From 1 January 2020 to 31 December 2020 and from 1 January 2019 to 31 December 2019, other expenses and losses are detailed as follows:

	2020	2019
Road and Rail Activity Regulatory Fees	4 336	4 246
Other indemnities	851	1 370
Indirect and other taxes	740	813
Donations and contributions	761	608
Compensation for material damages	379	404
Compensatory interest	379	14
Other	2 759	499
Other expenses and losses	10 205	7 954

The amount recorded in the Regulatory Road and Rail Activity Rates derives from the value due to the AMT – Autoridade da Mobilidade e dos Transportes I.P. (Mobility and Transport Authority) referring to TRIF (Rail Infrastructure Regulatory Rate) and TRIR (Road Infrastructure Regulatory Rate) (Note 26.2).

The amount recognised in Other Indemnities concerns payments of indemnities relating to operating activities as a result of Court decisions.

24. FINANCIAL LOSSES AND GAINS

See accounting policy 2.3.10

From 1 January 2020 to 31 December 2020 and from 1 January 2019 to 31 December 2019, financial losses and gains are detailed as follows:

	NOTES	2020	2019
Financial losses		305 409	302 734
Interest paid:			
Loans		92 784	103 434
Sub-concessions		205 139	191 653
Leases		311	35
Other interest paid		2	4
Other financial losses		7 173	7 608
Financial gains		60 573	65 535
Interest earned:			
Other interest earned		2	12
Interest earned - State Grantor	13.2.1	60 571	65 524
Financial results		- 244 835	- 237 198

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.

Expenses with the financial revision of debts to sub-concessionaires for the works/services provided are recorded in the interest paid by Sub-concessions, which will be billed in the future, in accordance with the terms stipulated in the respective Sub-concession contracts. This amount is the result of the Group's liability to the sub-concessionaires for the road construction and operation and maintenance services already provided but not yet paid, in the amount of € 2,211 million (Note 13.3.4, indirect management debt), which bears interest in accounts at rates between 5% and 13%.

The increase in interest expense borne by Sub-concessions over the previous year, follows a reassessment of the base cases made subsequently to the renegotiations processes completed in 2019.

Interest on loans decreased on the back of the re-financing policy followed through capital increase operations. This effect is felt on the interest income from the State Grantor, which fell.

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 charged to the Grantor (Note 13.2.1) is calculated based on the same financing terms as investing in long-duration infrastructure.

25. INCOME TAX

See accounting policy 2.3.9.

The breakdown of the tax amount for the year recognised in the Consolidated Comprehensive Income Statement at 31 December 2020 and 2019 is as follows:

	NOTES	2020	2019
Current income tax		- 28 392	- 60 918
Deferred income tax	9	7 496	9 101
		- 20 896	- 51 817

The tax rate adopted in determining the tax amount for the year in the Consolidated Financial Statements is as follows:

	2020	2019
Nominal tax rate	21.00 %	21.00 %
Municipal surcharge	1.25 %	1.25 %
State surcharge (1)	9.00 %	9.00 %
Income tax	31.25 %	31.25 %
Taxable temporary differences (2)	25.58 %	22.76 %
Deductible temporary differences (2)	31.21 %	31.21 %

(1) 3% on taxable income between € 1.5 million and € 7.5 million / 5% on taxable income between € 7,5 million and € 35 million / 9% when taxable income exceeds € 35 million.

(2) The rate applied to taxable temporary differences corresponds to the average rate at which the Group expects to reverse these differences in relation to their specific nature, taking into account that entities included IP Group consolidation perimeter is not applied when the amounts concerned remain within the first scale (€ 1.5 million and € 7.5 million).

The reconciliation of the effective tax rate for the periods under review is shown below:

	%	2020	%	2019
Profit before tax		- 36 297		70 282
Corporate Income Tax - Grpup's average rate	31.25	- 11 343	31.25	21 963
State surcharge - Amount to be deducted / added	4.50	- 1 632	-3.22	- 2 262
Tax losses and RETGS benefits	0.00	-	0.15	108
Corrections of previous years estimates	-0.94	342	-0.23	- 161
Deductible permanent differences	0.34	- 125	-0.01	- 9
Permanent taxable differences	-91.26	33 126	1.26	883
Temporary differences - Other	0.16	- 57	43.42	30 518
Autonomous taxation	-1.61	586	1.11	777.00
Effective CIT	-57.57	20 896	73.73	51 817

In both years, the difference between the effective rate and the nominal rate is explained by the impact of the non-acceptance of net financing expenses at tax level; in 2020, these are comprised in permanent taxable differences (€ 30.5 million), whilst in 2019 they were recorded as Temporary Differences - Other (€ 30.3 million).

This happens following the renegotiation of the sub-concession contracts completed in 2019, with has a relevant impact on financing expenses for the year and future financing expenses.

The renegotiation motivated an increase in financial expenses associated with sub-concessions, which determined a lower ability to fiscally recover financial expenses accrued until such date as a result respective deferred taxes ceased to be considered since 2019.

26. RELATED ENTITIES

See accounting policy 2.3.17

26.1. Summary of related parties

The entities identified as related parties of IP Group at 31 December 2020 and 31 December 2019, under the provisions of IAS 24 – Related parties, are as follows:

	RELATIONSHIP	% HOLDING 2020	% HOLDING 2019
Joint ventures			
AVEP		50.00 %	50.00 %
AEIE CFM4		25.00 %	25.00 %
Other related entities			
AMT	Regulatory entity		
Portuguese State	Shareholder / Grantor		
CP	Control relationship - State (Railway operator)		
Members of governing bodies			

26.2. Significant balances and transactions with public entities

IP is fully owned by the Portuguese State. The shareholder functions are carried out by the Directorate-General of the Treasury; the company is under the joint authority of the Ministry of Planning and Infrastructures and the Ministry of Finance.

The following table shows the main balances and transactions between IP Group and the State and the public bodies in the financial years ending on 31 December 2020 and 31 December 2019:

2020-12-31		NOTES	ASSETS		LIABILITIES		INVESTMENT	INCOME	EXPENSES
NATURE	CAPTION VALUE		CURRENT	NON CURRENT	CURRENT	NON CURRENT			
Rail transport fee	Clients/Suppliers	13.2.2/13.3.3	10 668	-	158	-	456	59 702	5 110
Rail operator fee	Other accounts receivable - Sundry	13.2.3/13.3.4	3 191	-	2 940	-	-	-	-
Compensatory Allowances	Compensatory Allowances	17	-	-	-	-	-	55 055	-
Grantor - State - Account Receivable	Grantor - State - Account Receivable	13.2.1	3 914 516	-	-	-	-	-	-
State Grantor - Revenue LDI	Rendered services	16	-	-	-	-	-	33 708	-
Grantor	Interest earned - State Grantor	24	-	-	-	-	-	60 571	-
TRIR/F	Other Income and gains / Other expenses and losses	22/23	-	-	-	-	-	9 523	4 336
RSC	Rendered services	16	-	-	-	-	-	584 089	-
RSC	Other accounts receivable - Accrued debtors	13.2.3	74 733	-	-	-	-	-	-
RSC - collection costs	External supplies and services	19	-	-	-	-	-	-	11 682
RSC	Other accounts payable - Accrued creditors		-	-	1 495	-	-	-	-
Shareholder's loans	Shareholder funding/ loans	13.3.2	-	-	2 343 354	-	-	-	-
Shareholder's loans - Interest	Interest paid - loans		-	-	-	-	-	-	4 084
			4 003 107	0	2 347 949	0	456	802 648	25 211

2019-12-31		NOTES	ASSETS		LIABILITIES		INVEST- MENT	INCOME	EXPEN- SES
NATURE	CAPTION VALUE		CURRENT	NON CURRENT	CURRENT	NON CURRENT			
Rail operator fee	Clients/Suppliers	13.2.2/13.3.3	22 428	-	153	-	167	65 207	4 965
Rail operator fee	Other accounts receivable - Sundry	13.2.3/13.3.4	1 349	-	1 179	-	-	-	-
Compensatory Allowances	Compensatory Allowances	17	-	-	-	-	-	59 748	-
Grantor - State - Account Receivable	Grantor - State - Account Receivable	13.2.1	3 834 542	-	-	-	-	-	-
State Grantor - Revenue LDI	Rendered services	16	-	-	-	-	-	31 538	-
Grantor	Interest earned - State Grantor	24	-	-	-	-	-	65 524	-
TRIR/F	Other expenses and losses	23	-	-	-	-	-	-	4 246
RSC	Rendered services	16	-	-	-	-	-	701 539	-
RSC	Other accounts receivable - Accrued debtors	13.2.1	113 026	-	-	-	-	-	-
RSC - collection costs	External supplies and services	19	-	-	-	-	-	-	14 031
RSC	Other accounts payable - Accrued creditors		-	-	2 261	-	-	-	-
Shareholder's loans	Shareholder funding/ loans	13.3.2	-	-	2 475 895	10 667	-	-	-
Shareholder's loans - Interest	Interest paid - loans		-	-	-	-	-	-	9 824
			3 971 345	0	2 479 487	10 667	167	923 556	33 066

26.3. Balances and transactions with railway operators

The breakdown of balances with railway operators at 31 December 2020 and 31 December 2019 is as follows:

	NOTES	2020-12-31	2019-12-31
BALANCES RECEIVABLE			
Current			
Clients	13.2.2	10 668	22 428
Other accounts receivable	13.2.3	3 191	1 349
Accounts receivable for accrued income		3 191	1 349
		23 777	11 448
BALANCES PAYABLE			
Current			
Suppliers	13.3.3	158	153
Other accounts payable	13.3.4	2 940	1 179
Creditors for accruals		2 940	1 179
		3 098	1 331

Transactions with railway operators in the periods from 1 January 2020 to 31 December 2020 and 1 January 2019 to 31 December 2019 are as follows:

	2020	2019
Investment	456	167
	456	167
Rendered services	59 279	65 125
Other income	422	82
	59 702	65 207
Supplies and services	3 691	3 034
Personnel expenses	1 048	1 745
Other expenses	371	186
	5 110	4 965

Significant transactions with railway operators concern mainly the following services rendered/received:

- Investment concerns the CP/IP Agreement relating to the temporary suspension of railway traffic on the Caíde-Marco de Canaveses stretch of the Douro Line;
- Services concern the use of railway infrastructure, the sub-concession of space (rooms), data transmission of the national network, cloud solution services and fixed and mobile communications;
- Supplies and services comprise, amongst other, traction power consumption on the Amadora and Vila Franca de Xira sub-stations, supply of electric power and services for the Help Train pursuant to the CP/IP Protocol;
- The amount shown in personnel expenses relates to the transport concessions invoiced pursuant to the "Use of CP transport by REFER workers and beneficiaries" agreement;
- Caption other income mainly refers to the re-invoicing of utilities in concessioned areas.

26.4. Joint Ventures

The following are the impacts of jointly controlled ventures on IP Group's Financial Statements at 31 December 2020 and 31 December 2019:

	2020-12-31	2019-12-31
Assets	1 024	774
Liabilities	165	198

	2020	2019
Rendered services	480	544
Profit/(Loss) for the period/year	235	559

26.5. Remuneration of corporate officers

BOARD OF THE GENERAL MEETING

Chairman: PAULO MANUEL MARQUES FERNANDES i)

Vice-Chairman: PAULO MIGUEL GARCÊS VENTURA

Secretary: MARIA ISABEL LOURO CARLA ALCOBIA

i) resigned from office in 24 January 2020

EXECUTIVE BOARD OF DIRECTORS

Chairman: ANTÓNIO CARLOS LARANJO DA SILVA

Vice-Chairman: JOSÉ SATURNINO SUL SERRANO GORDO
CARLOS ALBERTO JOÃO FERNANDES

Members: ALBERTO MANUEL DE ALMEIDA DIOGO
VANDA CRISTINA LOUREIRO SOARES NOGUEIRA
ALEXANDRA SOFIA VIEIRA NOGUEIRA BARBOSA

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

As provided article 12 of Law 12-A/2010 of 30 June a 5% reduction was applied in relation to gross amounts.

The IP Group did not pay any variable performance bonus to its managers.

The annual remuneration of the members is as follows:

	2020		2019	
	REMUNERATION	EMPLOYER'S WELFARE CONTRIBUTIONS	REMUNERATION	EMPLOYER'S WELFARE CONTRIBUTIONS
António Carlos Laranjo da Silva	103 990	24 274	103 788	24 274
Carlos Alberto João Fernandes	93 672	21 847	93 512	21 847
José Saturnino Sul Serrano Gordo	93 702	21 847	93 505	21 847
Alberto Manuel de Almeida Diogo	83 516	19 420	83 312	19 420
Vanda Cristina Loureiro Soares Nogueira	83 449	19 420	83 249	19 420
Alexandra Sofia Vieira Nogueira Barbosa	83 422	19 420	83 486	19 420
	541 752	126 227	540 852	126 227

Unit: euro

GENERAL AND SUPERVISORY BOARD

The remuneration of the members of the General and Supervisory Board, which comprises a Committee for Financial Matters, was defined at the General Meeting of 28 August 2015.

After requesting such, the members of the General and Supervisory Board identified below perform their duties in this Board without receiving any remuneration for such:

- 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.
- Issuf Ahmad, following retirement effective as of 1 December 2019, by order dated 25 March 2020 issued by Direção da Caixa Geral de Aposentações, which was only available in April 2020.

As a result, following official acknowledgement of retirement, Mr. Issuf Ahmad returned in full the amounts earned from December 2019 to March 2020, holding his office, although without pay.

Mr. Issuf Ahmad resigned as member of the General and Supervisory Board, joining the Committee for financial matters as of 31 December 2020.

In accordance with article 391 (4) of the Companies Code, approved by Decree Law 262/86, of 2

September, by reference to article 435 (2) of the same Code, the members of the General and Supervisory Board will remain in office until such time as they are replaced. Since no new members were elected when members of remaining corporate bodies were elected, the members of the General and Supervisory Board did not change.

The following is the annual remuneration paid to the remunerated members:

	2020		2019	
	REMUNERATION	EMPLOYER'S WELFARE CONTRIBUTIONS	REMUNERATION	EMPLOYER'S WELFARE CONTRIBUTIONS
Issuf Ahmad	-	-	21 365	4 337
	0	0	21 365	4 337

Unit: euro.

STATUTORY AUDITOR

The remuneration of the Statutory Auditor was fixed at the General Meeting of 19 March 2019 (Minutes 03/2019 of the General Meeting) at a maximum amount of 35% of the overall remuneration of the Chairman of the Executive Board of Directors, added of VAT at the legal rate in force.

	2020	2019
Vitor Almeida & Associados, SROC, Lda.	35 773	19 689

Unit: euro.

27. RECENTLY ISSUED ACCOUNTING STANDARDS AND INTERPRETATIONS

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE AS OF 1 JANUARY 2020

Amendments to references to the (revised) Conceptual Framework (Regulation 2019/2075 of 29 November)

In March 2018 IASB revised the Conceptual Framework of the IFRS. In the case of entities using the Conceptual Framework to develop accounting policies where no IFRS applies to a specific transaction in particular, the revised Conceptual Framework is effective for annual financial periods beginning on or after 1 January 2020.

No materially relevant impacts are expected to arise from this revision.

Amendments to IAS 1 and IAS 8: Definition of Material (Regulation 2019/2104, of 29 November)

Amendments to IAS 1 and IAS 8 clarify the definition of "material", to make it easier for companies to make materiality judgements. The definition of material, an important accounting concept in IFRS Standards, helps companies decide whether information should be included in their financial statements. The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. The amendments are effective from 1 January 2020.

No materially relevant impacts are expected to arise from this revision.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (Commission Regulation 2020/34 of 15 January)

These amendments to IFRS 39, IFRS 9 and IFRS 7 aim to respond to uncertainties arising from the future discontinuation of interest rate benchmarks, such as the interbank interest rates (IBORs) and change

the requirements relating to hedging accounting in order to provide some relief against potential consequences of the IBORs reform. Additionally, these standards were amended so as to require additional disclosures, explaining how an entity's hedging relationships are affected by existing uncertainties relating to the IBORs reform. These amendments correspond to Phase 1 of the IASB project relating to the IBORs reform. IASB is currently working on Phase 2, which will consider additional implications to financial reporting. The amendments are effective from 1 January 2020.

No materially relevant impacts are expected to arise from this revision.

Amendments to IFRS 3 – Business Combinations (Commission Regulation 2020/551 of 21 April)

These amendments to IFRS 3 aim to improve the definition of business combination, helping companies determine whether an acquisition made is of a business or a group of assets. In addition to the changing the definition, the amendment provides additional guidance. The amendments are effective from 1 January 2020.

No materially relevant impacts are expected to arise from this change.

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE AS OF OR FOLLOWING 01 JANUARY 2021

Amendments to IFRS 16: Covid-19-Related Rent Concessions (Commission Regulation 2020/1434 of 9 October)

Amendments to IFRS 16 concern the treatment for rent concessions by lessees as a result of COVID-19. The amendments change the requirements of IFRS 16 to provide lessees with a practical expedient so that they do not need to determine whether rent concessions occurring as a direct consequence of the Covid-19 pandemic are lease modifications and may account for such rent concessions as if they were not lease modifications. The amendments are effective from 1 June 2020.

No materially relevant impacts are expected to arise from this change.

Amendments to IFRS 4 – Insurance Contracts (Commission Regulation 2020/2097 of 15 December 2020)

Currently, according to IFRS 4 – Insurance Contracts, the effective date for applying IFRS 9, following the temporary exemption, is 1 January 2021. In order to align the term of this temporary exemption with the effective date for the application of IFRS 17 – Insurance contracts, following the amendments made on 25 June 2020, IASB extended the period of application of IFRS 9 and IFRS 4 until 1 January 2023.

No materially relevant impacts are expected to arise from this change.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform Phase 2 (Commission Regulation 2021/25 of 15 January 2021)

IASB finalised its reply to the ongoing reform of interbank interest rates (IBOR) and other benchmark interest rates by issuing a package of amendments to the IFRS. These amendments aim to help entities

to provide useful information to investors about the effects of this reform on their financial statements.

The amendments complement those issued in 2019 and address issues that might affect financial reporting when an existing interest rate benchmark is actually replaced.

These changes are effective for annual periods beginning on or after 1 January 2021.

No materially relevant impacts are expected to arise from this change.

(NEW OR REVISED) STANDARDS ISSUED BY THE INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB) AND THE INTERPRETATIONS ISSUED BY THE INTERNATIONAL FINANCIAL REPORTING INTERPRETATIONS COMMITTEE (IFRIC) NOT YET ENDORSED BY THE EUROPEAN UNION.

Additionally, as of the date of approval of these Financial Statements the following standards and interpretations were issued by IASB, though they are not yet endorsed by the European Union:

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued by IASB on 11sep14)

The amendment clarifies the accounting treatment for transactions when a parent company loses control over a subsidiary by selling all or part of its interest in such subsidiary to an associate or joint undertaking accounted for by the equity method. The date of application of these amendments was not defined yet and the endorsement process by the European Union will only be started after confirmation of the date of application of the amendments by IASB.

No materially relevant impacts are expected to arise from this change.

IFRS 14: Regulatory Deferral Accounts (issued by IASB on 30Jan14)

This standard permits an entity which is a first-time adopter of IFRS to continue to account for 'regulatory deferral account balances' in accordance with its previous standards. However, to allow comparison with entities already adopting IFRS and not recognising regulatory assets / liabilities, the said amounts must be presented separately in the financial statements. Applicable to financial years from 1 January 2016; the European Commission decided not to start the endorsement pro-

cess of this transitory standard and wait for IASB to issue the final standard.

No materially relevant impacts are expected to arise from this standard.

IFRS 17: Insurance Contracts (issued by IASB on 18May17, including amendments issued by IASB on 25Jun20)

IFRS 17 solves the comparison issue created by IFRS 4 requiring all insurance contracts to be accounted for in a consistent manner, thus benefiting both investors and insurance companies. Insurance obligations are now accounted for using current values instead of historic cost. Information is updated on a regular basis, providing useful information to users of the financial statements. Applicable to financial years from 1 January 2023, subject to the endorsement by the European Union.

No materially relevant impacts are expected to arise from this standard.

Amendments to IAS 1 – Presentation of Financial Statements (issued by IASB on 23Jan20 and revised in 15July20)

These amendments to IAS 1 – Presentation of Financial Statements clarify the requirements for classifying liabilities as current or non-current. These amendments, in nature, only aim to reduce the scope, clarifying the requirements of IAS 1, rather than altering the underlying principles. Applicable to financial years from 1 January 2023, subject to the endorsement by the European Union.

This change will be the object of our future analysis.

Amendments to IFRS 3, IAS 16, IAS 37 and Annual Improvements (issued by IASB on 14 May 2020)

This set of small amendments made to the IFRS will be effective for annual financial years starting from 1 January 2022.

Amendments to IFRS 3: Updating of reference in IFRS 3 for the Conceptual Framework of Financial Reporting without changing the accounting requirements of business combinations;

Amendments to IAS 16: It prohibits an entity from deducting from the cost of a tangible fixed asset any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Amendments to IAS 37: It clarifies what costs an entity considers in assessing whether a contract is onerous.

Annual improvements with minor amendments to IFRS 1, IFRS 9 e IAS 41, and illustrating examples of IFRS 16.

Applicable to financial years from 1 January 2022, subject to the endorsement by the European Union.

No materially relevant impacts are expected to arise from this revision.

Amendments to IAS 1 and IFRS Practice Statement 2 (issued by IASB on 12 February 2021)

These changes to IAS 1 require entities to disclose its material accounting policy information instead of its significant accounting policies. IFRS Practice Statement 2 has been amended by adding guidance on how to apply of the materiality process' to accounting policy information.

Applicable to financial years from 1 January 2023, subject to the endorsement by the European Union.

This change will be the object of our future analysis.

Amendments to IAS 8: Definition of accounting estimates (issued by IASB on 12 February 2021)

These changes clarify how entities should distinguish between accounting policies and accounting

estimates. This distinction is important because changes in accounting estimates are applied prospectively only on future transactions and other events, however, changes in accounting policies are generally applied retrospectively to past transactions and other events.

Applicable to financial years from 1 January 2023, subject to the endorsement by the European Union.

This change will be the object of our future analysis.

Amendments to IFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021 (issued by IASB on 31 March 2021)

These changes extend, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The practical expedient provided by the former amendments to IFRS 16 issued in May 2020 (and endorsed by the European Union on 9 October 2020 pursuant to Regulation 2020/1434 of the Commission) was available for rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021. The change extends this period to 30 June 2022.

The amendment is effective for annual reporting periods beginning on or after 1 April 2021 (earlier application permitted, including in financial statements not yet authorised for issue up to 31 March 2021). These amendments are still subject to the endorsement process by the European Union.

No materially relevant impacts are expected to arise from this standard.



28. GUARANTEES AND SURETIES

The liabilities for bank guarantees contracted on 31 December 2020 totalled € 639 million (2019: € 545.5 million), as follows:

- Guarantees in the amount of € 633.4 million (2019: € 539.8 million) provided in favour of the Tax Authority arising from the VAT procedure (note 11);
- Guarantees in the amount of € 5.6 million (2019: € 5.7 million) provided to courts as part of litigation proceedings.



29. CONTINGENCIES

See accounting policy 2.3.13.

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, based on the information of its tax consultants, considers that any tax contingencies should not have a significant effect on the Consolidated Financial Statements at 31 December 2020, taking into account the provisions set up and expectations that existed on that date, including the situation of the legal appeals relating to the Vat proceedings described in Note 11 and paragraph below.

VAT PROCEEDINGS

As of the date of its financial statements IP Group discloses the following VAT proceedings:

- The final decision was issued by the Tax Authority relative to the VAT correction of 2006, involving the amount of EUR 2,816 thousand in accordance with note 13.2.3. It was partially accepted by the Tax Authority. Notwithstanding the rejection of the said appeal, tax experts' opinions on the subject support the Group's conviction that there are grounds for the refund of this amount, since there was no tax default by IP Património in the assessment of tax and processing of the operation according to the VAT code. In a worst-case scenario, if the case is not won, the amount already deposited and payable to the Tax Authority (note 13.2.3), 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.

PENDING LAWSUITS

As at 31 December 2020, the pending lawsuits relating to railway expropriations totalled € 12,996 thousand (2019: € 5,167 thousand). This amount is not reflected in the Consolidated Statement of Financial Position. In these cases, but only when figures are established by the court, deposits are made in the name of the court where the proceedings are being heard. The deposits are equivalent to the value of the case and are in the custody of the Caixa Geral de Depósitos bank. Their resolution does not result in an expense for the Company, rather for the Grantor of the railway infrastructures.

There are also other lawsuits related to accidents in the railway infrastructure that the Company is responsible for, and also damage caused to neighbouring property and imputable to IP Group. These lawsuits are covered by the business insurance of IP Group.

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 relevant 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.

30. COMMITMENTS

The IP Group's commitments are primarily the responsibility of its obligation to meet the commitments made in the Road Sub-concession Contracts and the substitution of the State in its payments and receipts of the concessioned road network.

The IP Group's net costs with the State's Road Concessions and Sub-concessions including the toll revenues after the end of the State's Concession Contracts with its private partners, which are

IP Group revenues in accordance with the Concession Contract, at constant prices and including VAT, as per the figures sent to the Directorate-General for the Treasury and Finance and used as a basis for the corresponding table in the Report on the State Budget for 2021, are summarised in the table below:

CONCESSIONS AND SUB-CONCESSIONS EXPENSES (€M)	2021	2022	2023	2024	2025	2026	2027	2028	2029
Gross expenses	1 574	1 452	1 296	1 203	1 084	954	857	774	684
Revenues	- 356	- 376	- 374	- 410	- 685	- 559	- 570	- 570	- 576
Net expenses	1 218	1 076	922	793	399	395	286	204	107

CONCESSIONS AND SUB-CONCESSIONS EXPENSES (€M)	2030	2031	2032	2033	2034	2035	2036	2037	2038
Gross expenses	566	503	353	280	269	215	146	124	143
Revenues	- 434	- 324	- 261	- 228	- 231	- 236	- 184	- 155	- 166
Net expenses	132	179	92	53	38	- 20	- 38	- 31	- 24

CONCESSIONS AND SUB-CONCESSIONS EXPENSES (€M)	2039	2040	2041	2042
Gross expenses	32	10	0	-
Revenues	- 23	- 8	0	-
Net expenses	9	2	0	0

Source: 2021 State Budget Report

According to the 2021 State Budget Report:

"Figures relating to the road partnerships presented in table above were based on the contracts in force, and did not consider expected results of ongoing legal proceedings."

Regarding the Douro Interior, Litoral Oeste and Baixo Tejo sub-concession contracts, projections for respective net charges do not include, in line with the previous fiscal year, contingent compensations, which will not be paid in line with the Audit Court's position in this regard."

3.1. 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 Group on National Accounts and Public Accounts (Base 12, paragraph 3 c) of Decree-Law 110/2009 of 18 May).

i. National accounts

After consultation with the National Statistical Institute (INE), it is considered that all IP Group accounting items have a direct impact on the national accounts. The flows that the Group establishes with units outside the perimeter of general government will have a direct effect on the general government aggregates (deficit and/or debt), impact whose effect and magnitude will depend on the operations in question. Thus, when IP Group receives interest from financial applications outside the general government perimeter, it positively contributes to the balance of general government. When IP Group pays for services provided by companies outside the general government perimeter it is increasing public spending and, consequently, the deficit. If IP Group contracts financing from the financial sector or the rest of the world, it is increasing public debt.

Due to the nature of the national accounts system, the estimate of the impact of a single unit should only be taken as indicative. In so far as this is an integrated system, in order to demonstrate the underlying economic relations in a more explicit way, the national accounts methodology establishes that the operations of a unit or set of units are sometimes subject to transformations and the analytical effect of which only makes sense within the broader scope of the accounts.

ii. Public accounts

Financial reporting on a public accounts basis uses the so-called cash basis where financial flows - payments and receipts - are registered

The IP Group is included in the Reclassified public bodies and is deemed equivalent to the Autonomous services and funds; therefore, it is integrated into the state budget.

- c) Forward-looking financial information - commitments assumed and multi-annual forward-looking information for the concession period concerning the concessionaire's activity, namely in terms of results, funding needs, dividends payable to the shareholder and income tax (Base 12, paragraph 4(b) of Decree-Law 110/2009 of 18 May).

FORWARD-LOOKING INFORMATION

Table I refers to Forward-Looking Information derived from the financial flows to IP Group as at 31 December 2020 taking into consideration the commitments already made by the Group. Note that compliance with the PRN 2000 requires making investments during the period of IP Group's Road Concession Contract, the financial inflows and outflows of which are not taken into account in the following table. The figures already include the estimate of the impacts of the ongoing renegotiation of the Sub-concession contracts. Annual net income, annual borrowing needs, dividends payable and income tax (IRC) were all forecast.

FORWARD-LOOKING INFORMATION Figures at current prices								
	2021	2022	2023	...	2025	...	2035	...
Net Income	6364	31299	50550	...	163435	...	383823	...
Annual borrowing requirements	1747342	1727491	1390395	...	900654	...	--	...
Dividends payable ^(a)	--	--	--	...	--	...	--	...
Corporate Income tax ^(b)	(28,814)	(29,831)	(32,920)	...	(50,473)	...	(163,061)	...
Financial flows with the State ^(c)	656141	671708	675634	...	710900	...	584602	...

FORWARD-LOOKING INFORMATION Figures at current prices									
	2045	...	2055	...	2065	...	2075	...	2082
Net Income	1659287	...	2393511	...	3409189	...	4709279	...	5826477
Annual borrowing requirements	--	...	--	...	--	...	--	...	--
Dividends payable ^(a)	1596305	...	2305380	...	3296092	...	4565068	...	5654810
Corporate Income tax ^(b)	(654,774)	...	(939,929)	...	(1,329,642)	...	(1,823,486)	...	(2,249,553)
Financial flows with the State ^(c)	(1,339,681)	...	(2,134,321)	...	(3,271,445)	...	(4,737,684)	...	(6,008,032)

(a) For these activities only, and since the equity restriction exercise was not carried out, it is assumed that the cash flow available following repayment of debt may be distributed as dividends, though not for a higher amount than the year's net income.

(b) From a cash flow standpoint.

(c) From IP's standpoint. Includes outflows: CIT, Concession Rent and Dividends; and inflows ISP (oil tax) reduction (through creation of the RSC), from a cash flow standpoint.

FORWARD-LOOKING INFORMATION Figures at current prices								
	2021	2022	2023	...	2025	...	2035	...
Net Income	6270	30232	47869	...	148757	...	286591	...
Annual borrowing requirements	1721519	1668590	1316655	...	819768	...	--	...
Dividends payable ^(a)	--	--	--	...	--	...	--	...
Corporate Income tax ^(b)	(28,388)	(28,814)	(31,174)	...	(45,940)	...	(121,753)	...
Financial flows with the State ^(c)	646445	648805	639802	...	647056	...	436508	...

FORWARD-LOOKING INFORMATION Figures at current prices									
	2045	...	2055	...	2065	...	2075	...	2082
Net Income	1016369	...	1202717	...	1405327	...	1592499	...	1715258
Annual borrowing requirements	--	...	--	...	--	...	--	...	--
Dividends payable ^(a)	977790	...	1158432	...	1358707	...	1543732	...	1664721
Corporate Income tax ^(b)	(401,071)	...	(472,305)	...	(548,102)	...	(616,634)	...	(662,247)
Financial flows with the State ^(c)	(820,600)	...	(1,072,476)	...	(1,348,547)	...	(1,602,104)	...	(1,768,706)

(a) For these activities only, and since the equity restriction exercise was not carried out, it is assumed that the cash flow available following repayment of debt may be distributed as dividends, though not for a higher amount than the year's net income.

(b) From a cash flow standpoint.

(c) From IP's standpoint. Includes outflows: CIT, Concession Rent and Dividends; and inflows ISP (oil tax) reduction (through creation of the RSC), from a cash flow standpoint.

32. OTHER RELEVANT FACTS

COMPENSATIONS, RESERVATION OF RIGHTS, REQUESTS FOR REINSTATEMENT OF FINANCIAL BALANCE (RFB) AND CHALLENGING OF FINES IN THE SUB-CONCESSIONS AND SERVICE PROVISION CONTRACTS.

Under the terms of the Sub-concession Contracts still prior to submission of any specific application for the reinstatement of financial equilibrium (REF), IP Group's consideration is called the "reserve of right", i.e. it has to inform IP Group that a parti-

cular fact is eligible for the purposes of REF. Only following such reserve of right REF application requests are or can be submitted. It should also be noted that if the right of reserve is not formulated within 30 days of the occurrence of the event, any putative right to REF expires.

The following REF requests were submitted up to 31 December 2020:

SUB-CONCESSION	TYPE OF REQUEST MADE	FACT GENERATING REQUEST	STOCK OF THE SITUATION
Auto-Estrada Transmontana (AEXXI)	Interest on late payment of remuneration	Interest on arrears due to late payment of remuneration	The IP Group's Executive Board of Directors suspended payments, at least until the Court of Auditors decision on AL's CSA appeal; payments were resumed following decision of the Audit Court (decision not to subject following re-submission).
Baixo Alentejo	Interest on late payment of remuneration	Interest on arrears due to late payment of remuneration	The IP Group's Executive Board of Directors suspended payments, at least until the Court of Auditors decision on AL's CSA appeal; payments were resumed following decision of the Audit Court (decision not to subject following re-submission).
Baixo Tejo (AEBT)	Reinstatement of financial balance	Impossibility of construction of ER377, including Avenida do Mar	Renegotiation completed; pending Government's approval
Baixo Tejo (AEBT)	Non compliance with payment of remuneration due	Non compliance with payment of remuneration due	Arbitration proceedings - suspended; opposed views on the renegotiation of ER377/2
Litoral Oeste (AELO)	Reinstatement of financial equilibrium (based on unilateral change in Reformed SCC)	IC9-Alburitel/Carregueiros e IC9 - Carregueiros/Tomar stretches; repair of pathologies in slopes transferred to AELO	Unilateral change in Reformed SCC, IP decision There is consensus between IP/AELO about the REF and amount required; IP triggered proceedings provided in DL 111/2012, of 23 May, letter SET dated 24.10.2019; pending Government decision.
Pinhal Interior (Ascendi PI)	Interest on late payment of remuneration	Interest on arrears due to late payment of remuneration	The IP Group's Executive Board of Directors suspended payments, at least until the Court of Auditors decision on AL's CSA appeal; payments were resumed following decision of the Audit Court (decision not to subject following re-submission).
Algarve Litoral	Compensation lawsuit	Lawsuit proposed by financing banks	In progress
Algarve Litoral	Termination of Reformed Sub-Concession Contract	Termination of Reformed Sub-Concession Contract, for reason attributable to IP	Arbitration Court set up, Dr. Luis Laureano appointed Chairman by the President of the Portuguese Bar Association, Prof. Paulo Otero, indicated by IP, Prof. Pedro Costa Gonçalves, indicated by RAL; ongoing
Algarve Litoral	Injunction within the scope of proceedings for the rescission of the reformed Sub-Concession Contract	Injunction within the scope of proceedings for the rescission of the reformed Sub-Concession Contract	Injunction within the scope of proceedings for the rescission of the reformed Sub-Concession Contract
SERVICE PROVIDER AGREEMENT	TYPE OF REQUEST MADE	FACT GENERATING REQUEST	STOCK OF THE SITUATION
Vialivre - Norte Litoral	Reinstatement of financial balance	Specific change in the law: Amendment to Law no. 25/2006 pursuant to approval of Law 64-B/2011, of 30 December	IP accepted the expenses presented as eligible, and these will be approved or rejected on a case-by-case basis.

COMPENSATIONS, RESERVE OF RIGHTS AND REQUESTS FOR THE REINSTATEMENT OF THE FINANCIAL EQUILIBRIUM IN STATE CONCESSIONS

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

In 2020 IP Group recorded expenses of € 16.4 million in co-payments, compensation and reinstatements, the most important of which were:

- i. Compensation to concessionaire AEDL – Auto-estradas do Douro Litoral, in the amount of € 8 million, pursuant to decision of the Arbitration Court dated 7 February 2017 and payment of court expenses in the amount of € 7.8 million.
- ii. Implementation of Financial Recovery Agreement IX with Lusoponte, resulting in a balance of € 7 million in favour of IP Group.
- iii. Compensation to concessionaire Brisal - Auto-Estradas do Litoral, S.A, in the amount of € 6.9 million, pursuant to decision of the Arbitration Court dated 15 April 2015.
- iv. Reimbursements in the amount of € 0.69 million to various concessionaires relating to TRIR (Road Infrastructure Regulation Charge) and SIEV.


COVID-19 IMPACT

The Covid19 pandemic is having sharp impact on the Portuguese economy and IP Group's activity as well.

The Group implemented a global contingency plan, divided into several sector contingency plans, covering the business and corporate areas, taking into consideration the specificity and risk associated with the activity developed.

The Group is ensuring the normal operation of the road and railway infrastructures and developing its investment plan, in line with respective programmes. This reality can be seen in the evolution of investment (own network) and conservation activities vis-à-vis the same period of 2019.





The protection of employees is ensured, in line with the directives of the National Health Authority (DGS).

At operational level the impact is practically null, however, at financial and economic levels, the impact is considerable given the sharp reduction in railway and road travels, as a result of circulation restrictions.

It should be mentioned that IP Group worked closely with its shareholder, the State, in order to implement the most adequate solutions to meet additional funding requirements and thus safeguard the Group's financial sustainability.

Likewise, the real estate and commercial areas business was seriously affected by COVID-19 pandemic, requiring the adoption of measures to mitigate the impact on the business and financial situation of some of the sub-concessionaires. As a result, in accordance with article 11 of Law 4-C/2020 of 6 April and subsequent amendments, in addition to the moratoria granted concerning invoicing relating to March, as well as payment exemption and compensation reduction measures. Notwithstanding the above, the measures which are being adopted by the management of the Group jointly with the shareholder ensure the continuity of the activity of this segment.

The impact of the Covid-19 pandemic of the activity of IP Group in terms of loss of revenues, increase in costs, and the actions developed to protect public health and the health of employees is described hereinbelow.

IMPACT ON RESULTS

In comparative terms with 2019, in 2020 Sales and Services fell by € 303 million, of which € 139 million had direct impact on results, namely as concerns the RSC (-€ 117 million), IP road tolls (-€ 9 million), Railway fee (-€ 8 million) and Real Estate Management (-€ 5 million) (note 16).

An analysis by segment shows that the larger impact was felt by revenues associated with the use of the road network, namely Road Service Contribution and toll revenues

This reduction in the use of the road network is shown in the following figures:

- i) Decrease in diesel consumption by 14. % and gasoline consumption by 17,5%, over 2019;
- ii) Decrease in toll transactions by 134 million (-21%) over 2019.

As far as the railway network is concerned, the impact was lower, having affected the months of March and April in particular, which were the months when the National Emergency States were in force.

Additionally, the Group recorded significant losses (in % terms) in the business volume associated with the management of real estate.

EXPENSES ARISING FROM THE FIGHT AGAINST THE PANDEMIC

Total expenses recorded with working organisation measures, mitigation and fight against the Covid-19 pandemic in 2020 totalled € 2 million, as follows:

- Cleaning and disinfection measures: € 857 thousand
- Purchase of masks, gloves, temperature controllers, disinfection products: € 466 thousand
- Purchase of laptops, software and telecommunication expenses € 585 thousand
- Communication plan, increase in number of vehicles and electric equipment: € 96 thousand).

OPERATING ACTIVITIES

IP's operating activity did not suffer any relevant impact thanks to the mitigation measures implemented and the working model adopted, as can be seen at various levels:

- Maintenance of high levels of maintenance and repair activities;
- Increase in the financial implementation of investment activities by 29% over 2019;
- The road and railway networks remained completely available always.

PUBLIC-PRIVATE PARTNERSHIPS

In what concerns the road Public-Private Partnerships, following the declaration of the state of emergency, several sub-concessionaires and toll collection service providers notified IP that the pandemic declared by the WHO constituted a case of force majeure triggering the effects provided in respective contracts.

The pandemic situation also triggered restrictions to the free movement of people and the free exercise of economic activity.

These restrictions of rights correspond to the fulfilment of a contractual obligation, i.e. whenever an event occurs which private partners consider to qualify and lead to a financial disequilibrium of the sub-concession, they are required to communicate such situation to IP.

On the other hand, as they comply with this requirement, private partners are also required to communicate which obligations can be complied with and which cannot, for how long, and what are the mitigation measures that were adopted.

However, despite the restriction of rights mentioned above, no claim was made so far viewing the reinstatement of the financial balance.

33. SUBSEQUENT EVENTS

See accounting policy 2.3.18

I) COVID-19 3rd WAVE

A set of consecutive regulatory decrees were published in 2021, imposing and renewing a State of Emergency, from which resulted several restrictions to business activity and the free movement of people, with a view to contain the spreading of the pandemic.

This situation had obvious impact on the activity of IP Group.

As far as the road and railway activity is concerned (High Performance and Road and Railway Infrastructure segments) we point out a direct fall in Revenue during the first quarter of 2021, of about €Road Service Contribution € 24.5 million as against estimated budget figures, of which € 14.7 million are expected to have a direct impact on results, namely revenues from the Road Service Contribution, IP road tolls, and railway fees by respectively, € 11.6 million, € 2.2 million and € 0.9 million.

Additionally, revenues from State Concessions tolls fell by € 9.8 million.

As for the Management of Property and Commercial Areas segment, the set of decrees published in the first quarter of 2021 required a monthly follow-up and the implementation of measures directed to the segment's different clients, according to their specific characteristics, with direct impact on results of € 1.1 million.

It should be mentioned that IP maintained throughout 2020 a close cooperation with the State shareholder, in order to implement the most adequate solutions to meet additional funding requirements and thus safeguard the Group's financial sustainability and its ongoing operation.

II) SHARE CAPITAL INCREASE

Pursuant to unanimous written corporate resolutions dated 25 February 2021 and 06 April 2021, the share capital of IP was increased by € 393,605 thousand and € 22,080 thousand, through the issue of respectively, 78,721 and 4,416 shares with the nominal value of € 5,000 per share, subscribed and paid up by the Portuguese State, as shareholder.

III) INTERIM DECISION – ROTAS DO ALGARVE LITORAL (RAL)

On 9 March 2021 the Arbitration Court decided as a precautionary measure, to sentence IP to pay RAL the amount of € 30 million for works already carried out and a monthly amount of € 1.2 million until a decision on the main proceedings is reached.

Note that since these figures concern works already performed, they are included in accrued expenses (note 13.3.4).

IV) TOLL REDUCTION NEW LAW

The 2021 State Budget (articles 425 and 426) approved the introduction of reductions in toll rates, which implies a significant fall in IP toll revenues. The Government has not yet established how this measure will be applied or which corresponding compensatory measures will be provided.

Almada, 21 April 2021

The Executive Board of Directors

Financial Director

Digitally signed document

MARIA DO CARMO DUARTE FERREIRA

Certified Accountant

Digitally signed document

DIOGO MENDONÇA LOPES MONTEIRO

Chairman, ANTÓNIO CARLOS LARANJO DA SILVA

Digitally signed document

Vice-Chairman, JOSÉ SATURNINO SUL SERRANO GORDO

Digitally signed document

Vice-Chairman, CARLOS ALBERTO JOÃO FERNANDES

Digitally signed document

Member, ALBERTO MANUEL DE ALMEIDA DIOGO

Digitally signed document

Member, VANDA CRISTINA LOUREIRO SOARES NOGUEIRA

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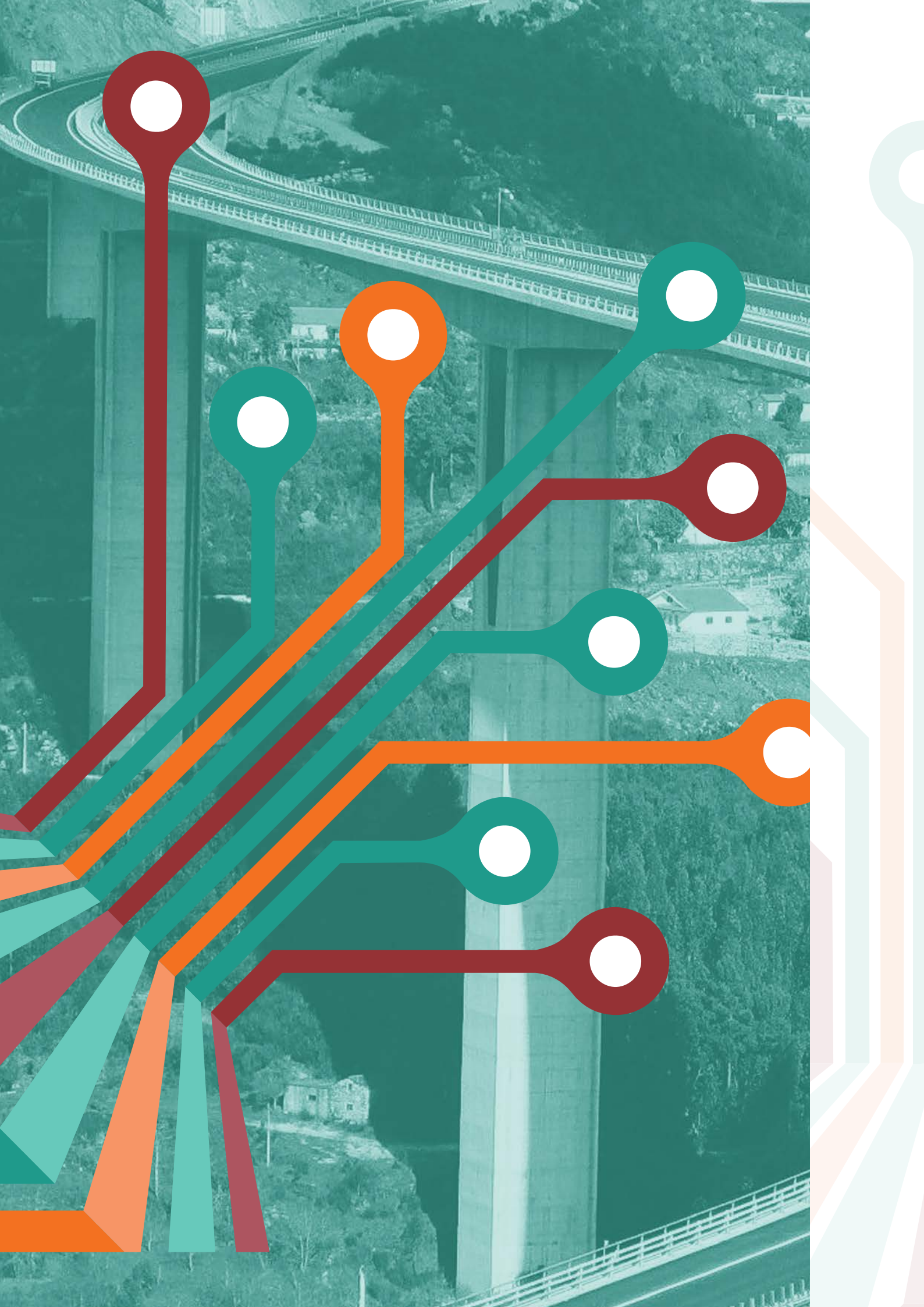
Member, ALEXANDRA SOFIA VIEIRA NOGUEIRA BARBOSA

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Part IV
Legal
Certification of
Accounts 2020







OPINION OF THE GENERAL AND SUPERVISORY BOARD

2020 Annual Report and Accounts

1. In compliance with the legal and statutory provisions applicable to Infraestruturas de Portugal, S.A, (IP), we herewith present our opinion on the Annual Report and Accounts for 2020, which includes the Management Report for 2020, the separate and consolidated financial statements and attached notes, the Corporate Governance Report for 2020 as well as the Standard 2020 GRI Table and corresponding audit reports and legal certifications of accounts all relating to the year ended at 31 December 2020, and the Proposal for the Appropriation of Results.
2. In the course of the financial year we monitored the Company's business activity, as and when deemed necessary. We verified the timeliness and adequacy of the accounting records and supporting documentation, as well as the effectiveness of the internal control system, insofar as it is relevant to IP's activity, the presentation of separate and consolidated financial statements, corporate governance, risk management and compliance, contracts, logistics system and the internal audit systems. We also ensured that the law and the Company's bylaws were duly complied with.
3. Within the scope of the above, we report the following:
 - The Executive Board of Directors (EBD) issued the quarterly budget implementation reports (4th quarter of 2019, and 1st, 2nd and 3rd quarters of 2020) under the terms of



article 13(1)(f) of IP's Statutes and article 44(1)(i) of the RJSPE; and the General Supervisory Board (GSB) issued the corresponding reports.

- In 2020 the State Budget Law established that the overall growth of the indebtedness of public undertakings must be limited to 2%, considering the interest-bearing financing adjusted to the paid-up share capital. Accordingly, if the capital increase is cleansed of the amounts allocated to the coverage of the payments of State Concessions, the ratio stands at -0.4%.
 - As regards the State's Treasury Unit Principle (TUP), as of 31 December IP held with IGCP – Public Debt and Treasury Management Agency liquid assets in the amount of € 246.7 million. Remaining liquid assets were deposited with the national banking system, following authorisation provided by IGCP, under the terms of notice 1881/2020 of 31 December, which authorised the use of certain retail banking services (exempting the company from complying with the TUC in such cases).
4. We have examined the adequacy of the understanding of the financial situation of IP, its results, comprehensive income, changes in equity and cash flows on a separate and consolidated basis as expressed in respective financial statements and corresponding attached Notes, complemented with the Legal Certifications of Accounts issued by "Vitor Almeida & Associados, SROC, Lda", and by the (external) Audit Reports issued by BDO & Associados, Sociedade de Revisores Oficiais de Contas, Lda, under the terms provided in Article 245(1)(b) of the Securities Code.
5. IP's Net Results in 2020 amounted to -€56.2 million, falling by €76 million over the previous year. The Executive Board of Directors proposes to appropriate the net results for 2020 in the negative amount of € - 56,199,361.92 (fifty six million one hundred ninety nine thousand three hundred sixty one Euro and ninety two cents) to cumulative results.



6. The consolidated financial information for the year ended at 31 December 2020 comprises the Consolidated Statement of Financial Position at 31 December 2020, (Total Assets of €27,306 million and Total Equity of € 8,528 million), the Consolidated Statements of Comprehensive Income, Changes in Equity and Cash Flow for the year ended at that date, and corresponding Notes to the consolidated financial statements. This information was complemented with the Legal certification of the Accounts and the Audit Report issued respectively by “Vitor Almeida & Associados, SROC, Lda.” and BDO & Associados, Sociedade de Revisores Oficiais de Contas, Lda., which comprise the report on the consolidated financial statements.

The consolidated net results of IP in 2020 totalled €-57.2 million, corresponding to a decrease by €75.7 million as compared to the previous year.

7. The GSB and its members individually, state that, to the best of their knowledge, the financial information examined (including separate and consolidated accounts) were prepared in accordance with relevant accounting standards, and give a true and fair view of the assets and liabilities, equity and cash flows, as well as the financial situation and results of issuer, and that the said Reports and Accounts adequately describe the evolution of the businesses, performance and position of IP, providing a true account of the main risks and uncertainties which it faces.

8. The GSB followed the work developed by the Official Auditor “Vitor Almeida & Associados, SROC, Lda.” and External Auditor, BDO & Associados, Sociedade de Revisores Oficiais de Contas, Lda, and assessed the Legal Certifications of the Accounts and Audit Reports on the Separate and Consolidated Financial Information, as well as the Relevant Audit Matters and Emphases expressed in the said Certifications and Reports, which were duly considered in the work developed to form our opinion.



9. We express our agreement to the legal certifications of the accounts and the Audit Reports on the Separate and Consolidated Financial Information, which were issued without reservations though with emphasis and mention of the Relevant Audit Matters, with which the GSB agrees, underlining moreover the importance of the contents of the Annual Report of the General and Supervisory Board for 2020 dated 23 April 2021, which must be read in conjunction and as complement with this Opinion.
10. Additionally, the effects and impacts at economic and financial levels of the Covid-19 pandemic must be taken into account, mainly as a result of the significant reduction in traffic and use of the road and railway networks occurred in 2020. The Company continues to develop its business and operations under the current circumstances. However, the GSB underlines the importance of the support of the shareholder State for the going concern of IP, for as long and as may be necessary in the light of the current circumstances.
11. The GSB underlines the importance of the support of the shareholder State for the going concern of IP, namely in the face of the following situations:
 - a) Effects and impacts at economic and financial levels of the Covid-19 pandemic on IP's results, mainly as a result of the significant reduction in traffic and use of the road and railway networks occurred in 2020. The Company continues to develop its business and operations under the current circumstances. The duration of this support will depend on how long this uncertain background will linger.
 - b) Materially relevant impact for the sustainability of IP's Business Model deriving from the introduction of new reductions in tolls, moreover since corresponding offsetting measures remain to be defined (articles 425 and 428 of 2020 State Budget).
12. Based on the work developed and taking into account what was reported in the previous paragraphs, the General and Supervisory Board delivers a favourable opinion on the Annual



Report and Accounts of IP for the year ended at 31 December 2020, presented by the Executive Board of Directors in the assessment of the accounts for the year.

13. Following appraisal of the Corporate Governance Report for 2020 presented by the EBD in Part IV of the Annual Report and Accounts for 2020, the GSB confirms that this document contains the current and complete information required about all matters provided in Chapter II of RJSPE, and that IP followed the instructions sent by DGTF (Directorate-General of the Treasury and Finance) in notice 174, of 12 January 2021, viewing the preparation of the said report. Likewise, the GBS attests that the said Report includes the elements provided in Article 245-A of the Securities Code, in the part applicable to IP as issuing company exclusively held by the State.
14. Accordingly, taking into account the information received from the Executive Board of Directors and other bodies and departments of IP, as well as the opinions and emphases in the Relevant Audit Matters, expressed in the legal certifications of accounts and the audit reports on the separate and consolidated financial information as well as the impact of the event mentioned in Paragraph 10, it is our opinion that the General Meeting of IP should approve:
 - a. The 2020 Annual Report, which includes the Management Report, the Separate and Consolidated Financial Statements and attached notes and the Corporate Governance Report for 2020 (Part IV of the Annual Report and Accounts);
 - b. The Proposal for the Appropriation of Results for 2020 presented by the BDE to Cumulative Results.

Pursuant to article 376 (1)(c) of the Companies Code, the General Meeting is also responsible for the general appraisal of the management and supervision of the Company.

Pragal, 23 April 2021



The General and Supervisory Board

José Emilio Castel-Branco

Duarte Pitta Ferraz





LEGAL CERTIFICATION OF THE ACCOUNTS

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have examined the financial statements of **INFRAESTRUTURAS DE PORTUGAL, S.A.** (the Company), which comprise the Statement of Financial Position at 31 December 2020 (showing a total of € 27,261,900 thousand and total equity of €8,492,224 thousand, including net losses of €56,199 thousand), the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the financial year ending on that date, as well as the notes to the financial statements, which include a summary of the relevant accounting policies.

In our opinion, the financial statements attached hereto give a true and fair view, in all materially relevant aspects, of the financial position of **Infraestruturas de Portugal, S.A.**, at 31 December 2020 and its financial performance and cash flows in the year ended on the said date, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

BASES OF THE OPINION

We conducted our audit in accordance with the International Standards on Auditing (ISA) and the technical and ethical standards of the Certified Auditors Association (Ordem dos Revisores Oficiais de Contas). Our responsibilities as provided in the said standards are described in section "Auditor's responsibilities for the audit of the financial statements" hereinbelow. We are independent from the Entity, under the terms of the law, and we comply with relevant ethical requirements under the terms of the Code of Ethics of the Certified Auditors Association.

We believe that the audit evidence obtained is sufficient and appropriate to provide a base for our opinion.

EMPHASES

1. As reported in Section 5.6.1. of the Management Report, the Audit Court through Ruling 13/2019, confirmed its refusal to grant approval to the Algarve Litoral Amended Sub-concession Contract agreed with the Sub-concessionaire following a renegotiation process. The Company appealed against such ruling to the Constitutional Court. In 2020 following refusal of the appeal, IP appealed to the Plenary of the Constitutional Court, but was again turned down by Decision 58/2021, of 22 January.

However, on 17 July 2019, the Sub-concessionaire requested that the sub-concession contract was deemed terminated on the grounds that it could not be enforced, which was not accepted by the Entity, which deemed that in view of the approval's refusal, the reformed contract previously in force should be enforced, whereby payments

to the Sub-concessionaire would only be due when the construction of the initial object was completed, which has still not happened. In the light of this situation, on 17 July 2019 the Sub-concessionaire requested the appointment of an Arbitration Court, which was set up on 11 February 2020. Within the scope of these proceedings the Sub-concessionaire filed an injunction, requesting the early payment of € 30,008 thousand, added of monthly sums of € 1,163 thousand until a final decision is reached, such amount increasing to € 1,263 thousand, following 45 days of such decision. On 9 March 2021 the Arbitration Court accepted the claim; the entity has already paid the first of the said amounts.

We point out, however, that this payment is made on account of the expenditure made by the Sub-concessionaire, and recognised as such in the Entity's assets, against respective liabilities.

It should also be noted that in the decision above the Arbitration Court did not accept the Sub-concessionaire's additional claim, namely the right to immediately terminate the existing agreement.

The main claim, viewing the rescission of the reformed contract, as well as the other claim for compensation filed by the funding entities, are still pending, as mentioned in Note 31 of the Notes to Financial Statements; therefore, any impact deriving from their outcome is not yet known.

2. As disclosed in Note 9 of the Financial Statements, caption "State and other Public Entities" in current assets, in the amount of € 1,621,341 thousand, includes €1,621,085 thousand relating to VAT - Value Added Tax to recover; the company has already requested the reimbursement of €227,562 thousand relating to 2008 and the first 10 months of 2009.

Inspections carried out by the Tax Authorities gave rise to the issuing of several additional tax settlements relating to VAT, totalling € 1,692,752 thousand. To this amount adds the sum of € 94,511 thousand relating to interest determined as of the date of respective additional tax settlements .

All these additional tax settlements are being legally challenged, which is why they were not recognised in the accounts. These additional settlements result from the Tax Authority assuming, conversely to what is the Executive Board of Directors' understanding, that the Road Sector Contribution is not a revenue subject to VAT, therefore not being eligible for the deduction of the VAT on activities financed by this revenue.

As disclosed in the said Note 9, the Company was notified on 17 October 2017 of the Decision overturning the decision appealed against in relation to one of the legal proceedings (tax of € 64,506 thousand), which considered the challenge totally justifiable and cancelled the additional tax settlements issued by the Tax Authority, which appealed against this decision to the Administrative Supreme Court. The final decision is still pending.

Adopting a prudential standpoint, and as disclosed in Note 12 to the Financial Statements, the Company includes in Caption 'Non Current Liabilities', under heading 'Provisions', the amount of € 422,377 thousand relating to the VAT deducted over the years, associated with activities funded by the Road Sector Contribution, though not including any interest that may arise if the final decision is unfavourable to the Company.

However, should the understanding of the Tax Authority finally prevail, the impact resulting from a possible non reimbursement of the VAT deducted over the years would have as result its recognition as a component of the acquisition cost of the Intangible Asset, therefore not resulting in any immediate consequences in terms of result for the period concerned, as it would only give rise to a reclassification of accounts, on the assets side. However, impacts would occur in a diluted way throughout the remaining period of the concession, namely an increase in amortisation to be recognised in each of the remaining years of the road concession, until 2082.

3. As mentioned in Notes 13.3.2. to the Financial Statements, the State, as shareholder, provided funding to the Company, amounting as of 31 December 2020 to €2,343,354 thousand, including € 117,110 thousand of accrued interest, recorded in current liabilities. Of this sum, the amount of € 2,215,578 thousand relating to principal already exceeded the initially established reimbursement date.

However, this situation does not prevent the Entity from complying with its contractual obligations, since the State granted a moratorium on these loans, and decided not to charge interest as from the initial repayment date, but also because the asset caption includes a sum receivable from the State in the net amount of € 3,914,002 thousand, recorded in current assets as mentioned in Note 11.2.1. to the Financial Statements, relating to investments made by the Group on behalf of the State, in Long Duration Infrastructures (LDI), deducted of grants, received amounts and other recognised impairment.

4. As mentioned in Note 32 to the Financial Statements relating to subsequent events, the impacts deriving from the third wave of the Covid19 pandemic will have additional implications in the Entity's activity, particularly in what concerns its operating income; such impacts are impossible to determine at the moment, but they are unlikely to affect the Entity's ongoing operation.

Our opinion did not change in relation to these matters.

RELEVANT AUDIT MATTERS

Relevant audit matters are those which, in our professional judgement, had larger importance in the audit of the financial statements for the current year. These matters were considered in the context of the audit of the financial statements as a whole, and when forming our opinion, we do not issue a separate opinion on these matters.

Description of the more significant risks of material misstatement identified	Summary of the answer provided to the more significant risks of material misstatement identified
<p>Recognition of the Intangible Asset - Road Concession Right</p> <p>As mentioned in the Notes to the Financial Statements, specifically in Notes 2.2.6., 2.3. and 5., the Entity entered a concession contract with the State (sole shareholder), allowing the recognition of the Road Concession Right until the end of 2082.</p> <p>In accordance with the said Contract, the Entity recognises this concession right as an intangible asset, in accordance with provisions in IFRIC12, which is increased by the investment already made and the estimated expenditure to be made in the National Road Network and the Network under Concession, corresponding therefore to the overall amount of the costs incurred and liabilities assumed within the scope of the general concession for the national road network.</p> <p>The concession right implies the obligation of maintaining the average quality level of the road network, considering estimated annual expenses of € 55.7 million, and a cumulative amount of € 323,725 thousand, determined based on internal estimates which take into consideration the type of network and specific intervention strategies.</p> <p>The depreciation of intangible assets is based on the production unit method, where production unit is deemed to be the best estimate of the revenues directly associated with the rights already acquired by the Entity.</p>	<p>In order to mitigate the risks of material misstatement in the Intangible Asset - Concession Right, the adjusted audit methodology developed is based on the understanding of the controls and procedures implemented and maintained by the Entity.</p> <p>Additionally, a set of relevant audit procedures was developed, including the following:</p> <ul style="list-style-type: none"> ▪ Analysis of the information supporting accounting operations, validation of underlying assumptions and replication of the calculations of increases and decreases in gross assets and respective depreciation; ▪ Analysis of the Entity's business model supporting the measurement of the intangible asset and the recognition of its depreciation, with particular attention to the coherence and consistency of the underlying assumptions and respective evolution as compared to the previous year; ▪ Analysis of contracts and respective relevant annexes, including the validation of their consistency and compliance with values recognised for accounting purposes;

Description of the more significant risks of material misstatement identified	Summary of the answer provided to the more significant risks of material misstatement identified
<p>Given the significant level of judgements and estimates implicit in the considerably large period of the road concession, which are based on macro economic and management assumptions, as well as future expenditure policies, and since future events often do not occur as expected, due to external factors, namely as regards the evolution of macro economic variables, political orientations or social and economic changes, with significant impact on its economic and financial performance, which is particularly relevant since these Assets account for 76.4% of Total Assets, this set of subjects is considered as a relevant audit matter.</p>	<ul style="list-style-type: none"> ▪ Documentary check, on a sampling basis, of the amount of investment in the year, and the capitalisation of financial expenses with construction; ▪ Validation of the external confirmation of Concessionaire and Sub-concessionaires, including respective balances and review of the reconciliation made.
<p>Recognition of the Financial Asset - Account receivable - State Grantor (Railway)</p> <p>As mentioned in Notes 2.2.10., 2.3, and 11.2.1 to the Financial Statements, the Entity is responsible for the construction and renewal of long duration railway infrastructures, according to Government Directives, with funding provided through capital, subsidies and loans most of which guaranteed by the State, which acts as agent with regard to this activity.</p> <p>Based on this understanding, the effects relating to this activity are recognised and measured in accordance with IFRIC 12, considering that investment activity in long duration infrastructures (LDIs) implies the existence of a concession with the State, in the form of "accounts receivable" (financial asset) charged to the "State Grantor", and initially recognised at fair value.</p> <p>The financial asset, which amounted to € 3,914,002 thousand, in net terms, at the end of 2020, reflects the net value receivable from the State, generated by the expenses borne with the investment made in the railway infrastructure, added of the interest on loans which are considered as charged to the concession, and deducted of the sale value of these assets, where applicable, and the subsidies received, relating to such assets.</p>	<p>In order to mitigate the risks of material misstatement with regard to Financial Assets - Account receivable - State Grantor (Railway), we developed the following audit procedures:</p> <ul style="list-style-type: none"> ▪ Analysis of the supporting information to accounting operations associated with the assumption of this responsibility by the Entity, validation of underlying assumptions and replication of the calculations of increases and decreases in the financial asset; ▪ Analysis of the contracts and validation of their consistency and compliance with calculations and assumptions; ▪ Documentary check, on a sampling basis, of the amount of investment made in LDI in the year; ▪ Documentary check and analysis of the funding considered as allocated to funding of LDI, and allocation of respective financial expenses; ▪ Confirmation of the approval of the consolidated financial statements relating to 2019 by the shareholder State,

Description of the more significant risks of material misstatement identified	Summary of the answer provided to the more significant risks of material misstatement identified
<p>Considering that the financial asset results from the direct allocation of expenses associated with the investment in the National Railway Network, including financial expenses, made unilaterally by the Entity, the associated risk derives from the allocation of such amounts to the State Grantor, and respective recognition by the latter, thereby being considered a relevant audit matter.</p>	<p>which is also the grantor of the railway infrastructure, assuming that by approving these financial statements, it is implicitly recognising the amount of expenses borne with investment in LDI which was not reimbursed to the Entity by the State.</p>
<p>Recognition of income associated with relevant activities developed by the Entity</p> <p>As mentioned in the Notes to the Financial Statements, specifically in Notes 2.2.14. 3, and 14, revenue recognised in 2020 associated with the road sector comprises the amount of € 916,416 thousand, stemming mainly from the Road Service Contribution (64%) and toll revenues (30%); it should be said, however, that this toll revenue amount is partly recognised as expenses and, consequently, deducted to the cost of Intangible Asset - Concession Right, which will occur until the end of the initial period of each of the concessions granted to private partners integrating the Entity's global concession</p> <p>Note the revenue recognised in 2020 in the amount of € 105,382 thousand stemming mainly from the management of the railway infrastructure, added of the compensatory allowance granted in the year, in the amount of € 55,055 thousand.</p> <p>Taking into account the impact of revenue in the Statement of Comprehensive Income and the specificity of not all revenues being recognised as revenue, namely revenues stemming from the concessioned network, this issue is considered to be a relevant audit matter.</p>	<p>In order to mitigate the risks of material misstatement in the recognition of income from the relevant activities developed by the Entity, the audit methodology developed is based on the understanding of the controls and procedures implemented and maintained by the Entity and in the development of a set of relevant audit procedures, which include the following:</p> <ul style="list-style-type: none"> ▪ External confirmation of the revenue charged concerning the Road Sector Contribution, by verifying the transfers occurred and replication of the calculations. Additionally, we replicated the global calculation relating to the determination of this nature of revenue recognised in the period, based on the information available on the website of the Tax Authority, relating to the volume of fuel recorded as consumed, according to type of product, in order to determine the Road Service Contribution, for which we requested and were given all necessary clarifications; ▪ In what concerns the revenue from tolls, we obtained the confirmations with the sub-concessionaires, to confirm the amounts recognised during the year and, where necessary, we analysed the information reported by the said entities to the Entity; ▪ In what concerns the revenue associated with the construction services of road infrastructures, its validation was carried out by analysing the costs incurred and the external confirmations obtained;

Description of the more significant risks of material misstatement identified	Summary of the answer provided to the more significant risks of material misstatement identified
	<ul style="list-style-type: none"> ▪ With regard to the revenue relating to the management of the railway Infrastructure, documentary checks were carried out on a sample basis, of the amount recognised and their accordance with the accounting records.

RESPONSIBILITIES OF THE MANAGEMENT BODY AND THE SUPERVISORY BODY FOR THE FINANCIAL STATEMENTS

The management body is responsible for:

- preparing financial statements which give a true and appropriate view of the financial position of the Entity, its financial performance and cash flows, in accordance with the International Financial Reporting Standards (IFRS), as adopted in the European Union;
- Preparing the management report, including the corporate governance report and the non financial statement, in accordance with the applicable legal and regulatory rules;
- designing, implementing and maintaining an appropriate internal control to allow the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances; and
- assessing the Entity's ability to continue as going concern, disclosing, where applicable, any subject that may cast significant doubt upon their ability to continue as a going concern.

The Supervisory Body is responsible for the supervision of the process of preparation and disclosure of the financial information of the Entity.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our responsibility is to obtain reasonable assurance about whether the financial statements taken as a whole are free of material misstatement, whether caused by fraud or error, and issue a report expressing our opinion. Reasonable assurance is a high level of assurance, however, it is not a guarantee that an audit conducted according to ISAs will always detect a material misstatement if it exists. Misstatements may originate from fraud or error and they are considered material if separately or jointly, they could influence the economic decisions of users of the financial statements.

As part of an audit conducted according to ISAs, we make professional judgements and maintain professional scepticism during the audit and:

- we identify and assess the risks of material misstatement of the financial statements due to fraud or error, we design and perform audit procedures which respond to such risks, and we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than not detecting one resulting from error, as fraud may involve collusion, forgery, deliberate failure to record transactions, or intentional misrepresentations or overriding of internal control procedures;
- we obtain an understanding of the relevant internal control for the audit with the purpose of designing audit procedures that are appropriate in the circumstances, but not to express an opinion on the efficacy of the internal control of the Entity;
- we assess the adequacy of the accounting policies used and the reasonability of accounting estimates and respective disclosures made by the management body;
- we conclude as to the appropriate use by the management body of the going concern assumption and, based on the audit evidence obtained, as to whether any material uncertainty exists relating to events or conditions that may cast significant doubt upon the ability of the Entity to continue as a going concern. If we conclude that a material uncertainty exists, we must draw attention in our report to related disclosures included in the financial statements or, if such disclosures are not appropriate, we must alter our opinion. Our conclusions are based on audit evidence obtained until the date of our report. However, future events or conditions may cause the Entity to cease to continue as going concern;
- we assess the presentation, structure and overall contents of the financial statements, and whether such financial statements reflect the underlying transactions and events in order to achieve a fair presentation;
- amongst other issues, we communicate to governance officers, including the supervisory body, the scope and schedule of the audit, and the relevant conclusions of the audit, including any relevant internal control deficiency identified during the audit.
- Amongst the issues communicated to governance officers, including the supervisory body, we determine those which were considered more important in the audit of the financial statements for the current year and which are relevant audit matters. We describe those matters in our report, except if the law or regulation prohibit their public disclosure;
- We declare to the Supervisory Board that we complied with the ethical requirements concerning independence and we communicate to the Board all relations and other matters that may be perceived as threatening our independence, and where applicable, respective measures taken to eliminate the threats.

Our audit also includes verifying that the financial information contained in the management report is consistent with the financial statements presented, making the verifications provided in paragraphs 4 and 5 of article 451 of the Companies Code relating to Corporate Governance, and verifying that the non financial statement was presented.

REPORTING ON OTHER LEGAL AND REGULATORY REQUIREMENTS

ON THE MANAGEMENT REPORT

In compliance with provisions in article 451(3)(e) of the Companies Code, it is our opinion that the management report was prepared according to the legal and regulatory requirements in force, and that the information contained therein is consistent with the financial statements audited, and taking into account our knowledge and assessment of the entity, we did not identify material misstatements. Note that the Entity opted to present a single management report, covering both the individual and consolidated accounts, as permitted under the terms of article 508C(6) of the Companies Code. As provided in article 451(7) of the Companies Code, this opinion does not apply to the non financial statement included in the management report.

ON THE CORPORATE GOVERNANCE REPORT

In compliance with article 451(4) of the Companies Code, it is our opinion that the Corporate Governance Report includes the elements legally required under the terms of article 245-A of the Securities Code, and we did not detect any material misstatement in the information provided therein, complying with provisions in sub-paragraphs c), d), f), h), i) and m) of paragraph 1) of the the said article.

ON THE NON FINANCIAL INFORMATION

In compliance with article 451(6) of the Companies Code, we inform that the Entity included in its management report the non financial statement, as provided in article 66B of the said Code.

ON ADDITIONAL ELEMENTS PROVIDED IN ARTICLE 10 OF (EU) REGULATION NO. 537/2014

Pursuant to article 10 of the European Parliament and of the Council no. 537/2014 of 16 April 2014, in addition to the relevant audit matters referred to hereinabove, we point out the following:

- We were appointed as Statutory Auditor of the Entity for the first time on 13 April 2017, according to Corporate Written Resolution, for the the 2016-2017 term of office. We were appointed at the General Shareholder's Meeting held on 19 March 2019 for a second mandate, from 2018 to 2020.

- The management body has confirmed to us that it is unaware of any fraud or suspect of fraud with material impact on the financial statements. We planned and prepared our audit according to ISAs, maintaining our professional scepticism and we designed audit procedures to respond to the possibility of any material misstatement in the financial statements due to fraud. In our work, we did not identify any material misstatement in the financial statements due to fraud.
- We confirm that the audit opinion issued herein is consistent with the additional report which we prepared and submitted to the Supervisory Board on this same date.
- We warrant that we did not provide any services forbidden under the terms of article 77(8) of the Statutes of the Association of Statutory Auditors and that we maintained our independence in relation to the Entity throughout our audit.
- We further inform that, in addition to the audit, we provided the following services permitted by law and the regulations in force:
 - o Certification of the following projects within the scope of the Programme: INTERREG- Espaço Atlântico:
 - Application: SIRMA;
 - Application: IN2SMART;
 - o Certification of the following projects within the scope of the Horizon 2020 Programme:
 - Application: IN2TRAC.

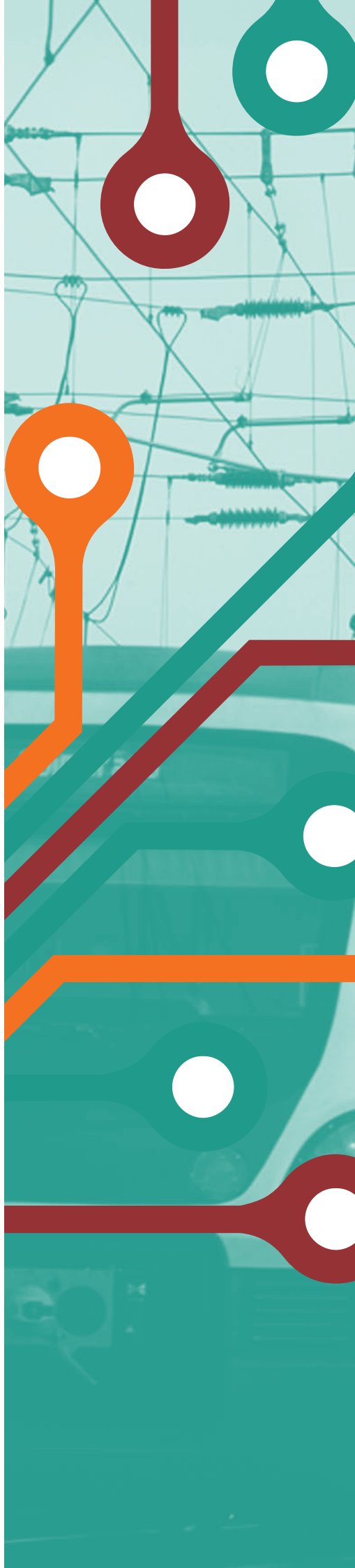
Lisbon, 23 April 2021

VITOR ALMEIDA & ASSOCIADOS, SROC, LDA.

Represented by:

Vitor Manuel Batista de Almeida

(Registered with the OROC under number 691 and with CMVM under number 20160331)



LEGAL CERTIFICATION OF THE ACCOUNTS

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of **Infraestruturas de Portugal, S.A.** (the Group), which comprise the Consolidated Statement of Financial Position as at 31 December 2020 (showing a total of € 27,305,685 thousand and total shareholder's equity of € 8,528,368 thousand, including net losses of € 57,193 thousand), the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the financial year ending on that date, as well as the notes to the consolidated financial statements, which include a summary of the relevant accounting policies.

In our opinion, the consolidated financial statements attached hereto give a true and fair view, in all materially relevant aspects, of the consolidated financial position of **Infraestruturas de Portugal, S.A.**, as at 31 December 2020 and its financial performance and consolidated cash flows in the year ended on the said date, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

BASES OF THE OPINION

We conducted our audit in accordance with the International Standards on Auditing (ISA) and the technical and ethical standards of the Certified Auditors Association (Ordem dos Revisores Oficiais de Contas). Our responsibilities as provided in the said standards are described in section "Auditor's responsibilities for the audit of the consolidated financial statements" hereinbelow. We are independent from the entities which compose the Group as legally required and we comply with relevant ethical requirements under the terms of the Code of Ethics of the Certified Auditors Association.

We believe that the audit evidence obtained is sufficient and appropriate to provide a base for our opinion.

EMPHASES

1. As reported in Section 5.6.1. of the Management Report, the Audit Court through Ruling 13/2019, confirmed its refusal to grant approval to the Algarve Litoral Amended Sub-concession Contract agreed with the Sub-concessionaire following a renegotiation process. The Group's parent-company appealed against such ruling to the Constitutional Court. In 2020 following refusal of the appeal, the Group's parent-company appealed to the Plenary of the Constitutional Court, but was again turned down by Decision 58/2021, of 22 January. However, on 17 July 2019, the Sub-concessionaire requested that the sub-concession contract was deemed terminated on the grounds that it could not be enforced, which was not accepted by the Group's parent-company,

which deemed that in view of the approval's refusal, the reformed contract previously in force should be enforced, whereby payments to the Sub-concessionaire would only be due when the construction of the initial object was completed, which has still not happened. In the light of this situation, on 17 July 2019 the Sub-concessionaire requested the appointment of an Arbitration Court, which was set up on 11 February 2020. Within the scope of these proceedings the Sub-concessionaire filed an injunction, requesting the early payment of € 30,008 thousand, added of monthly sums of € 1,163 thousand until a final decision is reached, such amount increasing to € 1,263 thousand, following 45 days of such decision. On 9 March 2021 the Arbitration Court accepted the claim; the Group's parent-company has already paid the first of the said amounts.

We point out, however, that this payment is made on account of the expenditure made by the Sub-concessionaire, and recognised as such the Group's balance sheet assets, against respective liabilities.

It should also be noted that in the decision above the Arbitration Court did not accept the Sub-concessionaire's additional claim, namely the right to immediately terminate the existing agreement.

The main claim, viewing the rescission of the reformed contract, as well as the other claim for compensation filed by the funding entities, are still pending, as mentioned in Note 32 of the Notes to Financial Statements; therefore, any impact deriving from their outcome is not yet known.

2. As disclosed in Note 11 of the Consolidated Financial Statements, caption "State and other Public Entities" in current assets, in the amount of € 1,622,049 thousand, includes €1,621,794 thousand relating to VAT - Value Added Tax to recover; the company has already requested the reimbursement of €227,562 thousand relating to 2008 and the first 10 months of 2009.

Inspections carried out by the Tax Authorities gave rise to the issuing of several additional tax settlements relating to VAT, totalling € 1,692,752 thousand. To this amount adds the sum of € 94,511 thousand relating to interest determined as of the date of respective additional tax settlements .

All these additional tax settlements are being legally challenged, which is why they were not recognised in the accounts. These additional settlements result from the Tax Authority assuming, conversely to what is the Executive Board of Directors' understanding, that the Road Sector Contribution is not a revenue subject to VAT, therefore not being eligible for the deduction of the VAT on activities financed by this revenue.

As disclosed in the said Note 11, the Group's parent-company was notified on 17 October 2017 of the Decision overturning the decision appealed against in relation to one of the legal proceedings (tax of € 64,506 thousand),

which considered the challenge totally justifiable and cancelled the additional tax settlements issued by the Tax Authority, which appealed against this decision to the Administrative Supreme Court. The final decision is still pending.

Adopting a prudential standpoint, and as disclosed in Note 14 to the Consolidated Financial Statements, the Group includes in Caption 'Non Current Liabilities', under heading 'Provisions', the amount of € 422,377 thousand relating to the VAT deducted over the years, associated with activities funded by the Road Sector Contribution, though not including any interest that may arise if the final decision is unfavourable to the Group.

However, should the understanding of the Tax Authority finally prevail, the impact resulting from a possible non reimbursement of the VAT deducted over the years would have as result its recognition as a component of the acquisition cost of the Intangible Asset, therefore not resulting in any immediate consequences in terms of result for the period concerned, as it would only give rise to a reclassification of accounts, on the assets side. However, impacts would occur in a diluted way throughout the remaining period of the concession, namely an increase in amortisation to be recognised in each of the remaining years of the road concession, until 2082.

3. As mentioned in Notes 13.3.2. to the Consolidated Financial Statements, the State, as shareholder, provided funding to the Group's parent company, amounting as of 31 December 2020 to €2,343,354 thousand, including € 117,110 thousand of accrued interest, recorded in current liabilities. Of this sum, the amount of € 2,215,578 thousand relating to principal already surpassed the initially established reimbursement date.

However, this situation does not prevent the Group's parent-company from complying with its contractual obligations, since the State granted a moratorium on these loans, and decided not to charge interest as from the initial repayment date, but also because the asset caption includes a sum receivable from the State in the net amount of € 3,914,516 thousand, recorded in current assets as mentioned in Note 13.2.1. to the Consolidated Financial Statements, relating to investments made by the Group on behalf of the State, in Long Duration Infrastructures (LDI), deducted of grants, received amounts and other recognised impairment.

4. As mentioned in Note 33 to the Consolidated Financial Statements relating to subsequent events, the impacts deriving from the third wave of the Covid19 pandemic will have additional implications in the Entity's activity, particularly in what concerns its operating income; such impacts are impossible to determine at the moment, but they are unlikely to affect the ongoing operation of Group companies.

Our opinion did not change in relation to these matters.

RELEVANT AUDIT MATTERS

Relevant audit matters are those which, in our professional judgement, had larger importance in the audit of the consolidated financial statements for the current year. These matters were considered in the context of the audit of the consolidated financial statements as a whole, and when forming our opinion, we do not issue a separate opinion on these matters.

Description of the more significant risks of material misstatement identified	Summary of the answer provided to the more significant risks of material misstatement identified
<p>Recognition of the Intangible Asset - Road Concession Right</p> <p>As mentioned in the Notes to the Consolidated Financial Statements, specifically in notes 2.3.6., 2.4. and 6., the parent company entered a concession contract with the State (sole shareholder), allowing the recognition of the Road Concession Right until the end of 2082.</p> <p>In accordance with the said Contract, the Group recognises this concession right as an intangible asset, in accordance with provisions in IFRIC12, which is increased by the investment already made and the estimated expenditure to be made in the National Road Network and the Network under Concession, corresponding therefore to the overall amount of the costs incurred and liabilities assumed within the scope of the general concession for the national road network.</p> <p>The concession right implies the obligation of maintaining the average quality level of the road network, considering estimated annual expenses of € 55.7 million, and a cumulative amount of € 323,725 thousand, determined based on internal estimates which take into consideration the type of network and specific intervention strategies.</p> <p>The depreciation of intangible assets is based on the production unit method, where production unit is deemed to be</p>	<p>In order to mitigate the risks of material misstatement in the Intangible Asset - Concession Right, the adjusted audit methodology developed is based on the understanding of the controls and procedures implemented and maintained by the Group.</p> <p>Additionally, a set of relevant audit procedures was developed, including the following:</p> <ul style="list-style-type: none"> ▪ Analysis of the information supporting accounting operations, validation of underlying assumptions and replication of the calculations of increases and decreases in gross assets and respective depreciation; ▪ Analysis of the Group's business model supporting the measurement of the intangible asset and the recognition of its depreciation, with particular attention to the coherence and consistency of the underlying assumptions and respective evolution as compared to the previous year; ▪ Analysis of contracts and respective relevant annexes, including the validation of their consistency and compliance with values recognised for accounting purposes;

Description of the more significant risks of material misstatement identified	Summary of the answer provided to the more significant risks of material misstatement identified
<p>the best estimate of the revenues directly associated with the rights already acquired by the Group.</p> <p>Given the significant level of judgements and estimates implicit in the considerably large period of the road concession, which are based on macro economic and management assumptions, as well as future expenditure policies, and since future events often do not occur as expected, due to external factors, namely as regards the evolution of macro economic variables, political orientations or social and economic changes, with significant impact on its economic and financial performance, which is particularly relevant since these Assets account for 76.3% of Total Assets, this set of subjects is considered as a relevant audit matter.</p>	<ul style="list-style-type: none"> ▪ Documentary check, on a sampling basis, of the amount of investment in the year, and the capitalisation of financial expenses with construction; ▪ Validation of the external confirmation of Concessionaire and Sub-concessionaires, including respective balances and review of the reconciliation made.
<p>Recognition of the Financial Asset - Account receivable - State Grantor (Railway) As mentioned in notes 2.3.10., 2.4, and 13.2.1 of the Consolidated Financial Statements, the parent company is responsible for the construction and renewal of long duration railway infrastructures, according to Government Directives, with funding provided through capital, subsidies and loans most of which guaranteed by the State, which acts as agent with regard to this activity.</p> <p>Based on this understanding, the effects relating to this activity are recognised and measured in accordance with IFRIC 12, considering that investment activity in long duration infrastructures (LDIs) implies the existence of a concession with the State, in the form of "accounts receivable" (financial asset) charged to the "State Grantor", and initially recognised at fair value.</p> <p>Financial assets, which amounted to € 3,914,516 thousand, in net terms, at the end of 2020, reflects the net value receivable from the State, generated by the expenses borne with the investment made in the railway infrastructure, added of the interest on loans which are considered as charged to the concession, and deducted of the sale value of these assets,</p>	<p>In order to mitigate the risks of material misstatement with regard to Financial Assets - Account receivable - State Grantor (Railway), we developed the following audit procedures:</p> <ul style="list-style-type: none"> ▪ Analysis of the supporting information to accounting operations associated with the assumption of this responsibility by the Group, validation of underlying assumptions and replication of the calculations of increases and decreases in the financial asset; ▪ Analysis of the contracts and validation of their consistency and compliance with calculations and assumptions; ▪ Documentary check, on a sampling basis, of the amount of investment made in LDI in the year; ▪ Documentary check and analysis of the funding considered as allocated to funding of LDI, and allocation of respective financial expenses;

Description of the more significant risks of material misstatement identified	Summary of the answer provided to the more significant risks of material misstatement identified
<p>where applicable, and the subsidies received, relating to such assets.</p> <p>Considering that the financial asset results from the direct allocation of expenses associated with the investment in the National Railway Network, including financial expenses, made unilaterally by the Group, the associated risk derives from the allocation of such amounts to the State Grantor, and respective recognition by the latter, thereby being considered a relevant audit matter.</p>	<ul style="list-style-type: none"> ▪ Confirmation of the approval of the consolidated financial statements relating to 2019 by the shareholder State, which is also the grantor of the railway infrastructure, assuming that by approving these financial statements, it is implicitly recognising the amount of expenses borne with investment in LDI which was not reimbursed to the Group by the State.
<p>Recognition of income associated with relevant activities developed by the Group</p> <p>As mentioned in the Notes to the Consolidated Financial Statements, specifically in Notes 2.3.14. 3, and 16, revenue recognised in 2020 associated with the road sector comprises the amount of € 916,416 thousand, stemming mainly from the Road Service Contribution (64%) and toll revenues (30%); it should be said, however, that this toll revenue amount is partly recognised as expenses and, consequently, deducted to the cost of Intangible Asset - Concession Right, which will occur until the end of the initial period of each of the concessions granted to private partners integrating the Entity's global concession</p> <p>Note the revenue recognised in 2020 in the amount of € 110,934 thousand stemming mainly from the management of the railway infrastructure, added of the compensatory allowance granted in the year, in the amount of € 55,055 thousand.</p> <p>Taking into account the impact of revenue in the Consolidated Statement of Comprehensive Income and the specificity of not all revenues being recognised as revenue, namely revenues stemming from the concessioned network, this issue is considered to be a relevant audit matter.</p>	<p>In order to mitigate the risks of material misstatement in the recognition of income from the relevant activities developed by the Group, the audit methodology developed is based on the understanding of the controls and procedures implemented and maintained by the Group and in the development of a set of relevant audit procedures, which include the following:</p> <ul style="list-style-type: none"> ▪ External confirmation of the revenue charged concerning the Road Sector Contribution and replication of the calculations. ▪ Validation of the external confirmation of sub-concessionaires with respective accounting calculations; ▪ Documentary check, on a sampling basis, of the amount of income recognised relating to the management of the railway infrastructure and its compliance with accounting records.
<p>Recognition of Goodwill</p>	

Description of the more significant risks of material misstatement identified	Summary of the answer provided to the more significant risks of material misstatement identified
<p>As disclosed in point 2.3.1 and 5 of the Notes to the Consolidated Financial Statements, caption Goodwill recorded in the balance sheet in the amount of € 21,687 thousand corresponds to the acquisition in 2014 of the remaining capital of GIL - Gare Intermodal de Lisboa, S.A., considered as a cash-generating unit according to IAS 36, where its recoverable value is recognised based on its value in use.</p> <p>Annually, impairment tests are carried out according to the assumptions provided in point 5 of the Notes to Consolidated Financial Statements.</p> <p>Taking into account the considerable number of estimates and judgements associated with the determination of the recoverable value of goodwill, it is considered a relevant audit matter.</p>	<p>In order to mitigate the risks of material misstatement with regard to the recognition of Goodwill, we developed the following audit procedures:</p> <ul style="list-style-type: none"> ▪ Confirmation of the acquisition value of the investment and respective goodwill determined at the date of acquisition; ▪ Validation of the underlying assumptions to the determination of goodwill; ▪ Analysis of projected cash flows and other assumptions used in the calculation of the amount recoverable of this cash-generating unit; ▪ checking of the impairment tests made to the value of Goodwill; ▪ Analysis of other information supporting the accounting operations associated with this recognition and revision of the calculations made and conclusions obtained.

RESPONSIBILITIES OF THE MANAGEMENT BODY AND THE SUPERVISORY BODY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The management body is responsible for:

- preparing consolidated financial statements which give a true and appropriate view of the consolidated financial position of the Group, its financial performance and consolidated cash flows, in accordance with the International Financial Reporting Standards (IFRS), as adopted in the European Union;
- Preparing the consolidated management report, including the corporate governance report and the non financial statement, in accordance with the applicable legal and regulatory rules;
- designing, implementing and maintaining an appropriate internal control to allow the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;

- selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances; and
- assessing the Group's ability to continue as going concern, disclosing, where applicable, any subject that may cast significant doubt upon their ability to continue as a going concern.

The Supervisory Body is responsible for the supervision of the process of preparation and disclosure of the financial information of the Group.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements taken as a whole are free of material misstatement, whether caused by fraud or error, and issue a report expressing our opinion. Reasonable assurance is a high level of assurance, however, it is not a guarantee that an audit conducted according to ISAs will always detect a material misstatement if it exists. Misstatements may originate from fraud or error and they are considered material if separately or jointly, they could influence the economic decisions of users of the financial statements.

As part of an audit conducted according to ISAs, we make professional judgements and maintain professional scepticism during the audit and:

- we identify and assess the risks of material misstatement of the consolidated financial statements due to fraud or error, we design and perform audit procedures which respond to such risks, and we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than not detecting one resulting from error, as fraud may involve collusion, forgery, deliberate failure to record transactions, or intentional misrepresentations or overriding of internal control procedures;
- we obtain an understanding of the relevant internal control for the audit with the purpose of designing audit procedures that are appropriate in the circumstances, but not to express an opinion on the efficacy of the internal control of the Group;
- we assess the adequacy of the accounting policies used and the reasonability of accounting estimates and respective disclosures made by the management body;

- we conclude as to the appropriate use by the management body of the going concern assumption and, based on the audit evidence obtained, as to whether any material uncertainty exists relating to events or conditions that may cast significant doubt upon the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we must draw attention in our report to related disclosures included in the consolidated financial statements or, if such disclosures are not appropriate, we must alter our opinion. Our conclusions are based on audit evidence obtained until the date of our report. However, future events or conditions may cause the Group to cease to continue as going concern;
- we assess the presentation, structure and overall contents of the consolidated financial statements, and whether such financial statements reflect the underlying transactions and events in order to achieve a fair presentation;
- we obtain sufficient and adequate audit evidence relating to the financial information of the entities or activities within the Group in order to express an opinion on the consolidated financial statements. We are responsible for the guidance, supervision and performance of the Group's audit and we are ultimately responsible for our audit opinion;
- amongst other issues, we communicate to governance officers, including the supervisory body, the scope and schedule of the audit, and the relevant conclusions of the audit, including any relevant internal control deficiency identified during the audit.
- Amongst the issues communicated to governance officers, including the supervisory body, we determine those which were considered more important in the audit of the consolidated financial statements for the current year and which are relevant audit matters. We describe those matters in our report, except if the law or regulation prohibit their public disclosure;
- We declare to the Supervisory Board that we complied with the ethical requirements concerning independence and we communicate to the Board all relations and other matters that may be perceived as threatening our independence, and where applicable, respective measures taken to eliminate the threats.

Our audit also includes verifying that the consolidated financial information contained in the management report is consistent with the consolidated financial statements presented, making the verifications provided in paragraphs 4 and 5 of article 451 of the Companies Code relating to Corporate Governance, and verifying that the non consolidated financial statement was presented.

REPORTING ON OTHER LEGAL AND REGULATORY REQUIREMENTS

ON THE MANAGEMENT REPORT

In compliance with provisions in article 451, no. 3(e) of the Companies Code, it is our opinion that the management report, which corresponds to a sole report as allowed under article 508C(6) of the said Code, was prepared according to the legal and regulatory requirements in force, and that the information contained therein is consistent with the consolidated financial statements audited, and taking into account our knowledge and assessment of the Group, we did not identify material misstatements. As provided in article 451(7) of the Companies Code, this opinion does not apply to the non consolidated financial statement included in the management report.

ON THE CORPORATE GOVERNANCE REPORT

In compliance with article 451(4) of the Companies Code, it is our opinion that the Corporate Governance Report includes the elements legally required under the terms of article 245-A of the Securities Code, and we did not detect any material misstatement in the information provided therein, complying with provisions in sub-paragraphs c), d), f), h), i) and m) of the said article.

ON THE NON CONSOLIDATED FINANCIAL INFORMATION

In compliance with article 451(6) of the Companies Code, we inform that the Group included in its sole management report the consolidated non financial statement, as provided in article 508G of the said Code.

ON ADDITIONAL ELEMENTS PROVIDED IN ARTICLE 10 OF (EU) REGULATION NO. 537/2014

Pursuant to article 10 of the European Parliament and of the Council no. 537/2014 of 16 April 2014, in addition to the relevant audit matters referred to hereinabove, we point out the following:

- We were appointed as Statutory Auditor of the Group's parent company for the first time on 13 April 2017, according to Corporate Written Resolution, for the the 2016-2017 term of office. We were appointed at the General Shareholder's Meeting held on 19 March 2019 for a second mandate, from 2018 to 2020.
- The management body has confirmed to us that it is unaware of any fraud or suspect of fraud with material impact on the financial statements. We planned and prepared our audit according to ISAs, maintaining our professional scepticism and we designed audit procedures to respond to the possibility of any material misstatement in the consolidated financial statements due to fraud. In our work, we did not identify any material misstatement in the consolidated financial statements due to fraud.
- We confirm that the audit opinion issued herein is consistent with the additional report which we prepared and submitted to the Supervisory Board on this same date.

- We warrant that we did not provide any services forbidden under the terms of article 77(8) of the Statutes of the Association of Statutory Auditors and that we maintained our independence in relation to the Group throughout our audit.

- We further inform that, in addition to the audit, we provided the following services permitted by law and the regulations in force:
 - o Certification of the following projects within the scope of the Programme: INTERREG- Espaço Atlântico:
 - Application: SIRMA;
 - Application: IN2SMART;
 - o Certification of the following projects within the scope of the Horizon 2020 Programme:
 - Application: IN2TRAC.

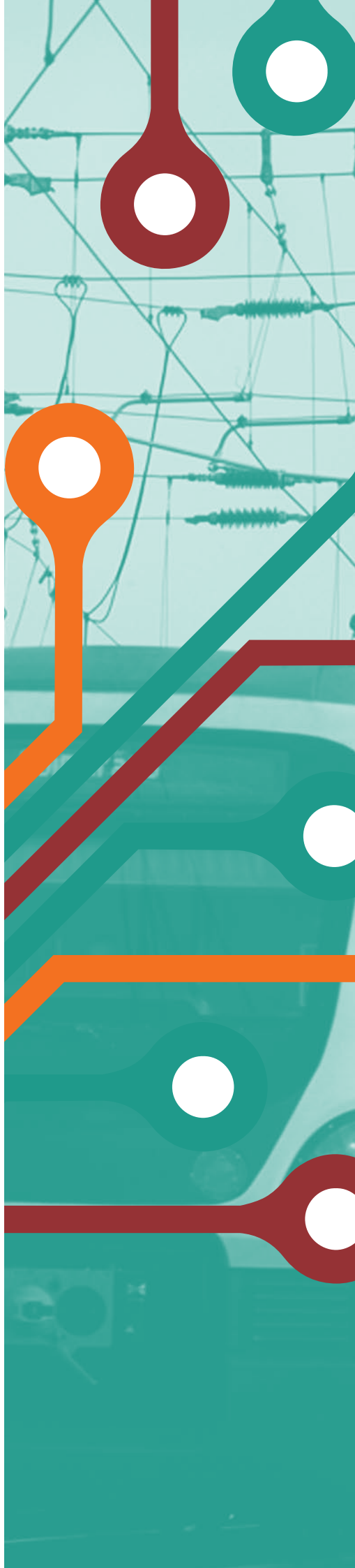
Lisbon, 23 April 2021

VITOR ALMEIDA & ASSOCIADOS, SROC, LDA.

Represented by:

Vitor Manuel Batista de Almeida

(Registered with the OROC under number 691 and with CMVM under number 20160331)



AUDITOR'S REPORT

Issued under the terms provided in article 245º, nr 1, subparagraph b) of the Securities Code

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Infraestruturas de Portugal, S.A. (IP or the Company), which comprise the statement of financial Position at 31 December 2020 (showing a total of 27 261 900 thousand euros and a total equity of 8 492 224 thousand euros, including net loss of 56 199 thousand euros), and the income statement by nature, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the financial position of Infraestruturas de Portugal, S.A., as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and further technical and ethical standards and guidelines as issued by Ordem dos Revisores Oficiais de Contas (the Portuguese Institute of Statutory Auditors). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section below. We are independent of the Company in accordance with the law and we have fulfilled other ethical requirements in accordance with the Ordem dos Revisores Oficiais de Contas code of ethics.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis

1. As disclosed in paragraph 5.6.1 of the Management Report and in note 31 to the financial statements, the Court of Auditors confirmed through judgement decision no. 13/2019 of 31 May and following appeal filed by IP against judgement decision no. 29/2018, the refusal to grant

approval to the Amended Sub-concession Agreement of Algarve Litoral, agreed with the Sub-concessionaire following a renegotiation process. IP appealed to the Constitutional Court against this decision, but the appeal was refused in September 2020, IP appealed to the Plenary of the Constitutional Court, which issued its final and definitive decision, through judgement decision 58/2021, of 22 January, against the appeal. On 17 July 2019, under the terms of the applicable law, the Sub-concessionaire submitted a request for the termination of the sub-concession agreement, which was refused, as a result, in early September 2019 the sub-concessionaire initiated arbitration proceedings against IP; the arbitral court was officially set up in 2020, the proceedings are still ongoing. Within the scope of these proceedings, the sub-concessionaire filed an injunction, which was decided on 9 March 2021 determining the payment by IP of 30 008 thousand euros, added of monthly payments of 1 163 thousand euros payable until a final decision is rendered; these amounts were already paid by IP against the remuneration due pursuant to the Reformed Sub-concession Agreement. Additionally, the financing entities filed a compensation lawsuit, which is ongoing, as disclosed in said note 32. As a result of the understanding expressed in the first Decision of the Court of Auditors, the ongoing negotiation proceedings regarding the Baixo Tejo and Litoral Oeste sub-concessions were suspended, as a result the Memorandums of Understanding already signed that provided lower remuneration payments even though negotiations were still ongoing, were not renewed by the Sub-concessionaires, leading to the resumption of the signed agreements in force. Consequently, the Baixo Tejo Sub-concessionaire invokes the existence of financial imbalances resulting from the obligations provided for in the respective reformed contract, due to the impossibility of building and operating ER 377-2, a Negotiation Committee was then set up based on the need to have such impossibility reflected in the contract. The negotiations were completed; the report of the Negotiation Committee awaits the decision of the relevant authorities. On the other hand, the arbitration proceedings relating to the remuneration deemed due by the Sub-concessionaire are under way, as disclosed in note 31. In what concerns the Douro Interior Sub-concession, negotiations were completed; the report of the Negotiation Committee awaits the decision of the relevant authorities.

2. As disclosed in note 9 to the financial statements, current assets recorded under the Heading State and Other Public Entities correspond almost entirely to the VAT determined by former EP - Estradas de Portugal, S.A. and by IP since the merger with REFER, totalling 1 621 085 thousand euros. Due to the framework given by Tax Authority for the activity carried out by IP, especially the Road Service Contribution (RSC), additional VAT settlements have been made, amounting to 1 692 752 thousand euros added of interest totalling 94 511 thousand euros for the years inspected up to 2016; the Company filed judicial claims against such payments (relating to 2008 to 2009 and 2011 to May 2015) and administrative complaints (relating to June to December 2015 and 2016). As disclosed in the said Note 9 IP was notified in October 2017 of the Decision overturning the decision appealed against in relation to one of the legal proceedings (tax of 64 506 thousand euros), which considered the challenge totally justifiable and cancelled the additional tax settlements issued by the Tax Authority, which has subsequently appealed against this decision to the Administrative Supreme Court. As disclosed in note 12 IP has set up specific provisions corresponding to total VAT on activities financed by the RSC, the amount of which totalled 422 377 thousand euros as at 31 December 2020. It should be noted that any risk associated with VAT not considered in the provisions will have accounting impact on the cost of the concession right of the national road network.

3. As disclosed in Note 11.3.2 to the financial statements, significant part of IP's funding requirements is provided by the Shareholder State; as of 30 December 2020, total funding/shareholder loans amounted to 2 343 354 thousand euros, including 2 215 578 thousand

euros in loans for the road segment that have already reached maturity, but were granted a moratorium with suspended interest. As disclosed in note 11.2.1, current assets include 3 914 002 thousand euros of investments in long term railway infrastructures made by IP on behalf of the State.

4. As regards the Covid-19 pandemic, the risks, measures and contingency plans, impacts and uncertainties are described in chapter 9 of the Management Report and Note 32 of the Notes to the financial statements; As a result of the measures implemented or that may still be implemented if needed, in articulation with the Shareholder to face the third wave of the Covid-19 pandemic occurred at the beginning of 2021, the Executive Board of Directors deems that the continuity of operation of the IP's operation is not at stake. On the other hand, as disclosed in point 9.5 of the Management Report, pursuant to their legal obligations, a number of sub-concessionaires and electronic toll collection services providers have notified IP, claiming that the declaration of the state of emergency is an event of Force Majeure for the purposes provided in respective contracts, no request for financial re-equilibrium was submitted as of this date.

Our opinion did not change in relation to these matters.

Key Audit Matters

Key audit matters are those that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	Summary of the audit response
1. Intangible Asset - Road Concession Right	
<p>As disclosed in Notes 2.2.6, 2.3 and 6 to the financial statements, the Road Concession Right provided under the Road Concession Contract entered with the State, which is recognised as intangible assets, under the terms of IFRIC 12 - Service Concession Agreements, representing 76% of the IP's assets, is recognised under the cost method, added annually of the construction services carried out either directly or via the sub-concessions, including financial expenses, and payments for availability and services, net of toll receivables relating to the network under concession. The concession right is amortised using the unit of production method as provided in IFRIC 12. This amortisation is based on the estimated total income to be generated by the Concession up to its term and the valuation of all the investments to be made by IP over the concession period. Annual amortisation is determined by applying the</p>	<p>The audit response involved the implementation of the following procedures:</p> <ul style="list-style-type: none"> i) Analysis of the method adopted by IP to measure the intangible asset and record respective amortisation, checking the coherence and consistence of the assumptions, and evolution in relation to the previous year; ii) Analysis of the controls and audit tests performed on a sample basis to increases and decreases in the concession right, and analysis of the concession and sub-concession contracts, including among other things, analysis of availability payments and service to validate annual remuneration recognised for accounting purposes, construction costs, interest, financial rebalance and toll revenues; iii) Verification of the calculation of the amortisation expense deriving from the concession right;

<p>rate resulting of the proportion of eligible income for the period, vis-à-vis total eligible income projected for the concession period, and total costs relating to such right. The same criterion is used to recognise investment subsidies in results.</p> <p>Projected income and costs supporting the amortisation for the period are based on assumptions and estimates involving significant level of judgement and economic and financial projections, which are revised annually by the Management, taking into account the impacts of Covid-19 on estimated results.</p> <p>The concession right involves the obligation of maintaining the average quality index of the road network, SO an estimate for periodic maintenance expenses is recorded annually, having amounted to 55 665 thousand euros in 2020, being the total amount recorded as of 31 December 2020 of 323 725 thousand euros. Internal estimates take into account the profile of the network and specific strategies relating to periodic maintenance works, and reflect the results of a study revised in 2019, concerning the implementation of the business plan.</p> <p>Given the amounts involved and the high level of judgements and assumptions implicit in the calculation of the amortisation rate of intangible assets, such as the overall amount of expenditure and income expected until the end of the concession, and given that future events may not occur in the manner expected, namely due to factors beyond the control of IP, such as the evolution of macro economic variables, political decisions and social and economic changes, the financial and economic performance of the Concession may be significantly affected if the assumptions considered change, this matter is considered a key audit matter.</p>	<p>iv) External confirmation of balances and other information with Concessionaires and Sub-concessionaires and analysis of reconciliations;</p> <p>v) Analysis of periodic maintenance costs for the year and use of respective accrued expense for works performed in the year;</p> <p>v) Confirmation by the Management Body that the assumptions and estimates used were based on the best information available and studies made at the date of the financial report;</p> <p>vi) Analysis of the impacts of the Covid-19 pandemic;</p> <p>Vii) Verification that the financial statements' disclosures are in accordance with the relevant accounting standards.</p>
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Key Audit Matters	Summary of the audit response
2. Long duration railway infrastructures: Grantor- State - Account Receivable	
<p>As disclosed in notes 2.2.10., 2.3, and 11.2.1 to the financial statements, IP is responsible for the construction and renovation of long duration railway infrastructures, in line with the Shareholder State directives, financed by capital, subsidies and loans most of which guaranteed by the State, whereas IP assume the function of "Agent".</p> <p>Railway infrastructures belong to the Public Railway Domain, to which IP has access to provide the public infrastructure management service. Assets are recorded in the Statement of Financial Position under caption Grantor - State - Accounts Receivable, as they represent an unconditional right to receive money from the State for the investments made, so this activity is considered as service concession agreements according to IFRS 12, using the financial asset model. As of 31 December 2020 financial assets amount to 3 914 002 thousand euros, corresponding mainly to the value of the assets under concession at the date of the merger, added of the value of assets acquired or built subsequently, and interest charged to the Grantor - State, deducted of the subsidies received and compensation made with shareholder loans for 2018, 2019 and 2020. These receivables have no defined maturity, and are therefore considered due on debit date, and they are recorded under current assets.</p> <p>The risk of material distortion associated with this matter is related with the charging of the costs incurred with the railway infrastructures, including this activity financing costs.</p>	<p>The audit response involved the implementation of the following procedures:</p> <ul style="list-style-type: none"> i) Confirmation of the approval of the financial statements relating to 2019 by the Shareholder State and Grantor of the railway infrastructures; ii) Assessment of the controls made and audit tests performed on a sample basis, to the acquisition of goods and services recorded in the period as receivables from the Grantor, and verification of the criteria used to charge financing costs to long duration railway infrastructures;; iii) Confirmation by the Management Body of the adequacy of the assumptions associated with the debit of expenses to the Grantor - State; iv) Analysis of possible impacts of the Covid-19 pandemic; v) Verification that the financial statements' disclosures are in accordance with the relevant accounting standards.

Key Audit Matters	Summary of the audit response
3. Recognition of revenue of sales and rendered services	
<p>IP's revenue results mainly from the road activity arising from the road concession contract entered by the State and former EP, on 23 November 2007, and the management of the railway infrastructure as provided in contract entered with the State on 11 March 2016.</p> <p>As disclosed in Notes 2.2.14 and 14 to the financial statements, revenue from sales and services amount to 1 021 798 thousand euros, being the more significant values related to: proceeds from the Road Service Contribution (RSC) in the amount of 584,089 thousand euros; road toll revenues totalling 278 835 thousand euros; Income from Railway User Fees totalling 61 991 thousand euros; construction contracts for new road infrastructures and capitalised financial expenses in the amount of 49 585 thousand euros; and investment in long duration infrastructures charged to the Grantor – State, totalling 28 118 thousand euros.</p> <p>In view of the relevant revenue in the Statement of Comprehensive Income and the fact the amounts received relating to State concession tolls (net of collection expenses) are deducted to IP's investment in the acquisition of rights on the same concession network, as this deduction is recorded against the Cost of goods sold and materials consumed (Note 16) and the impact of the Covid-19 pandemic on road revenues, this is considered as key audit matter.</p>	<p>The audit response involved the implementation of the following procedures:</p> <ul style="list-style-type: none"> i) Analysis of the main components of the estimated revenue in IP Activity Plan and Budget for 2020 and recorded income; ii) Verification of the transfers of funds by the Directorate-General for the Budget relating to RSC, analysis and checking of the revenue recognised in the period vis-à-vis the information available on the Tax Authority website, and external confirmation of the revenue charged relating to RSC; iii) In respect of toll revenue, audit procedures comprised analysis of the controls followed by IP to ensure the comprehensive recognition of the revenue, the performance of audit tests on a sample basis, and external confirmations of balances with sub-concessionaires and analysis of balance reconciliations. iv) As regards the revenue of construction services for road infrastructures and investment in long duration railway infrastructures charged to the Grantor – State, the costs incurred were tested on a sample basis, and external confirmations of the balances were carried out; v) Verification on a sample basis of the revenue amount associated to the management of the railway Infrastructure and other sales and services, including external confirmations of main clients; vi) Analysis of the impacts of the Covid-19 pandemic;

Other Matters

Our examination focused on the financial statements at 31 December 2020, following our appointment on 24 June 2020. The financial statements for the year ended at 31 December 2019 were examined by a different Auditor, whose Audit Report dated 30 April 2020 comprised a non modified opinion (without qualifications) and with emphases.

Responsibilities of management and the supervisory body for the financial statements

Management is responsible for:

- the preparation of financial statements that give a true and fair view of the financial position, financial performance and cash flows in accordance with the International Financial Reporting Standards (IFRS), as adopted in the European Union;
- the preparation of the management report in accordance with applicable laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Company's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Company's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- - communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- - determine, from the matters communicated with those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes their public disclosure;
- - provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility also includes the verification that the information contained in the management report is consistent with the financial statements, and the verifications provided in paragraphs 4 and 5 of article 451º of the Companies Code relating to Corporate Governance, as well as the verification that the non-financial statement was presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the management report

Pursuant to article 451º, nr 3, sub-paragraph e) of the Portuguese Companies' Code, which corresponds to a single report as permitted in paragraph 6 of article 508-C of the Companies Code, it is our opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited financial statements and, having regard to our knowledge and assessment over the Entity, we have not identified any material misstatements. As provided in article 451º, nr 7 of the Companies Code, this opinion does not apply to the non-financial statement included in the management report.

On the Corporate Governance Report

In compliance with article 451º, nr 4, of the Companies Code, it is our opinion that the Corporate Governance Report includes the elements legally required under the terms of article 245-A of the Securities Code, and we did not detect any material misstatement in the information provided therein, complying with provisions in sub-paragraphs c), d), f), h), i) and m) of paragraph 1) of the said article.

On the statement of non financial information

In compliance with article 451, nr 6, of the Companies Code, we inform that the Company included in its management report the non financial statement, as provided in article 66 B of the said Code.

On the additional matters provided in article 10 of the Regulation (EU) nr 537/2014

Pursuant to article 10 of the Regulation (EU) nr 537/2014 of the European Parliament and of the Council, of 16 April 2014, in addition to the key audit matters mentioned above, we also report the following:

- We were appointed as auditors of the Company for the first time on 8 February 2016 for the year 2015, and on 24 June 2020 for the financial years of 2020, 2021 and 2022.
- Management has confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning

and executing our audit in accordance with ISAs we maintained professional skepticism, and we designed audit procedures to respond to the possibility of material misstatement in the financial statements due to fraud. As a result of our work we have not identified any material misstatement on the financial statements due to fraud.

- We confirm that our audit opinion is consistent with the additional report that we prepared and delivered to the supervisory board on this same date.
- We declare that we have not provided any prohibited services as described in article 77.º, number 8, of the Ordem dos Revisores Oficiais de Contas statutes, and we have remained independent of the Company in conducting the audit.
- We further inform that in addition to the audit, and following a tender procedure, we performed a limited audit of the consolidated half-year financial statements and an audit to the prospective separate financial statements of IP.

Lisbon, 23 April 2021

____ António José Carvalho Barros, on behalf of

BDO & Associados, SROC, Lda.

(Registered with the Securities Market Commission under no. 20161384)



AUDITOR'S REPORT

Issued under the terms provided in article 245º, nr 1, subparagraph b) of the Securities Code

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

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Infraestruturas de Portugal, S.A. (IP or Group), which comprise the consolidated statement of financial Position/the balance sheet at 31 December 2020 (showing a total of 27 305 685 thousand euros and a total equity of 8 528 368 thousand euros, including net losses of 57 193 thousand euros), the consolidated income statement by nature, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of consolidated cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the financial position of Infraestruturas de Portugal, S.A., as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis for opinion

Our audit was conducted in accordance with the International Standards on Auditing (ISA) and the technical and ethical standards of the Certified Auditors Association (Ordem dos Revisores Oficiais de Contas). Our responsibilities as provided in the said standards are described in section "Auditor's responsibilities for the audit of the consolidated financial statements" herein below. We are independent from the entities which compose the Group under the terms of the law, and we comply with relevant ethical requirements under the terms of the Code of Ethics of the Certified Auditors Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis

1. As disclosed in paragraph 5.6.1 of the Management Report and in note 32 to the consolidated financial statements, the Court of Auditors, confirmed through judgement decision no.

13/2019, of 31 May, following appeal filed by the Group against judgement decision no. 29/2018, the refusal to grant approval to the Amended Sub-concession Agreement of Algarve Litoral, agreed with the Sub-concessionaire following a renegotiation process. IP appealed to the Constitutional Court against this decision, but the appeal was refused in September 2020, IP appealed to the Plenary of the Constitutional Court, which issued its final and definitive decision, through judgement decision 58/2021, of 22 January, against the appeal. On 17 July 2019, under the terms of the applicable law, the Sub-concessionaire submitted a request for the termination of the sub-concession agreement, which was refused as a result, in early September 2019 the sub-concessionaire initiated arbitration proceedings against IP; the arbitral court was officially set up in 2020, the proceedings are still ongoing. Within the scope of these proceedings, the sub-concessionaire filed an injunction, which was decided on 9 March 2021 determining the payment by IP of 30 008 thousand euros, added of monthly payments of € 1,163 thousand payable until a final decision is rendered; these amounts were already paid by IP against the remuneration due pursuant to the Reformed Sub-concession Agreement. Additionally, the financing entities filed a compensation lawsuit, which is ongoing, as disclosed in said note 32. As a result of the understanding expressed in the first Decision of the Court of Auditors, the ongoing negotiation proceedings regarding the Baixo Tejo and Litoral Oeste sub-concessions were suspended, as a result the Memorandums of Understanding already signed that provided lower remuneration payments even though negotiations were still ongoing, were not renewed by the Sub-concessionaires, leading to the resumption of the signed agreements in force. Consequently, the Baixo Tejo Sub-concessionaire invokes the existence of financial imbalances resulting from the obligations provided for in the respective reformed contract, due to the impossibility of building and operating ER 377-2, a Negotiation Committee was then set up based on the need to have such impossibility reflected in the contract. The negotiations were completed, the report of the Negotiation Committee awaits the decision of the relevant authorities. On the other hand, the arbitration proceedings relating to the remuneration deemed due by the Sub-concessionaire are under way, as disclosed in note 32. In what concerns the Douro Interior Sub-concession, negotiations were completed; the report of the Negotiation Committee awaits the decision of the relevant authorities.

2. As disclosed in note 11 to the consolidated financial statements, current assets recorded under the Heading State and Other Public Entities correspond almost entirely to the VAT determined by former EP - Estradas de Portugal, S.A. and by IP since the merger with REFER, totalling 1 621 085 thousand euros. Due to the framework given by Tax Authority for the activity carried out by IP, especially the Road Service Contribution (RSC), additional VAT settlements have been made, amounting to 1 692 752 thousand euros added of interest totalling 94 511 thousand euros for the years inspected up to 2016; the Company filed judicial claims against such payments (relating to 2008 to 2009 and 2011 to May 2015) and administrative complaints (relating to June to December 2015 and 2016). As disclosed in the said Note 9 IP was notified in October 2017 of the Decision overturning the decision appealed against in relation to one of the legal proceedings (tax of 64 506 thousand euros), which considered the challenge totally justifiable and cancelled the additional tax settlements issued by the Tax Authority, which has subsequently appealed against this decision to the Administrative Supreme Court. As disclosed in note 14 IP has set up specific provisions corresponding to total VAT on activities financed by the RSC, the amount of which totalled 422 377 thousand euros as at 31 December 2020. It should be noted that any risk associated with VAT not considered in the provisions will have accounting impact on the cost of the concession right of the national road network.

3. As disclosed in Note 13.3.2 to the consolidated financial statements, significant part of Group's funding requirements is provided by the Shareholder State; as of 30 December 2020, total funding/shareholder loans amounted to 2 343 354 thousand euros, including 2 215

578 thousand euros in loans for the road segment that have already reached maturity, but were granted a moratorium with suspended interest. As disclosed in note 13.2.1, current assets include 3 914 516 thousand euros of investments in long-term railway infrastructures made by the Group on behalf of the State.

4. As regards the Covid-19 pandemic, the risks, measures and contingency plans, impacts and uncertainties are described in chapter 9 of the Management Report and Note 33 of the Notes to the consolidated financial statements; As a result of the measures implemented or that may still be implemented if needed, in articulation with the Shareholder to face the third wave of the Covid-19 pandemic occurred at the beginning of 2021, the Executive Board of Directors deems that the continuity of operation of the Group's operation is not at stake. On the other hand, as disclosed in point 9.5 of the Management Report, pursuant to their legal obligations, a number of sub-concessionaires and electronic toll collection services providers have notified the Group, claiming that the declaration of the state of emergency is an event of Force Majeure for the purposes provided in respective contracts, no request for financial re-equilibrium was submitted as of this date.

Our opinion did not change in relation to these matters.

Key Audit Matters

Key audit matters are those that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and informing our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	Summary of the audit response
1. Intangible Asset - Road Concession Right	
<p>As disclosed in Notes 2.3.6, 2.4 and 6 to the consolidated financial statements, the Road Concession Right provided under the Road Concession Contract entered with the State, which is recognised as intangible assets, under the terms of IFRIC 12 - Service Concession Agreements, representing 76% of the Group's assets, is recognised under the cost method, added annually of the construction services carried out either directly or via the sub-concessions, including financial expenses, and payments for availability and services, net of toll receivables relating to the network under concession.</p> <p>The concession right is amortised using the unit of production method as provided in IFRIC 12, being the amortisation based on the estimated total income to be generated by the Concession up to its term and the valuation of all the investments to be made by Group over the</p>	<p>The audit response involved the implementation of the following procedures:</p> <ol style="list-style-type: none"> 1. Analysis of the method adopted by the Group to measure the intangible asset and record respective amortisation, checking the coherence and consistence of the assumptions, and evolution in relation to the previous year; 2. Assessment of the controls and audit tests performed on a sample basis to increases and decreases in the concession right, and analysis of the concession and sub-concession contracts, including among other things, analysis of availability payments and service to validate annual remuneration recognised for accounting purposes, construction costs, interest, financial rebalance and toll revenues; 3. Verification of the calculation of the amortisation expense deriving from the concession right;

<p>concession period. Annual amortisation is determined by applying the rate resulting of the proportion of eligible income for the period, vis-à-vis total eligible income projected for the concession period, and total costs relating to such right. The same criterion is used to recognise investment subsidies in results.</p> <p>Projected income and costs supporting the amortisation for the period are based on assumptions and estimates involving significant level of judgement and economic and financial projections, which are revised annually by the Management, taking into account the impacts of Covid-19 on estimated results.</p> <p>The concession right involves the obligation of maintaining the average quality index of the road network, so an estimate for periodic maintenance expenses is recorded annually, having amounted to 55 665 thousand euros in 2020, being the total amount recorded as of 31 December 2020 of 323 725 thousand euros. Internal estimates take into account the profile of the network and specific strategies relating to periodic maintenance works, and reflect the results of a study revised in 2019, concerning the implementation of the business plan.</p> <p>Given the amounts involved and the high level of judgements and assumptions implicit in the calculation of the amortisation rate of intangible assets, such as the overall amount of expenditure and income expected until the end of the concession, and given that future events may not occur in the manner expected, namely due to factors beyond the control of the Group, such as the evolution of macro economic variables, political decisions and social and economic changes, the financial and economic performance of the Concession may be significantly affected if the assumptions considered change, this matter is considered a key audit matter.</p>	<p>iv) External confirmation of balances and other information with Concessionaires and Sub-concessionaires and analysis of reconciliations;</p> <p>v) Analysis of periodic maintenance costs for the year and use of respective accrued expense for works performed in the year;</p> <p>v) Confirmation by the Management Body that the assumptions and estimates used were based on the best information available and studies made at the date of the financial report;</p> <p>vi) Analysis of the impacts of the Covid-19 pandemic;</p> <p>Vii) Verification that the financial statements' disclosures are in accordance with the relevant accounting standards.</p>
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Key Audit Matters	Summary of the audit response
2. Long duration railway infrastructures: Grantor- State - Account Receivable	
<p>As disclosed in notes 2.3.10., 2.4, and 13.2.1 to the consolidated financial statements, the parent company is responsible for the construction and renovation of long duration railway infrastructures, in line with the Shareholder State directives, financed by capital, subsidies and loans most of which guaranteed by the State, whereas the Parent Company assume the function of "Agent".</p> <p>Railway infrastructures belong to the Public Railway Domain, to which the Parent Company has access to provide the public infrastructure management service. Assets are recorded in the Consolidated Statement of Financial Position under caption Grantor - State - Accounts Receivable, as they represent an unconditional right to receive money from the State for the investments made , so this activity is considered as service concession agreements according to IFRS 12, using the financial asset model.</p> <p>As of 31 December 2020 consolidated financial assets amount to 3 914 516 thousand euros, corresponding mainly to the value of the assets under concession at the date of the merger, added of the value of assets acquired or built subsequently, and interest charged to the Grantor - State, deducted of the subsidies received and compensation made with shareholder loans for 2018, 2019 and 2020. These receivables have no defined maturity, and are therefore considered due on debit date, and they are recorded under current assets.</p> <p>The risk of material distortion associated with this matter concerns the charging of the costs incurred with the railway infrastructures, including this activity financing costs.</p>	<p>The audit response involved the implementation of the following procedures:</p> <ul style="list-style-type: none"> i) Confirmation of the approval of the consolidated financial statements relating to 2019 by the Shareholder State and Grantor of the railway infrastructures; ii) Analysis of the controls made and audit tests performed on a sample basis, to the acquisition of goods and services recorded in the period as receivables from the Grantor, and verification of the criteria used to charge financing costs to long duration railway infrastructures;; iii) Confirmation by the Management Body of the adequacy of the assumptions associated with the debit of expenses to the Grantor - State; iv) Analysis of possible impacts of the Covid-19 pandemic; v) Verification that the financial statements' disclosures are in accordance with the relevant accounting standards.

Key Audit Matters	Summary of the audit response
3. Recognition of revenue of sales and rendered services	
<p>The Group's revenue results mainly from the road activity arising from the road concession contract entered by the State and former EP, on 23 November 2007, and the management of the railway infrastructure as provided in contract entered with the State on 11 March 2016.</p> <p>As disclosed in Notes 2.3.14 and 16 to the consolidated financial statements, consolidated revenue from sales and services amount to 1 051 442 thousand euros, being the more significant values related to: Road Service Contribution (RSC) revenue in the amount of 584 089 thousand euros; road toll revenues totalling 278 835 thousand euros; Railway User Fees totalling 61 991 thousand euros and construction contracts for new road infrastructures, and capitalised financial expenses in the amount of 49 585 thousand euros; and investment in long duration infrastructures charged to the Grantor – State, totalling 33 708 thousand euros.</p> <p>In view of the relevant revenue in the Statement of Comprehensive Income and the fact the amounts received relating to State concession tolls (net of collection expenses) are deducted to the Group's investment in the acquisition of rights on the same concession network, as this deduction is recorded against the Cost of goods sold and materials consumed (Note 18) and the impact of the Covid-19 pandemic on road revenues, this is considered as key audit matter.</p>	<p>The audit response involved the implementation of the following procedures:</p> <ul style="list-style-type: none"> i) Analysis of the main components of the estimated revenue in IP Activity Plan and Budget for 2020 and recorded income; ii) Verification of the transfers of funds by the Directorate-General for the Budget relating to RSC, analysis and checking of the revenue recognised in the period vis-à-vis the information available on the Tax Authority website, and external confirmation of the revenue charged relating to RSC; iii) In respect of toll revenue, audit procedures comprised analysis of the controls followed by the Group to ensure the comprehensive recognition of the revenue, the performance of audit tests on a sample basis, and external confirmations of balances with sub-concessionaires and analysis of balance reconciliations. iv) As regards the revenue of construction services for road infrastructures and investment in long duration railway infrastructures charged to the Grantor – State, the costs incurred were tested on a sample basis, and external confirmations of the balances were carried out; v) Verification on a sample basis of the revenue amount associated to the management of the railway Infrastructure and other sales and services, including external confirmations of main balances; vi) Analysis of the impacts of the Covid-19 pandemic;

Key Audit Matters	Summary of the audit response
4. Measurement of Goodwill	
<p>Goodwill amounting to 21 687 thousand euros recorded in the consolidated statement of financial position derived from the acquisition in 2014, of the remaining share capital of GIL-Gare Intermodal de Lisboa, SA, integrated in 2018 into IP Património, as disclosed in Notes 2.3.1 and 5 to the consolidated financial statements.</p> <p>Goodwill related to the commercial areas' cash-generating unit, and was subject to impairment test in accordance with assumptions described in Note 5 to the consolidated financial statements.</p> <p>The recoverable amount for this cash-generating unit was determined based on its value-in-use, in accordance with provisions of IAS 36.</p> <p>The risk of material distortion is associated with the estimates considered, including the impact of Covid-19, to determine the respective recoverable amount, calculated based on its value-in-use.</p>	<p>The audit response involved the implementation of the following procedures:</p> <ul style="list-style-type: none"> i) Confirmation of the acquisition value of the investment and respective goodwill determined at the date of acquisition; ii) Analysis of projected cash flows and other assumptions used in the calculation of the amount recoverable of this cash-generating unit and conclusions of the impairment test; iii) Analysis of the impacts of the Covid-19 pandemic; iv) Verification that the financial statements' disclosures are in accordance with the relevant accounting standards.

Other Matters

Our examination focused on the financial statements at 31 December 2020, following our appointment on 24 June 2020, the financial statements for the year ended at 31 December 2019 were examined by a different Auditor, whose Audit Report dated 30 April 2020 comprised a non modified opinion (without qualifications) and with emphases.

Responsibilities of management and the supervisory body for the consolidated financial statements

Management is responsible for:

- the preparation of consolidated financial statements that give a true and fair view of the financial position, financial performance and cash flows in accordance with the International Financial Reporting Standards (IFRS), as adopted in the European Union;
- the preparation of the consolidated management report in accordance with applicable laws and regulations;
- designing and maintaining an appropriate internal control system to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error;
- the adoption of accounting policies and principles appropriate in the circumstances; and
- assessing the Group's ability to continue as a going concern, and disclosing, as applicable, the matters that may cast significant doubt about the Group's ability to continue as a going concern.

The supervisory body is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient and adequate audit evidence relating to the financial information of the entities or activities within the Group in order to express an opinion on the consolidated financial statements. We are responsible for the guidance, supervision and performance of the Group's audit and we are ultimately responsible for our audit opinion;
- communicate with those charged with governance, including the supervisory body, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit;
- determine, from the matters communicated with those charged with governance, including the supervisory body, those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes their public disclosure;
- provide the supervisory body with a statement that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Our responsibility also includes the verification that the information contained in the consolidated management report is consistent with the consolidated financial statements, and the verifications provided in paragraphs 4 and 5 of article 451° of the Companies Code relating to Corporate Governance, as well as the verification that the consolidated non-financial statement was presented.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

On the management report

Pursuant to article 451.º, n.º 3, al.e) of the Portuguese Companies' Code, it is our opinion that the management report was prepared in accordance with the applicable legal and regulatory requirements and the information contained therein is consistent with the audited consolidated financial statements and, having regard to our knowledge and assessment over the Group, we have not identified any material misstatements. As provided in article 451º, nr 7 of the Companies Code, this opinion does not apply to the consolidated non-financial statement included in the management report.

On the Corporate Governance Report

In compliance with article 451º, nr 4, of the Companies Code, it is our opinion that the Corporate Governance Report includes the elements legally required under the terms of article 245-A of the Securities Code, and we did not detect any material misstatement in the information provided therein, complying with provisions in sub-paragraphs c), d), f), h), i) and m) of paragraph 1) of the said article.

On the consolidated statement of non-financial information

In compliance with article 451º, nr 6, of the Companies Code, we inform that the Group included in its management report the consolidated non-financial statement, as provided in article 508º-G of the Companies Code.

On the additional matters provided in article 10 of the Regulation (EU) nr 537/2014

Pursuant to article 10 of the Regulation (EU) nr 537/2014 of the European Parliament and of the Council, of 16 April 2014, in addition to the key audit matters mentioned above, we also report the following:

- We were appointed as auditors of the Company for the first time on 8 February 2016 for the year 2015, and on 24 June 2020 for the financial years of 2020, 2021 and 2022.
- - Management has confirmed to us that they are not aware of any fraud or suspicion of fraud having occurred that has a material effect on the financial statements. In planning and executing our audit in accordance with ISAs we maintained professional skepticism, and we designed audit procedures to respond to the possibility of material misstatement in the consolidated financial statements due to fraud. As a result of our work we have not identified any material misstatement on the consolidated financial statements due to fraud.
- - We confirm that our audit opinion is consistent with the additional report that we prepared and delivered to the supervisory board on this same date.
- - We declare that we have not provided any prohibited services as described in article 77.º, number 8, of the *Ordem dos Revisores Oficiais de Contas* statutes, and we have remained independent of the Group in conducting the audit.
- - We further inform that in addition to the audit, and following a tender procedure, we performed a limited audit of the consolidated half-year financial statements and an audit to the prospective separate financial statements of Parent Company.

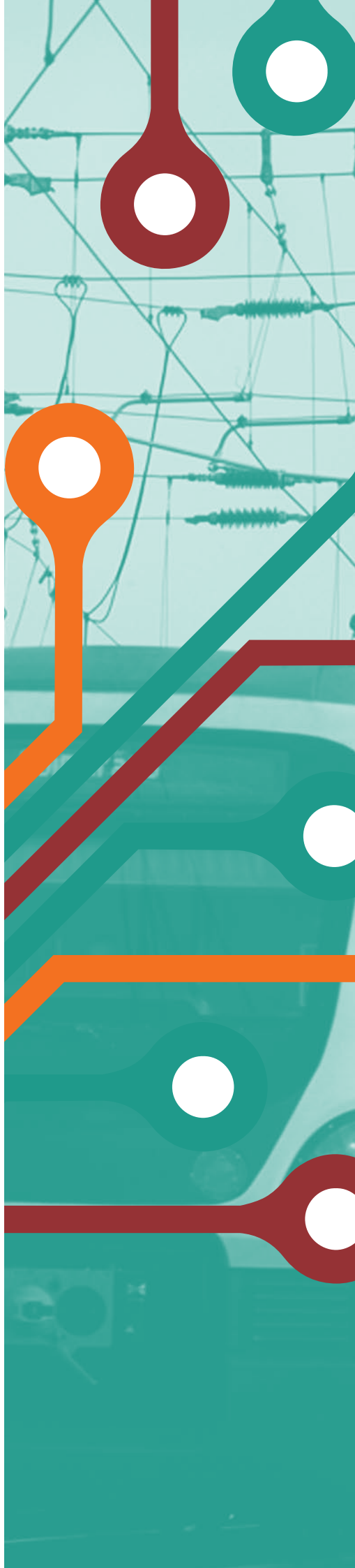
Lisbon, 23 April 2021

____ António José Carvalho Barros, on behalf of

BDO & Associados, SROC, Lda.

(Registered with the Securities Market Commission under no. 20161384)







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