# MANAGEMENT REPORT
# Notes to the Financial Statements

# 2013

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# PART I
MANAGEMENT REPORT

REFER

# Table of Contents

Statement of the Board of Directors ........ 2
Group's Shareholder Structure ........ 4
Summary of Indicators ........ 7
The REFER Group in 2013 ........ 8
Business areas ........ 13
Results and Equity Structure ........ 25
Results ........ 25
Equity Structure ........ 29
Financial Management and Debt ........ 32
Internal Control and Risk Management ........ 40
Outlook ........ 43
Financial Statements and attached notes ........ 45

# Statement of the Board of Directors

The REFER Group prepared its consolidated financial statements for 2013 pursuant to Decree-law 158/2009 of 13 July. Companies included in the consolidation perimeter are the following: Rede Ferroviária Nacional – REFER, E.P.E., REFER Telecom – Serviços de Telecomunicações, S.A., REFER Património – Administração e Gestão Imobiliária, S.A., REFER Engineering, - Empreendimentos Industriais e Comerciais, S.A. and RAVE – Rede de Alta Velocidade, S.A..

In 2013 the Group faced numerous challenges. Its ability and capacity to reinvent itself was put to the test, while having to respond to stringent fiscal requirements.

The Group's major concern is and it will always be to comply with its mission in a sustainable way.

The need to reduce expenses and increase revenues required decision-making resulting in an overhaul of the Group and international expansion. Structures were streamlined, functions were clarified and subsidiaries were made to leverage on their respective assets. Overall, the Group evolved to a corporate community where the sharing of knowledge, resources and supporting services is encouraged, management and control are based on common principles and a concerted strategy aimed at achieving collective goals. At the same time, the Group is implementing a process-based management system, which is a critical step to identify inefficiencies and areas for intervention, and obtain productivity gains. This constitutes a new management paradigm, which promotes a culture of efficiency and accountability.

To facilitate this convergence of efforts, a first Group Plan was outlined covering a three-year period from 2014 to 2016, establishing major goals and the strategies to achieve them.

As mentioned, internationalisation is clearly an aim and the Plan specifically sets forth quantified targets. Though results are not immediate, small "victories" were nonetheless recorded in 2013. The effort which is being made to penetrate a demanding international market is bound to see rewarding results in the next few years, particularly as far as Subsidiaries are concerned.

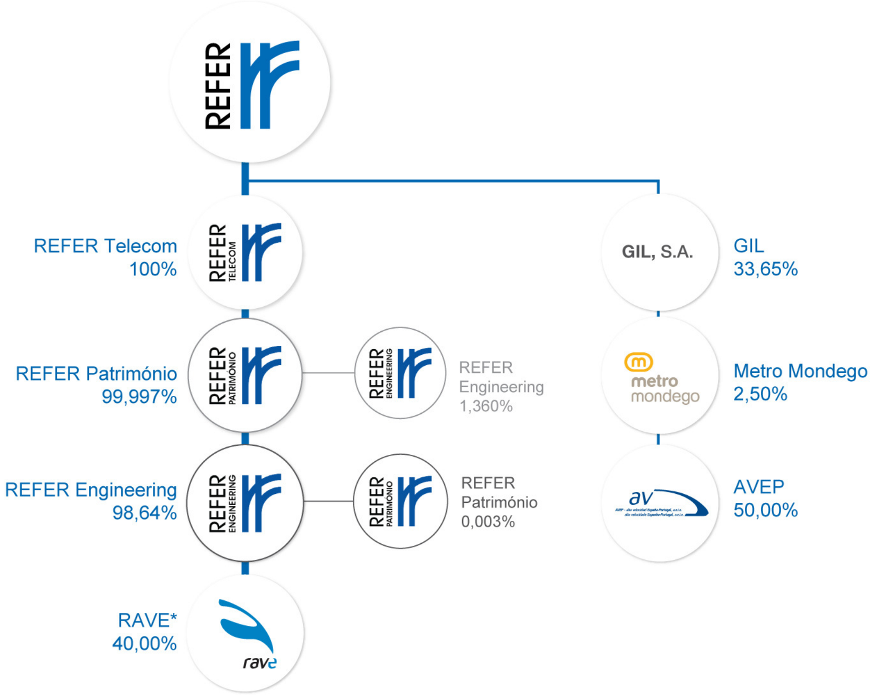
While complying with its key mission of manager of the national railway infrastructure, REFER continued to invest in high safety standards and a healthy relation with the environment. Only thus will the Company be able to contribute to improving the quality of life of passengers and citizens. The attractiveness of the railway transport service is one of the Group's strengths.

As far as results are concerned, there is still very much that needs to be done in order to ensure the Group's sustainability. EBITDA of Group REFER in 2013 (excluding the effect of redundancies and the resumption of holiday and Christmas bonuses as provided in 2013 Budgetary Amendment required by decision of the Constitutional Court) stood at EUR 3.7 million, moving towards sustainability.

As far as capital expenditure is concerned, it continued to be cut down in relation to previous years, standing at EUR 71 million (total costs); a different approach was also adopted, focused on streamlining and recourse to cheaper funding sources.

Finally, we must thank all employees and stakeholders whose contribution, as distinct and relevant as it may be, was the key driver to achieving the above mentioned transformation and ensuring the rendering of a public railway service, which aims at becoming the favourite means of transport for an increasing number of citizens and a reference at national and European level.

# Group's Shareholder Structure




* extinta a 17/01/2014

The REFER Group is made up of:

**Rede Ferroviária Nacional - REFER, E.P.E**, is a public corporation with administrative and financial autonomy and its own assets. It is subordinated to the Finance Ministry and the Ministry for Economy and Employment, and was established by Decree-law 104/97 of 29 April; Its share capital holds the legal form of "Statutory Capital" and it is fully owned by the Portuguese State. At 31 December 2013 its statutory capital was of EUR 451,200,000.

**REFER Telecom, S.A.** is a private company with a share capital of EUR 10,000,000 fully subscribed and paid up by its sole shareholder REFER, E.P.E, represented by 200,000 shares with a nominal value of € 50.00 each.

**REFER Património, S.A.** is a private company with a share capital of EUR 15,000,000. Its shareholders are:

- **REFER, E.P.E.**, which holds 2,999,910 shares with the nominal value of € 5.00 each, corresponding to 99.97% of the total share capital;
- **REFER Engineering, S.A.**, which holds 90 shares with the nominal value of € 5.00 each, corresponding to 0.003% of the total share capital;

The shares are fully subscribed and paid up.

**REFER Engineering, S.A.** is a private company with a share capital of EUR 1,500,000. Its shareholders are:

- **REFER E.P.E.**, which holds 295,920 shares with the nominal value of € 5.00 each, corresponding to 98.64% of the total share capital;
- **REFER Património, S.A.**, which holds 4,080 shares with the nominal value of € 5.00 each, corresponding to 1.36% of the total share capital;

The shares are fully subscribed and paid up.

**RAVE, S.A.** its shareholders are the Portuguese State, with 60% of the share capital and REFER, E.P.E. with 40%.

Council of Ministers resolution 101-A/2101 determined the adoption of a set of fiscal consolidation and control measures, among which the restructuring and streamlining of the State entrepreneurial sector, including the merging of RAVE into REFER. RAVE's merger process was thus started in 2011 and fully completed in 2013.

A General Meeting held in November 2012 decided on the winding-up and liquidation of RAVE and its succession by the European economic interest grouping – Alta Velocidade Espanha Portugal – AVEP, where REFER took up RAVE's position. Accordingly, REFER directly holds 50% of the share capital of AVEP.

RAVE's last General Meeting took place on 17 January 2014, to approve the liquidation accounts and the sharing project proposed by the Liquidating Entity. The liquidation was closed and registered with the Commercial Registry Office in February 12, 2014.

REFER,E.P.E. further holds the following minority shareholdings:

**GIL – Gare Intermodal de Lisboa, S.A.** at 31 December 2013 its share capital in the amount of EUR 1,952,160 was held as follows:

- **Parque Expo** owns 192,160 shares with a nominal value of €4.98, corresponding to 49.02% of the share capital;

- **REFER, E.P.E**. owns 131,920 shares with a nominal value of €4.98, corresponding to 33.65% of the share capital;
- **Metro Lisboa** holds 67,920 shares with a nominal value of €4,98, corresponding to 17.33% of the share capital.

**Metro Mondego, S.A,** with a share capital of EUR 1,075,000 has the following shareholders structure:

- State 53%
- Coimbra Municipality 14%
- Lousã Municipality 14%
- Miranda do Corvo Municipality 14%
- REFER, E.P.E. 2.5%
- CP 2.5%

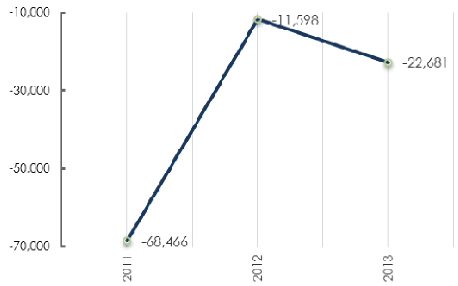
REFER holds the following stake in partnership with other entities not shown in the organisation chart:

**Acordo de Associadas da PSAT- Associação para a Promoção da Segurança de Ativos Técnicos** made up of EDP- Distribuição de ENERGIA, S.A., PT-Comunicações S.A., EDP - Renováveis Portugal, S.A., EPAL- Empresa Pública de Águas Livres, S.A., REN – Redes Energéticas Nacionais, SGPS, S.A. and REFER, E.P.E.

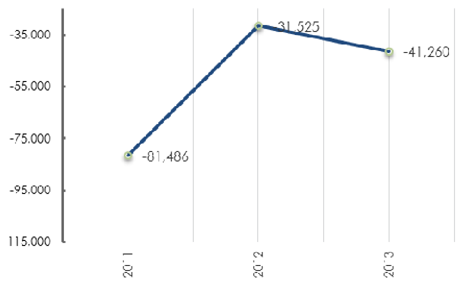
The purpose of this association is to promote the safety of technical assets. The financial effort associated to this stake is translated in a monthly fee.

# Summary of Indicators

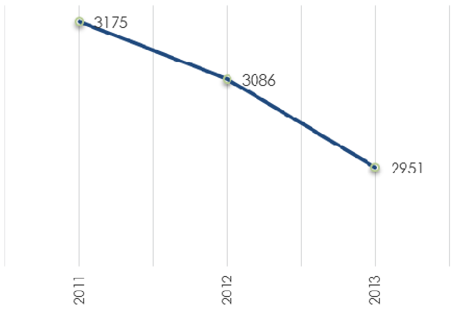
**EBITDA**
[Euro thousand]



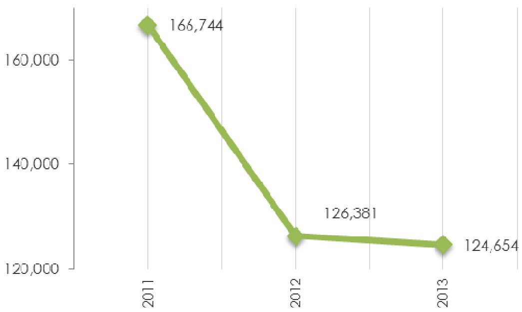

**Operating Results**
[Euro thousand]



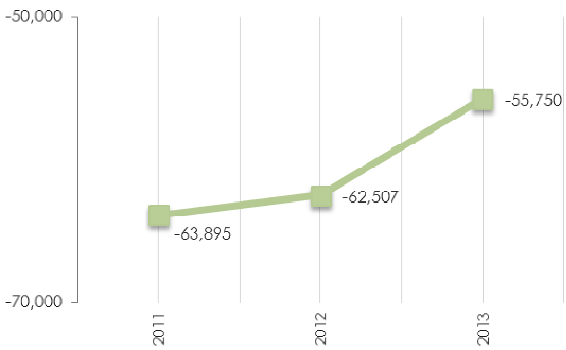

**At 31 December**




**Turnover**
Euro thousand




**Financial Results**
[Euro thousand]



# The REFER Group in 2013

## February

### REFER Group | Recast of logos and change of name of Ferbritas

The strategic reorganisation of the REFER Group included the unification and strengthening of the institutional and corporate identity of the companies which make up the Group, which will now share the same logo.

Taking naturally into account the specificity of each company, the visual proximity to REFER logo is seen as crucial for conveying and strengthening a single consistent image, with common values and goals.

Likewise, in addition to adjusting the corporate object to respective business, the name Ferbritas - Empreendimentos Industriais e Comerciais, SA was changed to REFER Engineering, SA, which translates the company's main object and is in line with the internationalisation strategy in which it is investing.

### Technical specifications for interoperability

A work meeting was held at REFER facilities gathering representatives of ERA (European Railway Agency), Spain's Ministry of Public Works, IMT and REFER, in view of the merger of Technical Specifications for Interoperability (TSIs) relating to trans-European high-speed and conventional rail systems.

## March

### Group REFER provides ultrasonic inspection of rails in Mozambique

In line with its increasing bet on internationalisation, REFER Engineering was requested to provide ultrasonic inspection services of rails in the Sena railway line in Mozambique, covering approximately 100 km in length.

## April

### New organisation of the REFER Group

The REFER Group is newly organised to meet present challenges and its new strategy.

Efficiency and economic sustainability objectives, on par with a more outward-looking marketing action, including the international market for non core services, were relevant factors that were taken into account in the recently approved corporate organisation model.

### Process-based management

In 2013 REFER started a reorganisation process viewing to improve its response capacity to the challenges arising in the railway sector. The strategy laid down aims at achieving economic and financial efficiency, efficacy and sustainability, and it is more market-oriented for both core and non core services, including in international markets.

The newly adopted model is based on an integrated approach for the whole Group, where each company is part of the whole, while complementing each other and enhancing their own potential, facilitated by a common management and a centralised coordination function exercised by a Director-General at each subsidiary.

## May

### Inauguration of the Agualva-Cacém Station

On May 6, 2013 the new Agualva-Cacém was inaugurated. The work is part of the Contract for the Quadrupling of the Sintra Line between Monte-Abraão and Agualva-Cacém, and also involved the modernisation of the Massamá-Barcarena Station. The work was part-financed by the Cohesion Fund (POVT | QREN) by 95%.

### Santarém Station classified as Monument of Public Interest

The railway station of Santarém and the Coaches Building which presently hold the museum centre of Santarém, belonging to the National Railway Museum inaugurated in 1927, were classified as Monument of Public Interest, pursuant to Ministerial Order 265/2013, published in the Official Gazette.

## July

### New Porto-Vigo railway link presented at Campanhã Station

An institutional session marking the beginning of operation of the new international Porto-Vigo link was held on July 1 at Campanhã Station.

The event draw attention to the strategic importance of this link to the regions' economic growth, as well as for tourism, trade and investment between the two countries.

### Innovation - mobile overhead line measurement equipment

The Inspection and Diagnosis Centre of the Asset Management Department within the Maintenance Division studied the internal design of a timely measurement equipment without contact with geometric parameters of the overhead line. This initiative resulted from the fact that mobile equipment used by maintenance centres for the purpose were deemed obsolete.

According to the designing team, the solution found is adequate to meet existing needs and since it is internally developed, its estimated cost is 15% to 37% lower than available market solutions.

## September

### Coimbra A Station classified as Monument of Public Interest

The building of Coimbra A railway Station designed by Architects Cotinelli Telmo and Luís Cunha and built from 1925 to 1931, was classified as Monument of Public Interest, pursuant to Ministerial Order 611/2013, published in the Official Gazette on 20 September, which also establishes a Special Protection Zone (SPZ).

### Maria Pia Bridge amongst the ten most beautiful bridges in the world

Article published in British newspaper "The Guardian" included Maria Pia Bridge in Oporto among the ten most beautiful bridges in the world.

The bridge, which was inaugurated in 1877, was designed by Gustave Eiffel to fill a gap deemed impossible until then, i.e. build a railway bridge upon pillars set on the riverbed of the Douro.

Eiffel designed the widest cross section ever built, set on both sides of the river, topped by the railway bridge, forming a stable and safe structure. According to the newspaper, it was an innovating pure engineering project and it is a symbol for the city. The Maria Pia railway bridge ceased to operate in 1991, following the beginning of operation of the São João Bridge. However, it is a unique engineering metallic infrastructure with an important historical and symbolic value, which REFER has sought to preserve.

## October

### Railway heritage at the Lisbon Real Estate Exhibition

REFER Património, which is the company responsible for managing REFER real estate property, was present at the 16th Edition of SIL 2013 - Salão Imobiliário de Portugal, held at FIL – Lisbon International Exhibition Centre.

The main objective of this presence at this important real estate fair was to promote the marketing of areas, apartments, land and buildings held by the company.

Assets include property with market and development potential, and historical heritage.

## November

### Atlântico Corridor - Beginning of Operation

Rail Freight Corridor no. 4, known as **Atlântico Corridor**, entered officially into operation on the 10th of November 2013

The setting up and inauguration of the Atlântico Corridor resulted from a close cooperation between REFER and its Spanish and French peers, respectively ADIF and RFF, started in 2012, covering mainly the following:

- Setting up of a joint entity to manage the Corridor - European economic interest grouping «AEIE-CFM4»;
- Setting up of a centralised market structure with head-office in Madrid - also known as C-OSS - Corridor One-Stop Shop;
- Setting up of pre-set train path allocation for international freight trains in 2014;
- Production for reference documentation relating to the Corridor;
- Development of market, infrastructure and operation studies.

## December

### REFER – CFL Cooperation Protocol

REFER and CFL - Caminho de Ferro de Luanda signed a Cooperation Protocol, viewing to strengthen and consolidate institutional, technical, management and operation skills associated to the transport system under CFL's responsibility.

This cooperation will cover the sharing of know-how and technical assistance in the fields of Strategic Planning, Rail Operations, Railway Infrastructure Maintenance, Telecommunications and Real Estate Property.

This Protocol, which views the strengthening and narrowing of relations, resulted from REFER's institutional approach to the Angolan market, in line with a structured internationalisation strategy, leveraging on the Group's know-how, experience and technical capacities and skills in the railway area.

## REFER Telecom obtained ISO 27001 Certification.

This quality standard establishes an international benchmark for managing information safety, and is in line with the Portuguese law and various sector regulations (such as Sarbanes-Oxley or Basel II). It is an important achievement, attesting for the Company's skills in a sensitive subject, all the more relevant since REFER Telecom operates in the information technology and systems area.

## REFER Engineering on the international market

Leveraging on its expertise and the consolidation of partnerships, REFER Engineering developed various initiatives in the international market which translated in a number of contracts, namely:

- in Algeria, with TPF/Planege, where it leads the joint-venture. The first contract in this market, which was signed in the 3rd quarter of the year, is for the design project of the railway link Boughezoul/Djelfa (140 km) for COSIDER;
- In Mozambique, in association with Profico, REFER Engineering is subcontractor for different railway and earthworks projects related to the Nacala Corridor, for client VALE.

# Business areas

The REFER Group carried out a corporate reorganisation, where each company was brought to focus on its own core business,

However, since REFER, E.P.E. core activity is the management of the railway infrastructure, there are related business areas which are covered by its subsidiaries. These areas are Engineering, Telecommunications and Management of Property.

## Infrastructure Management

REFER is responsible for managing the national railway infrastructure, as provided in its articles of association: «the main object of REFER is the rendering of public service, specifically the management of the infrastructure included in the national railway network. »

In order to ensure the development of its activity, REFER's structure is divided into two areas that are complementary to each other:

- **Infrastructure Management**: This area covers the management of the railway infrastructure's capacity, conservation, maintenance and management of respective command-control systems, including signalling, regulation and dispatching, to ensure the safety and quality levels required from a public railway transport system.

- **Investment**: this area encompasses the construction, installation and modernisation of the infrastructure, which is carried out at the expense of the state (assets which are part of the public railway domain).

**Segment turnover**

**100**
**million euros**

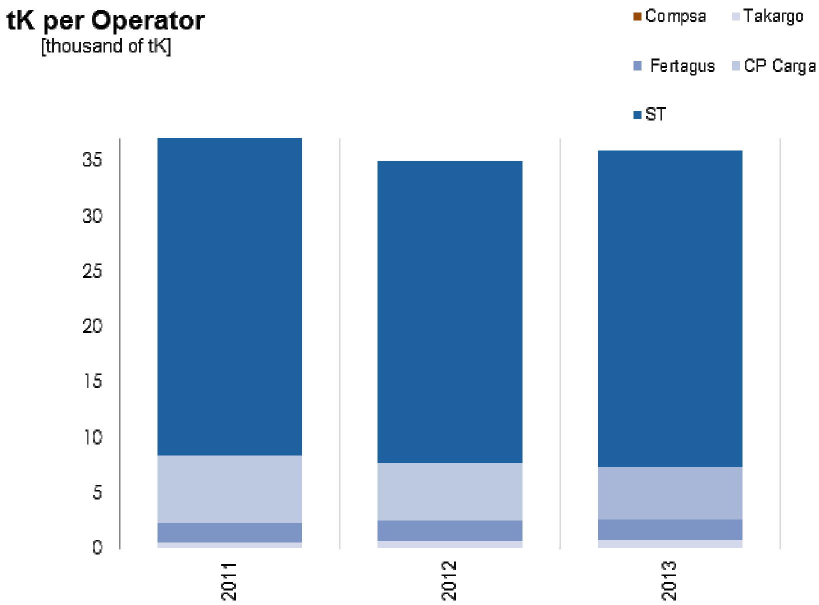
REFER further develops Complementary Activities, so as to obtain return on other assets not directly allocated to the railway infrastructure.

In 2013 train operators performed 36 million Tk (train x kilometre) on the network managed by REFER, corresponding to a slight rise over 2012 (+0.9 million Tk):

Unit: million of tK

| USE OF NETWORK | 2012 | 2013 | Ch. 2013/2012 | % |
|---|---|---|---|---|
| Passenger | 28.49 | 29.68 | 1.19 | 4% |
| Freight | 5.69 | 5.45 | -0.24 | -4% |
| Unladen | 0.84 | 0.82 | -0.02 | -2% |
| **TOTAL** | **35.02** | **35.95** | **0.93** | **3%** |

This rise was mainly driven by passenger transport (+1.19 million Tk). Freight transport posted an opposite performance, falling from 5.69 million Tk in 2012 to 5.45 million Tk in 2013.



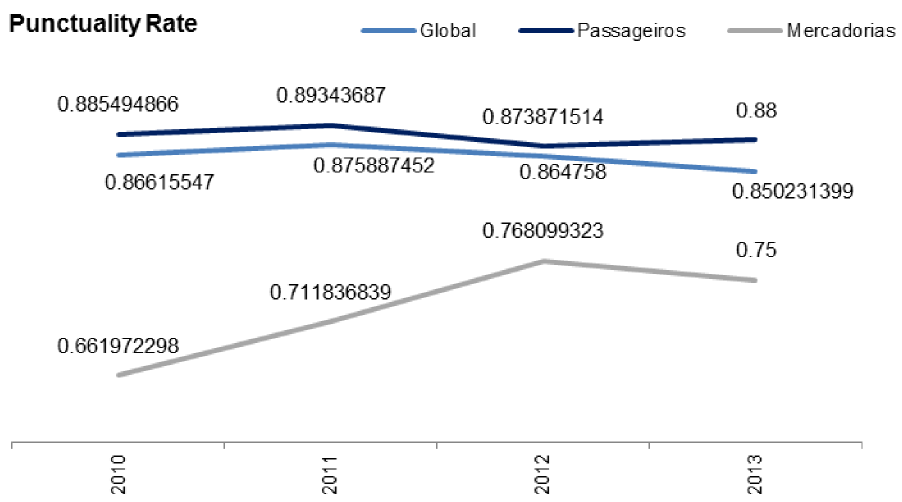

Main operators continue to be CP and FERTAGUS in passenger transport and CP Carga (belonging to Group CP) and TAKARGO in freight transport.

CP - Comboios de Portugal continues to be the most relevant operator, accounting for 80% of total Tk travelled in the national railway network.

In addition to having to ensure safe conditions on its infrastructure, REFER must abide by quality levels, in particular, it must guarantee high **punctuality levels (**PR).

The punctuality rate translates in the ratio between the number of trains, with a delay equivalent or below a certain maximum time and the total number of trains run.

In 2013 the global punctuality rate stood at 85%, which compares to 87% in 2012. This decline was mainly due to the performance of freight trains (75% vs. 77% in 2012).

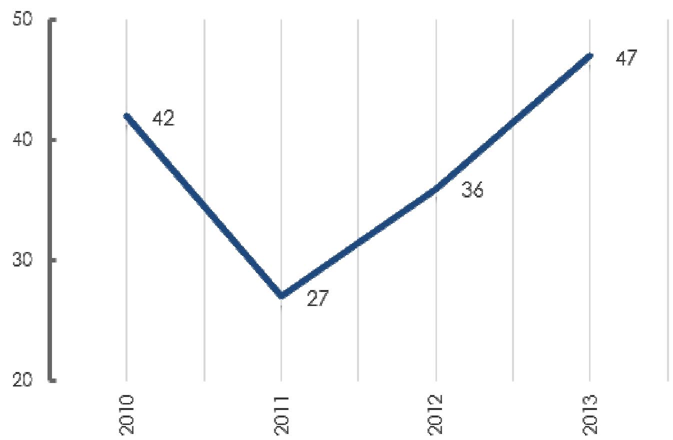



**Safety** is a key value, and it is crucial for the sustainability of the railway market. It is also a differentiating factor in relation to remaining land transport modes.

It is REFER's mission to protect people and assets interacting with the railways, and preserve the integrity and availability of the Public Railway Domain, entrusted by the State to REFER, including assets, material and equipment under its management."
Additionally, REFER must "create and disclose indicators and information relating to the safety of people and goods".
Note should be made to the indicator relating to **significant accidents** per million of train-kilometre, which stood at 1.295 at the end of 2013.

The total number of accidents (47) recorded in 2013, translates a decrease by 30% as compared to the average for 2004/2012.

Relevant accidents

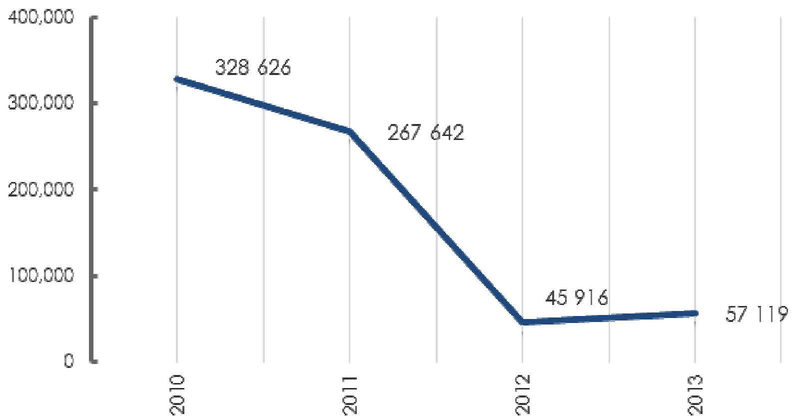



On par with the management of the railway infrastructure, REFER must promote strategies, plans and programmes to ensure a sustainable development of the railway network and implement the **Investment Plan concerning Long Term Infrastructures(LTI)**.

Investment in LTI is carried out by REFER on behalf of the State, using the following **sources of funding**: chapter 50 of PIDDAC, capital injections, EU funds and financial debt.

In 2013 the **volume of expenditure**, at technical costs, made by REFER totalled EUR 57.8 million, corresponding to a rate of implementation of 83% against a planned amount for the period of EUR 69 million.

Investment in Long Term Infrastructures
[Euro thousand]




## Engineering in the Railway Sector

REFER Engineering (formerly known as FERBRITAS) is the Group company holding expertise in railway engineering.

**Segment turnover**

**5.4 million euros**

The new organisational model of REFER Engineering (RE) reflects the specificities of its mission, in line with the Group's strategy. The company is responsible for engineering within the Group, while seeking internationalisation in the field. The services rendered by RE, covering the life cycle of railway investments, focus three specific areas:

- Coordination and development of engineering studies and projects;
- Construction management, supervision and safety coordination;
- Technical advisory to REFER in specialised railway areas.

In marketing terms, in response to its decision to expand abroad, REFER Engineering wants to act as engineering consultant in the area of railway transport in selected external markets.

This strategy of intervention in the international market, seeking new business opportunities abroad, is viewed as particularly important so as to maximise installed capacity and leverage on the company's relevant expertise in this field. In addition to its objectives of value creation, RE's activities in the external market view to maintain the company's financial solidity.

## Telecommunications

In the segment of railway telecommunications and information technology, the Group's specialist is REFER Telecom.

| Segment turnover |
| --- |
| 8.9 million euros |

Its **Mission** is to ensure an efficient management of the telecommunications infrastructure under concession, providing excellence in services and optimising all resources through a specialised offer to the rest of the market.

This activity covers different segments, such as:

### Railway telecommunications;

In this field, REFER Telecom supplies key services to railway operation, such as:

- Voice telephony
- Data transmission
- Supervision and monitoring of infrastructures
- Power telecontrol
- Video surveillance
- Video conference
- Customer Service
- Synchronization with timetables
- Telematic rail solutions
- Consultancy

### Telecommunications and Infrastructures

The company's activity in 2013 was market by sustained expansion in its telecommunications networks and technological modernisation. This included an increase in transmission capacity combined with an expansion of the optical fibre (OF) network.

In this field, the main activities developed were:

## T&I Services

During the year, the company started a project for the consolidation of the Group's IT infrastructure. This consolidation allowed to introduce flexibility in information systems and technologies and user mobility. Additionally it permitted to reduce costs at both hardware and software levels.

The company started studying and developing a private "Cloud" platform to meet safety, resilience and availability requirements of Operational Control Centres. These platforms will be implemented during the forthcoming year, allowing additional flexibility, though maintaining all current criteria.

The continuous increase in the volume of Storage data required the adoption of technologies to optimise space and reduce needs, such as "*Thin Provisioning*" and "*Deduplication*", having obtained excellent results (by 30% in productive systems and over 50% in development and testing systems). The emergence of "*in memory*" and "*flash memory*" technologies make the *Storage* market one of the most competitive markets in the field of information technologies, where innovation and performance versus cost and resilience are relevant factors to take into account, and which REFER Telecom follows continuously.

This expansion in digital technology is an important challenge for backup platforms, which must be capable of responding to the increase in data volume, at technological and performance levels. The use of a set of storage solutions at reduced cost (such as Deduplication, Tape LTO6), permitted to increase supply, reducing space and time by over 80%, according to the type of backup data. The implementation of this type of solutions based on network equipment of 10Gb with FCoE, provide an effective response to client needs, while reducing costs and complexity.

The use of "*opensource*" solutions at internal and external levels constitutes a strong bet on innovation and the development of less expensive open solutions. However, this type of platforms requires more qualified human resources than solutions available on the market. Banking on training has been crucial for the development and sustainability of these platforms and solutions, and to meet interoperability requirements of open formats.

Existing Virtualization solutions were subject to improvement and consolidation plans, which will bring increased growth potential (20%) and performance (30%), with lower costs in terms of Hardware and Software licencing.

ISO 27001 information security management certification obtained during 2013, added quality to the Company's supply of IT services, and will boost business growth. Among other aspects, **ISO 27001** attests for the existence of risk control and continuous improvement procedures as required by an ISO management system.

Following the identification of the 3 data processing centres' needs for load balancing systems, the Company invested in a solution allowing the rendering of added value services, considered crucial for the development of disaster recovery plans with almost immediate recovery levels.

The rendering of *Helpdesk/Service Desk* services to Group REFER and a number of external clients was reinforced with the restructuring and integration of the IS/IT areas into REFER Telecom.

## INFORMATION SYSTEMS

The reorganisation of the REFER Group in 2013 gathered at REFER Telecom all IT skills of the Group. IT systems of the various companies of the Group were integrated so as to maximise synergies.

Among the relevant projects carried out in 2013, we point out the following:

- Documental System - DMS;
- This project was started in June, so that in October all Group companies had the same documental support, ensuring easy email exchange within the Group. This integration permitted starting a documental dematerialization process;
- HR Registry and Wage system;
- This project was started in June; the first wage processing common to the four Group companies occurred in September. The project permitted the standardization of information for all systems requiring personnel data;
- Logistics and Financial System;
- This project was started at the end of September, involving all SAP FI, CO and MM and eContratos systems, viewing the extinction of the financial application system (JDE) of REFER Engineering;
- Capacity Management System;
- Development of a Capacity Management System viewing the existence of a single channel for Requests for Capacity - determination of requested capacity and capacity used and/or not used.

## Management of property and commercial areas

REFER Património is the Group company responsible for managing the real estate property, ensuring its efficient use, valuation and return, in line with integrated management goals for the real estate property of the REFER Group.

**Segment turnover**

**10.4**
**million euros**

REFER Património is responsible for rendering the following services to the Shareholder:

- Valuation, return and requalification of the real estate property not allocated to railway operation, ensuring its financial and environmental sustainability;
- Creation and updating of the Public Railway Domain (PRD) database, permitting continuous access to all information available concerning REFER's real estate assets.
- Management, maintenance and current administration of stations, real estate undertakings and remaining property not allocated to railway operation.

In addition to constituting an important asset of REFER, these services affect all users, whether railway passengers, concessionaires or users of deactivated and re-qualified property, such as an ecotrack.

Among other duties, REFER PATRIMÓNIO is in charge of the property planning at legal and administrative levels, real estate assessment, management of engineering and architecture design projects, management and marketing of commercial areas, management and maintenance of railway stations, and management and updating of all property records.

The company's activity covers 3 complementary areas:

- Optimisation of return on real estate assets;
- rendering of services to railway transport customers;
- management and maintenance of railway stations and property not allocated to railway operation;

REFER Património is thus responsible for the integrated management of real estate property of the REFER Group, including its adequate valuation and return.

## COMMERCIAL STRATEGY

The Group's real estate assets are spread throughout the country, along the railway network, whether active or not. Though not all assets may be commercially exploited, the total number of commercial concessions is presently of 950.

In 2013, taking advantage of the window of opportunity created by the economic environment, the company established the guidelines for a new marketing strategy and approach for shops and other commercial areas in railway stations, directed to the tenant mix of each station and responding to customer needs and expectations.

The exposure of **existing buildings** is increasing, contributing to the potential valuation of the assets portfolio. This fact is stimulating demand at various levels: housing (property renovation) and commercial areas (restaurants/lodging), showing growth potential.

Train Spot Guesthouse

Marvão-Beirã Station

In line with its valuation strategy for its assets not allocated to railway operation, the **National Ecotrack Plan** gained notoriety among main decision-makers (municipal councils, municipal entities), as well as users. With the purpose of encouraging the re-use of deactivated railway channels, guidelines were established that will enable the implementation of ecotracks, in a low-cost version.

The use of deactivated tracks has a strong return potential at internal level, as it will permit preserving and maintaining tracks and property, and at external level, as it constitutes an anchor product for regions, bringing added value all around: environment, mobility, health, economic (diversification of supply in the restaurant/hotel/leisure areas).

In 2013 the company maintained its dynamic and aggressive stance in negotiations for new concessions and renegotiation of existing ones. It adopted marketing strategies based on an analysis of the marketing/financial interest ratio, developing actions to reduce credit risk.

The Property and Stations Management Area recorded a decrease in the number of claims, which would have been even greater if it were not for the integration of 81 stations operated by CP that returned to REFER in 2012. REFER, REFER Património and REFER Telecom are working jointly on improving the claims and customer information system, with results expected to emerge in 2014.

The introduction of controlled and paid access to toilet and washing facilities at the stations of Cais do Sodré, Rossio, Santa Apolónia, Campanhã and São Bento is responsible for 43% of the claims. This measure was nevertheless important, as it led to a decrease in vandalism and significantly improved hygiene conditions.

**Registration and Licensing Management**

The Company is responsible for preparing answers to projects and licensing applications submitted to REFER, as manager of the Public Railway Domain. Additionally, it is responsible for maintaining duly updated the register of land and buildings belonging to the Public Railway Domain and REFER, based on a central data base.

Property-related administrative proceedings are also carried out by REFER Património.

## RAVE - Rede Ferroviária de Alta Velocidade, S.A.

The corporate object of RAVE is “the development and coordination of the decision-making process relating to the planning and construction, financing and operation of a high speed railway to be deployed in Portugal and its link to the Spanish network”, in line with the Portuguese and EU railway transport guidelines. Council of Ministers resolution 101-A/2010 determined the adoption of a set of fiscal consolidation and control measures, among which the restructuring and streamlining of the State entrepreneurial sector, which envisaged the merging of RAVE into REFER.

Pursuant to decree of the State Secretary for transport dated 28 December 2010, REFER was requested to study the interest and viability of the operation.

On 27 January 2011 REFER submitted its proposal and plan, which involved the winding-up of RAVE by means of a legislative act to accelerate the Government's objective.

The relevant Ministry transmitted its agreement to the proposal on 2 February 2011.

As result, RAVE's activity in 2011 was marked by the company's integration into REFER, including all assets and liabilities, which was fully completed in 2013

The general shareholders meeting held on 27 November 2012 decided on the winding-up and liquidation of RAVE.

General Meeting held on 17 January 2014 approved the liquidation accounts and the sharing project proposed by the Liquidator. Liquidation procedures were completed on 12 February, as registered in the Commercial Registry Office.

# Results and Equity Structure

Pursuant to Decree-law 158/2009, specifically no.1 of article 4, companies with securities listed on regulated markets are required to prepare consolidated accounts according to international accounting standards (effective as from 2010). Under the terms of article 6 no. 1, this consolidation obligation applies to any parent company subject to Portuguese law. As result, REFER must prepare consolidated accounts as from 2010.

## Results

The consolidated financial statements of Group REFER are presented hereinbelow.

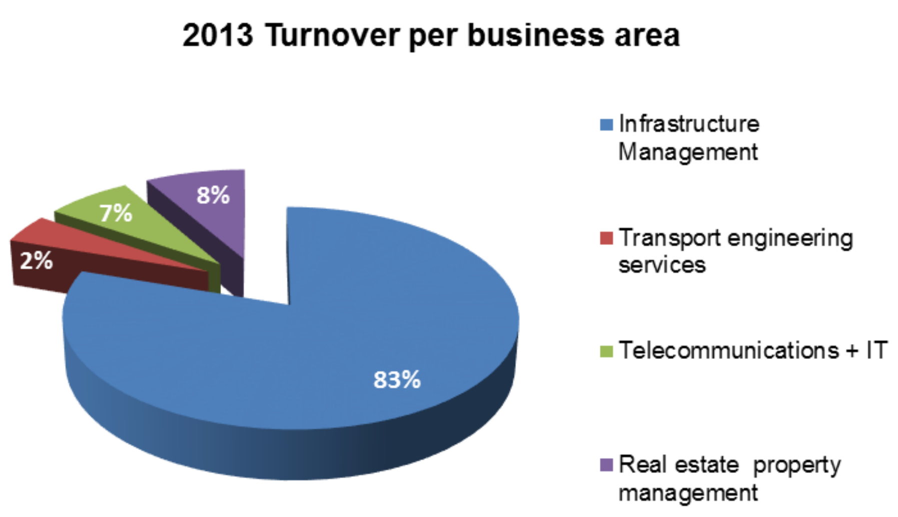
| Operating profit | 2012 | 2013 | Change | |
|---|---|---|---|---|
| | | | Absolute | % |
| Operating Revenues | 175 | 184 | 9 | 5% |
| Operating expenses | - 205 | - 225 | 20 | 10% |
| **Operating profit/(loss)** | **- 32** | **- 41** | **9** | **29%** |

In 2013 the Group posted **operating losses** of EUR 41 million, which compares to - EUR 32 million in the previous year (increasing by EUR 10 million).

This deterioration was due to an increase in expenses by EUR 20 million, while income only grew by EUR 10 million.

The Group's turnover in 2013 amounted to EUR 125 million (excluding redundancies), divided as follows:

The 1% drop in turnover was mainly due to a decrease recorded by the Infrastructure Management segment, by approximately EUR 1.8 million (-2%).




Euro thousand

| Turnover | 2012 | 2013 | Change | |
|---|---|---|---|---|
| | | | Absolute | % |
| Infrastructure Management | 102 543 | 99 950 | - 2 593 | -3% |
| Transport engineering services | 4 467 | 5 424 | 957 | 21% |
| Telecommunications + IT | 9 153 | 8 922 | - 231 | -3% |
| Real estate property management | 10 218 | 10 358 | 140 | 1% |
| **Total** | **126 381** | **124 654** | **- 1 727** | **-1%** |

This decrease derived mainly from the combined effect of an increase in User Fees (+ EUR 3.7 million) and drop in caption "State Grantor LTI Revenue" (-EUR 4.2 million).

Note the rise by EUR 957 thousand in Engineering and Transport Services (+21% as against 2012). Segment "Management of Property and Commercial Areas" also posted an increase in turnover by EUR 140 thousand (+1%), on the back of new partnerships and leases for commercial areas.

**Expenses** rose by nearly EUR 20 million (EUR 225 million in 2013 vs. EUR 205 million in 2012).

Million euros

| Operating expenses | 2012 | 2013 | Change | |
|---|---|---|---|---|
| | | | Absolute | % |
| Cost of materials consumed | 5 | 7 | 2 | 46% |
| Supplies and services | 86 | 88 | 2 | 2% |
| Personnel expenses | 90 | 107 | 17 | 19% |
| Depreciation and amortisation for the year | 8 | 6 | - 2 | -27% |
| Provisions | 4 | 8 | 4 | 95% |
| Impairments | 8 | 5 | - 3 | -40% |
| Other expenses | 4 | 4 | | -5% |
| | 86 | 88 | 2 | **2%** |

Supplies and Services grew by EUR 2 million (+2%) over 2012; This rise resulted from the combined effect of an increase in some expenses, namely in Subcontracts (year-on-year comparison is biased, as some of these contracts started during 2012 compare with 12 months in 2013), while other expenses dropped, namely with rents and leases, specialised works and personnel transportation.

Million euros

| Supplies and Services | 2012 | 2013 | Change | |
|---|---|---|---|---|
| | | | Absolute | % |
| Sub-contracts | 52.6 | 56.0 | 3.31 | 6% |
| Electricity | 11.4 | 11.8 | 0.32 | 3% |
| Surveillance and Safety | 5.0 | 4.9 | -0.18 | -4% |
| Rents and rentals | 3.3 | 2.7 | -0.60 | -18% |
| Maintenance and repair | 1.7 | 2.6 | 0.89 | 52% |
| Cleaning, Hygiene and comfort | 2.0 | 2.3 | 0.28 | 14% |
| Specialised works | 2.5 | 1.9 | -0.55 | -22% |
| Fuel | 1.4 | 1.2 | -0.18 | -13% |
| Royalties | 1.1 | 0.9 | -0.22 | -19% |
| Insurance | 0.9 | 0.8 | -0.05 | -6% |
| Water | 0.7 | 0.7 | -0.04 | -5% |
| Transport of personnel | 0.9 | 0.7 | -0.22 | -25% |
| Travelling and accommodation | 0.4 | 0.4 | -0.03 | -8% |
| Others below 300000 euros | 2.1 | 1.3 | -0.77 | -37% |
| **Supplies and Services** | **86.2** | **88.1** | **1.96** | **2%** |

On the other hand, personnel expenses grew by EUR 17 million. Excluding the effect of the resumption of the holiday and Christmas bonuses required by the constitutional Court and redundancies (EUR 4.6 million in 2013 as against EUR 2 million in 2012) personnel expenses fell by EUR 3 million.

| Personnel expenses | 2012 | 2013 | Change | |
|---|---|---|---|---|
| | | | Absolute | % |
| Personnel expenses | 84 | 81 | - 3 | -3% |
| Resumption of Holiday and Christmas bonuses | 4 | 22 | 17 | 394% |
| Redundancies | 2 | 5 | 3 | 129% |
| | **90** | **107** | **17** | **19%** |

At Group level, the number of employees fell by 133 (2,951 in 2013 as against 3,086 in 2012).

At the end of 2013 Group REFER total workforce was made up of 2,951 employees, distributed as follows:

| Real | REFER | REFER TELECOM | REFER PATRIMÓNIO | REFER Engineering, SA |
|---|---|---|---|---|
| | 2 540 | 177 | 66 | 168 |
| **Change** | - 212 | 13 | 12 | 54 |

The decrease in staff is in line with the Group's goal, which is to adjust the number of employees to its business needs.

Note that the expenses / income coverage ratio worsened from 85% in 2012 to 82% in 2013, mainly due to the increase in personnel expenses mentioned above.

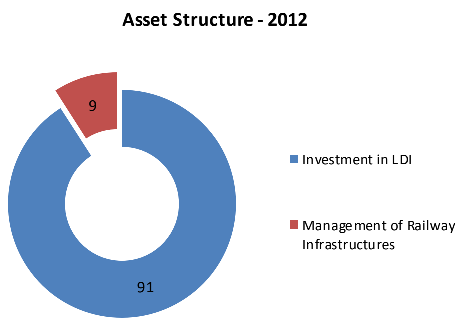
If we exclude the amount corresponding to holiday bonuses (paid in 2013 with entitlement in 2013) and Christmas bonuses, the coverage of expenses moved from 81% in 2012 to 86% in 2013.

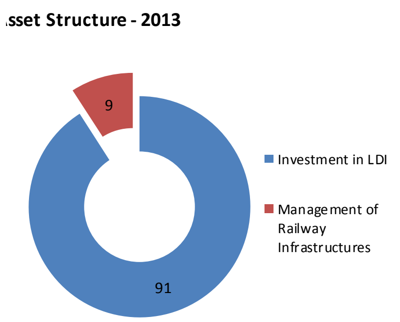
Financial results improved by EUR 6.7 million, mainly due to a decrease in financial charges associated with REFER debt, namely a downward revision in the interest rate on the medium and long term State loan contracted in 2011. This rate stood initially at 6.5% and was revised downwards to 2.77% effective as from June 2012; on the other hand, short term Euribor rates fell to below 1%, bearing a positive impact on the financial expenses of variable rate loans.

The worsening of operating results (-EUR 9.7 million) combined with an improvement in financial results (+EUR 6.7 million) and the positive effect of the recognition of deferred tax assets relating to deductible taxable differences, led to an improvement in the Group's net results, which amounted to -EUR 92 million in 2013 (as compared to -EUR 95 million in 2012).

## Equity Structure

The Group's equity structure remained basically unchanged, in relative terms, in relation to 2012. Investment in LTI is the activity with larger weight on total consolidated assets.




Euro thousand

| Assets | 31.12.2012 | 31.12.2013 | Change | % Ch. |
|---|---|---|---|---|
| **Management of Railway Infrastructure** | **483 724** | **434 693** | **- 49 031** | **-10%** |
| Non current | 69 512 | 71 828 | 2 316 | 3% |
| Current | 414 212 | 362 866 | - 51 347 | -12% |
| **Investment in long-term Infrastructure investments** | **4 832 848** | **4 988 685** | **155 837** | **3%** |
| **Total assets** | **5 316 572** | **5 423 378** | **106 806** | **2%** |

The increase recorded in the Group's assets (EUR 107 million) resulted of the combined effect of a rise in Long Term Infrastructure Investment (+EUR 156 million) and a decrease in Infrastructure Management activity (-EUR 49 million).

Euro thousand

| Activity in long term Infrastructure investments | 31.12.2012 | 31.12.2013 | Change | % Ch. |
|---|---|---|---|---|
| Grantor .- State - Account Receivable | 4 814 210 | 4 973 985 | 159 775 | 3% |
| Inventories | 14 475 | 13 993 | - 483 | -3% |
| Clients and other accounts receivable | 2 980 | 708 | - 2 273 | -76% |
| Cash and cash equivalents | 1 183 | 0 | - 1 183 | -100% |
| | **4 832 848** | **4 988 685** | **155 837** | **3%** |

The increase in Long Term Investment Activity resulted mainly from the volume of investment and the interest payment on debt allocated to investment, as recognised in caption "State Grantor - Accounts Receivable".

Euro thousand

| Management of Railway Infrastructure | 31.12.2012 | 31.12.2013 | Change | % Ch. |
|---|---|---|---|---|
| Non current | **69 512** | **71 828** | **2 316** | **3%** |
| **Current** | **414 212** | **362 866** | **- 51 347** | **-12%** |
| Clients and other accounts receivable | 140 957 | 231 373 | 90 416 | 64% |
| Cash and cash equivalents | 228 913 | 103 103 | - 125 809 | -55% |
| Other | 44 342 | 28 389 | - 15 953 | -36% |
| **Total of Management of Railway Infrastructure Activity** | **483 724** | **434 693** | **- 49 031** | **-10%** |

Two captions contributed to the drop in the balance of Railway Infrastructure Management Activity: (i) decrease in cash by EUR 125 million, and (ii) increase in Other Accounts Receivable, which rose by EUR 90 million.

Total consolidated liabilities rose by EUR 205 million over December 2012.

Euro thousand

| Liabilities | 31.12.2012 | 31.12.2013 | Change | % Ch. |
|---|---|---|---|---|
| **Management of Railway Infrastructure** | **2 280 692** | **2 337 076** | **56 384** | **2%** |
| Non current | 1 630 155 | 1 491 765 | - 138 390 | -8% |
| Current | 650 537 | 845 310 | 194 774 | 30% |
| **Investment in long-term Infrastructure investments** | **4 888 852** | **5 037 883** | **149 032** | **3%** |
| Non current | 4 741 329 | 4 882 724 | 141 395 | 3% |
| Current | 147 522 | 155 159 | 7 637 | 5% |
| **Total liabilities** | **7 169 544** | **7 374 959** | **205 416** | **3%** |

As far as equity is concerned, note the increase in statutory capital made in cash in December 2013, in the amount of EUR 21 million.

# Financial Management and Debt

## REFER Group

Following the reorganisation of the REFER Group, the responsibility for the financial management of subsidiaries was transferred to the Financial Division of REFER (Direção de Economia e Finanças).

The main objective of this reorganisation is an integrated management of the Group's financial resources, while optimising flows between subsidiaries and the parent company. Each subsidiary must manage the financial resources required for its operation, however, these have to be maximised so as to contribute to the economic and financial stability of the parent company.

This centralisation also viewed to standardize practices and procedures, in terms of treasury management and production of management information to support decision-making.

The REFER Group ended the year with a cash balance of EUR 103.1 million, of which EUR 98.6 million were invested in special public debt certificates (CEDICs) with the IGCP, in line with provisions in the State's Treasury Unity Principle set forth in the 2013 State Budget.

## REFER

REFER developed its financial management activity in line with directives issued by its shareholder, as established directly in the Company's budget and the State Budget for 2013, having thus maintained its Reclassified Public Company status.

In line with the previous year, REFER managed its budget pursuant to Law 8/2012 (Law on Commitments and Overdue Payments), which requires that any expense must be preceded by commitment, taking into account the appropriations allocated to the different budget lines recorded by REFER in the 2013 State Budget.

REFER's budget included in the 2013 State Budget as approved by Law 66-B/2012 of 31 December resulted from projected financial requirements in the amount of EUR 892 million. These financing requirements - translated in State loans, were mainly meant to cover the deficit of infrastructure management activity (-EUR 12.7 million)[1],

[1] Includes compensatory payments approved in the 2013 State Budget.

working capital (-EUR 50.9 million) and debt service obligations (-EUR 847 million). Investment would be fully covered by Chapter 50 of PIDDAC and, to a larger extent, by community funds, giving rise to a superavit for this activity by EUR 18.2 million, in economic terms. REFER's financial management was thus developed in close conjunction with fiscal management, so as to ensure that limits set forth would not be exceeded and would not aggravate the public deficit.

Pursuant to Law 18/2013 of 18 February, Decree-law 133/2013 of 3 October "...*establishes the principles and rules applicable to the corporate public sector, including the general bases of the status of public enterprise*…". In addition to establishing reporting and disclosure obligations, or the setting up of a new organizational structure to follow up the State entrepreneurial sector, this Law establishes and imposes clear rules on indebtedness levels and management of derivative financial instruments for Reclassified Public Companies. As a matter of fact, Article 29 of the said Law determines that these companies (RPCs) cannot access funding with financial institutions except for those of multilateral nature (e.g.. European Investment Bank), while 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)).

REFER has thus managed its activity focused on minimizing the fiscal implementation risks, notwithstanding the emergence of exogenous factors which had a considerable impact on both revenues and expenses, and affected the Company's fiscal goals. The following events should be pointed out:

- Favourable liquidity situation at the beginning of the year. In fact, at the end of 2012 REFER had a cash balance of EUR 212 million, deriving from an inflow in the amount of EUR 126 million relating to advances from five community funds that had been applied for (two of which were planned to be submitted in 2013), while the remaining stemmed from the way Law 8/2012 requires the budget to be set up, namely by amplifying prospective financial requirements via an obligation to previously set up the corresponding reserve funds, which implied the full disbursement of the State loans foreseen for 2012 (EUR 800.3 million).

- As result of the early funding applications referred to above, it was necessary to offset in 2013 its impact on the revenues side. Five new applications for European funds were thus submitted, for which an advance payment in the amount of EUR 75.6 million was received in December, permitting to face the capital expenditure included in REFER's budget.

- Early settlement of five swaps. Within the scope of the duties entrusted upon IGCP to manage the derivative financial instruments portfolios of RPCs, this government agency informed REFER of the need to early settle its three swaps with Barclays Capital and two swaps with JPMorgan. The cancellation of these operations gave rise to a net payment of -EUR 12,486,000, of which EUR 8.514,000 related to the inflow from Barclays Capital in May and EUR 21 million concerned an outflow to JPMorgan in June. Note that following these operations, REFER kept only one swap in the notional amount of EUR 150 million entered with Bank of America Merrill Lynch, the market value of which stood at EUR 3.4 million as of 31 December 2013.

- Capital increase in cash in the amount of EUR 21 million. This operation permitted to face the early settlement of the swaps with JPMorgan referred to hereinabove.
- CP and Fertagus did not make any payment for the use of the infrastructure; as result, the amount due by these companies at 31 December 2013 totalled over EUR 125 million.

While combining fiscal implementation with the materialisation of the events mentioned above, REFER revised its financial requirements over the year, reporting them the Directorate-General for Treasury and Finance (DGTF) on a regular basis. As result, two loans were contracted with the Portuguese State. The first loan, entered in May 24, provided the disbursement of five tranches from May to October, totalling EUR 450,541,837, which were fully withdrawn. The second loan was signed on November 13, for a total amount of EUR 410 million, to be disbursed in four tranches: November and December, while the final two tranches were subject to the timely reception or not of an advance of community funds expected in December. REFER did not need to use the final tranche in the amount of EUR 56 million; accordingly, the amount owed for this second loan totals EUR 354 million. This meant a decrease in projected funding requirements via State loans, from EUR 892 million to EUR 804.5 million.

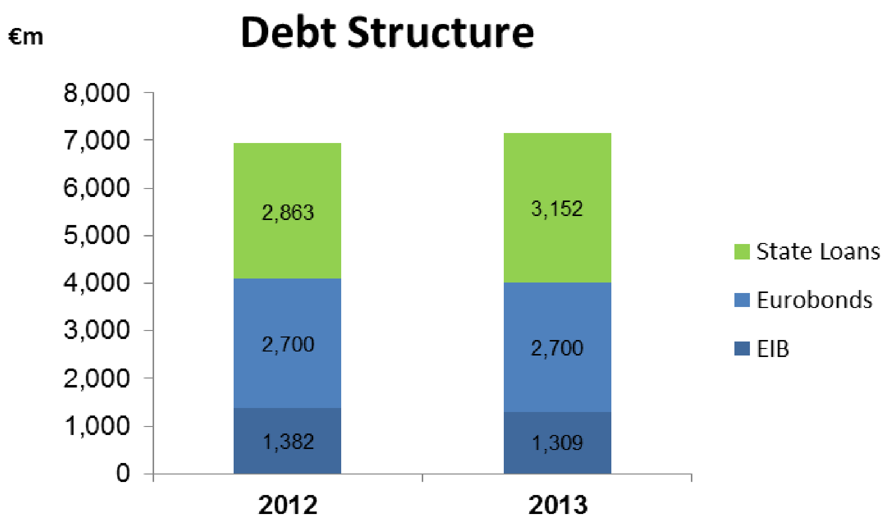
REFER ended the year with cash and liquid assets of EUR 73.6 million, of which EUR 71 million were invested in special public debt certificates (CEDICs) with IGCP. While this cash balance could have been used to early repay existing State loans, the lack of information as to the timing of the planned financing operations and capital increase as provided in the 2014 State Budget recommended taking up a conservative stance, keeping a liquidity level that would allow the Company to face its commitments in the first months of the year, including a significant amount of debt service.

**EVOLUTION OF FINANCIAL DEBT**

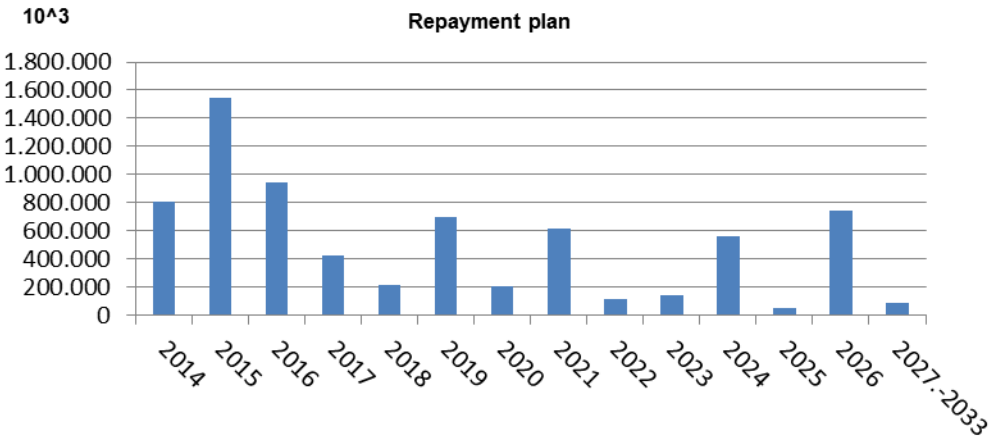
During 2013 REFER obtained medium and long term loans from its shareholder in the amount of EUR 804.5 million, to face its debt service, infrastructure activity deficit and working capital. The amount of debt repayments totalled EUR 588.6 million, of which EUR 515.7 million concerned a partial repayment of the State loan contracted in 2011, while the remaining EUR 72.9 million related to loans entered with the European Investment Bank. As result, in 2013 REFER's financial debt worsened by EUR 216 million, moving from EUR 6,945 million, in nominal terms in 2012, to EUR 7,161 million in 2013.

As far as the debt structure is concerned, it did not change in relation to 2012, with the relative weight of State loan accounting for 44% of the total debt stock in 2013.

At 31 December 2013 REFER's debt structure was made up as follows:

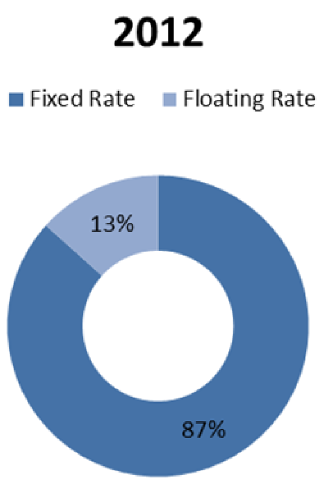


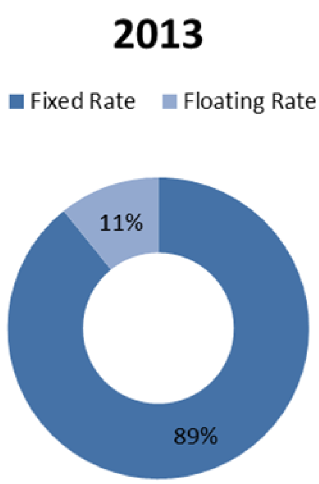

Loans entered with the State since 2011 are due in 2016, 2017 and 2020, with an interest-free grace period of 12 months and a repayment plan consisting of 8 to 12 equal and consecutive principal instalments. These loans are subject to fixed interest rate. EIB loans entered for longer terms are also subject to a repayment plan made up of equal or different but consecutive instalments, permitting a smoother debt repayment. However, taking into account that the repayment of Eurobonds is made in one principal instalment at maturity (bullet), the refinancing risk will be higher in those years, as shown below:




Since the refinancing of REFER's debt has been ensured by State loans subject to interest fixed rate, the company's debt subject to variable interest rate is decreasing, thus improving the predictability of the debt service.

As mentioned above, five out of six outstanding swaps in REFER's derivatives portfolio, contracted with Barclays Capital and JPMorgan, were settled in advance in May and June, resulting in a net payment of EUR 12,486,000. The settlement of these operations did not change significantly the breakdown of the debt portfolio in terms of interest rate. At the end of 2013 this breakdown was as follows:




On 22 January 2014 a mandate agreement was entered between REFER and IGCP conferring to the latter the managing powers to cancel the only swap still outstanding at the end of 2013, which occurred on January 27, representing an inflow of EUR

3,417,000 from Bank of America Merrill Lynch. As result, REFER ceased to hold any interest rate risk hedging instrument.

Note that by end 2013 only REFER Engineering held a medium term loan, in an outstanding amount of EUR 171,055, which was contracted to finance the acquisition and construction of the company's head-office. This loan with an EURIBOR-indexed variable interest rate plus spread of 87.5 basis points was contracted in 1999 and was fully repaid in February 2014.

## ANALYSIS OF THE FINANCIAL FIGURES

Financial figures are analysed from the point of view of Global Financial Results, based on the Income Statement, and ignoring accounting changes relating to Investment in Long Term Infrastructure reflected in the Statement of Financial Position. This approach gives a true view of REFER Group's performance in terms of debt and risk management.

The following table illustrates the Group's financial performance:

Unit: €m

| | 2012 | 2013 | % Ch. |
|---|---|---|---|
| **Financial Results from Investment Activity** | **-185.1** | **-156.9** | **28.2** |
| Financial gains | | | |
| Financial losses* | -185.1 | -156.9 | 28.2 |
| **Financial Results from Infrastructure Management Activity** | **-81.9** | **-69.8** | **12.1** |
| Financial gains | 0.2 | 0.3 | 0.0 |
| Financial losses | -82.1 | -70.0 | 12.0 |
| **Financial Results from Hedging Activity** | **19.4** | **14.0** | **-5.3** |
| Interest earned on derivatives | 51.6 | 36.7 | -14.9 |
| Interest paid on derivatives | -67.0 | -54.8 | 12.2 |
| Change in the fair value of derivatives - Gains | 35.1 | 48.4 | 13.3 |
| Change in the fair value of derivatives - Losses | -0.3 | -16.2 | -16.0 |
| **Overall Financial Result** | **-247.6** | **-212.6** | **35.0** |
| Allocated amount - State Grantor* | 185.1 | 156.9 | -28.2 |
| **Financial result (Income Statement)** | **-62.5** | **-55.7** | **6.8** |

In 2013 Global Financial Results stood at -EUR 212.6 million, made up as follows:

- Financial results allocated to Infrastructure Management Activity (IM), including financial results generated by subsidiaries: EUR 69.8 million
- Financial Results allocated to Investment Activity (LTI): EUR 156.9 million;
- Financial Results from Hedging Activity: +EUR 14 million.

As compared to 2012, Global Financial Results improved by EUR 35 million. Both the Infrastructure Management and Long Term Infrastructure Investment segments contributed to this improvement in financial results.

Indebtedness rose by EUR 216 million, in nominal terms, in 2013 (nominal debt stock in 2013: EUR 7,161 million).

Among the main factors which contributed to lower debt related expenses, the following are worth noting:

- Downward revision of the interest rate relating to medium and long term loan entered by REFER with the State in 2011. This rate initially stood at 6.5% but was revised downwards to 2.77% effective as from June 2012 and fully integrated in 2013;
- The drop in Euribor short-term rates to levels below 1% had a positive impact on the financial expenses of loans subject to variable interest rate.

As far as hedging is concerned (used by REFER alone), it should be noted that the cash component suffered a deterioration by EUR 2.6 million as against 2012, as result of the early settlement of five swaps occurred in May to June. As mentioned above, the early settlement of these swaps was decided after the IGCP took charge of the State's derivative portfolios, as provided by Decree-law 133/13 (public entrepreneurial sector framework). In what concerns the fair value component, the early repayment of the five swaps mentioned above - the global market value of which was negative at the end of 2012 (-EUR 28.7 million), adding a return to positive territory of the fair value of the only operation outstanding at 31 December 2013 (EUR 3.4 million), permitted a positive net change at the end of the period (by EUR 32.2 million).

As for the decrease in the amount chargeable to the Grantor in 2013 and 2012, the largest slice stemmed from a decrease in the stock of financial debt to hedge investment in LTI, with consequent impact on the financial expenses charged (debited) to this activity. This effect stemmed from an advance in the amount of EUR 75.6 million received from five community funds, as mentioned above.

The following table shows the evolution of the annual average interest rate for the 2006-2013 period, which contributed to the results shown above:

**Annual average financing rate**

| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|
| **Average rate except hedging** | **3.23%** | **3.99%** | **4.17%** | **3.39%** | **3.53%** | **4.84%** | **4.43%** | **3.53%** |
| MLT | 3.23% | 3.92% | 3.81% | 3.54% | 3.68% | 4.79% | 4.40% | 3.53% |
| ST | - | 9.97% | 4.99% | 2.58% | 2.67% | 5.03% | 4.80% | 3.54% |
| **Average rate including hedging** | **3.43%** | **4.20%** | **4.14%** | **3.47%** | **3.33%** | **4.23%** | **4.10%** | **3.79%** |
| MLT | 3.43% | 4.14% | 3.78% | 3.64% | 3.45% | 4.04% | 4.04% | 3.86% |
| ST | - | 9.97% | 4.99% | 2.58% | 2.67% | 5.03% | 4.80% | 3.54% |
| **Average 6-month Euribor** | **0.34%** | **0.83%** | **1.64%** | **1.08%** | **1.43%** | **4.73%** | **4.35%** | **3.28%** |

Finally, it should be said that the management of financial debt and risk developed by REFER since 2003 required the engagement of technical and human means capable of responding to this highly demanding job, and involved the raising of funds and the implementation of financial risk management policies.

In 2004 REFER obtained long term ratings from Moody's and S&P, in order to be able to diversify its financing sources against a domestic market lacking the capacity to respond to the amounts and terms involved. REFER's first issue in the amount of EUR 600 million was launched in March 2005.

The emission in 2008 of Euro Medium Term Notes (EMTN) - the first to be made within the framework of the Portuguese law, viewed to obtain greater flexibility and diversification via the capital market, providing quicker access to more advantageous market conditions and significantly reducing the administrative costs of operations. Two operations were carried out under this programme, having translated in lower organisation costs and significant reduction in approval times by respective governing ministries.

Hedging activity over the past ten years translated in effective savings of EUR 32 million, on the back of an active management of debt and derivatives portfolios and a conservative and risk-aversion approach developed by REFER's financial management, in line with its nature of public company.

# Internal Control and Risk Management

2013 saw the implementation of a set of relevant measures viewing the strengthening of internal control and risk management mechanisms, showing the importance paid by REFER to these areas.

Among these measures, two stand out: the Group Plan for 2014-16 and the approval of a new organisational model to support the strategic goals set forth.

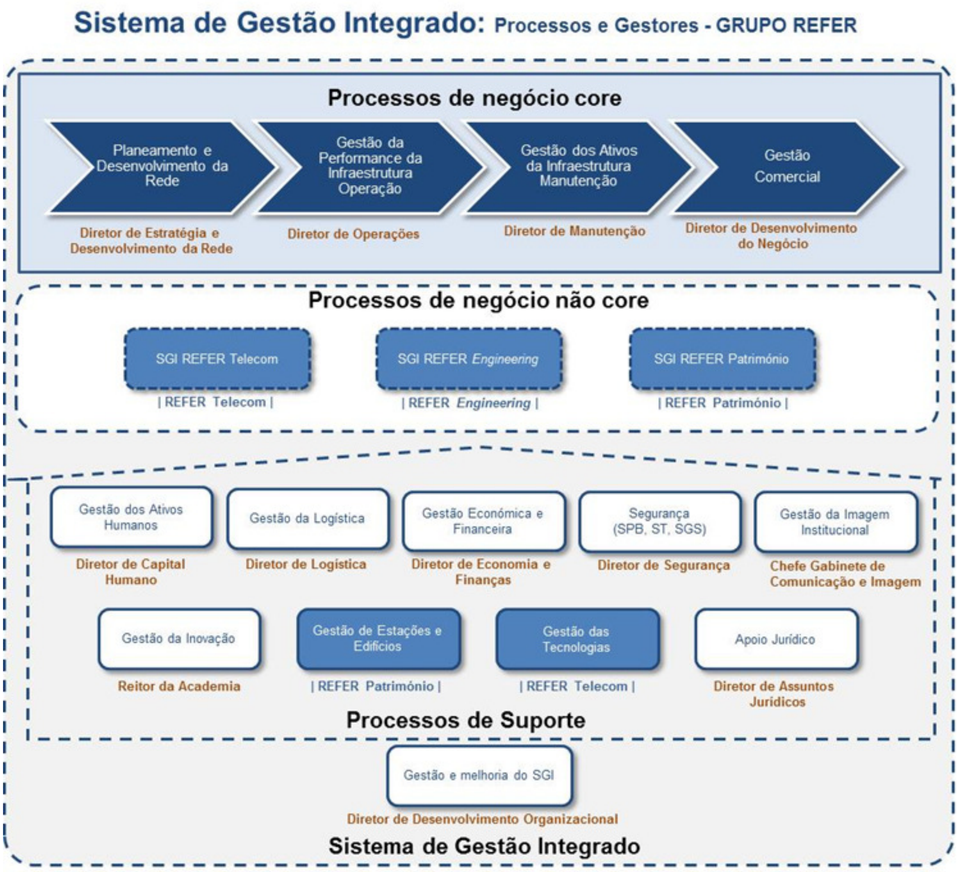
The Group Plan includes two goals directly related to this issue:

- Implementation of an integrated management system (IMS);
- Implementation of management control system;

**Integrated management system**

Within the scope of the IMS, main processes at Group level were identified (macro processes), while respective parameters were outlined: performance indicators, risks, activities, inflows, outflows, responsibilities.

The new organisational model established a Division responsible for implementing, managing and promoting the continuous improvement of the IMS, and appointed Managers and Delegates for each macro process.




The performance control of the processes will be made on a quarterly basis. The first Process Control Meeting (PCM) was held in December 2013.

The IMS includes internal standards, technical instructions and agendas (presently under revision), identifying procedures, responsibilities and internal control mechanisms, which are available at the Company's intranet. The revision of these internal rules will be made on a systematic basis, within the scope of process control.

The same applies to the integrated information system (ERP) - SAP and supporting applications, covering the areas of human resources, financial, procurement, maintenance, sales and public contracts, with safety mechanisms in terms of access and decision-making processes.

The implementation of the IMS marked a new approach to risk management, with identification of risks according to macro process and rating in terms of impact and likelihood of occurrence.

This approach will be further developed during 2014, viewing a general application of the established model based on international standards, such as ISO 31000.

This work will help meeting with Recommendation of the Corruption Prevention Board of 1 July 2009, which requires that public companies prepare a Plan for the prevention of risks, including risks of corruption and related infractions and an annual report describing the implementation of the plan.

**Management control**

In addition to being one of the ten objectives set forth by the Group, the implementation of a management control model was supported by the creation of a specific organic unit, included in the Financial Division, and the appointment of controllers in each Division (REFER and subsidiaries).

The duties of controllers include the preparation and control of income and spending budgets (operation and expenditure), financial control of contracts and projects, preparation of reporting information, carried out in close articulation with process delegates.

This new model introduces and ensures a consistent practice for controlling management and performance.

# Outlook

2013 was a crucial year in terms of the Group's positioning to face the challenges that will arise in the 2014-2014 period ahead.

As a matter of fact, the Strategic Plan for Transports and Infrastructures (PETI) established a number of strategic objectives for the transport sector, namely:

- Contribute to economic growth, supporting Portuguese companies and job creation;
- Ensure the competitiveness of the transport sector and its financial sustainability for Portuguese taxpayers;
- Promote social and territorial cohesion, ensuring the mobility and accessibility of people and goods throughout the country.

To achieve these goals and remain sustainable, the REFER Group will follow an economic rationale in investment decisions and will seek non-remunerated funding.

At the same time, it will continue the internationalisation efforts started in 2013, which have already started to bear fruit. Despite a still fragile economic recovery, the Group's companies, through its employees and managing teams, will continue to bank on "new" markets and challenges to diversify business risks.

Summing up, while in 2013 the Group succeeded in developing a stronger and more cohesive corporate culture, forthcoming years will bring added responsibilities and challenges that we are confident will be met for the common good.

Lisbon, 20 May 2014

## THE BOARD OF DIRECTORS

| | |
|---|---|
| **Chairman** | Eng. Rui Lopes Loureiro |
| **Vice-chairman** | Eng. José Luís Ribeiro dos Santos |
| **Member** | Dr. Alberto Manuel de Almeida Diogo |
| **Member** | Dr. José Rui Roque |
| **Member** | Eng. Amílcar Álvaro de Oliveira Ferreira Monteiro |

# Financial Statements and attached notes

MANAGEMENT REPORT
Notes to the Financial Statements

2013

# PART II
## NOTES TO THE FINANCIAL STATEMENTS

REFER

# PART II

# CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

REFER GRUPO

**Contents**

Statement of Compliance ........ 5
Consolidated Financial Statements ........ 6
Notes to the Consolidated Financial Statements ........ 13
1. Introduction ........ 13
1.1 Parent company activity ........ 13
1.1.1 REFER Missions ........ 14
1.1.2 Regulation of REFER's missions ........ 15
1.2 Activity of the companies included in Group REFER ........ 17
1.2.1 Railway telecommunications operations ........ 17
1.2.2 Integrated management and improvement of the Group's real estate and public railway property (commercial areas) ........ 18
1.2.3 Provision of engineering and transportation services ........ 18
1.2.4 High-speed Project ........ 18
1.2.5 Management of Estação do Oriente ........ 19
1.2.6 Atlântico Corridor ........ 19
2. Bases of presentation and accounting policies ........ 19
2.1 Basis of presentation ........ 20
2.2 Bases of consolidation and accounting policies ........ 21
2.2.1 Consolidation methods adopted by the Group ........ 21
2.2.2 Long Term Investments Activity (LTIs) – Service Concession Arrangements – IFRIC 12 ........ 25
2.2.3 Tangible fixed assets ........ 29
2.2.4 Intangible assets ........ 31
2.2.5 Investment property ........ 31
2.2.6 Derivative financial instruments ........ 32
2.2.7 Financial assets ........ 33
2.2.8 Fair value of financial assets and liabilities ........ 35
2.2.9 Impairment of Assets ........ 35
2.2.10 Inventories ........ 36
2.2.11 Cash and cash equivalents ........ 36
2.2.12 Non current assets held for sale ........ 37
2.2.13 Financial liabilities ........ 37
2.2.14 Non current loans ........ 37
2.2.15 Suppliers and other accounts payable ........ 38
2.2.16 Impairments and Provisions ........ 38
2.2.17 Recognition of revenue ........ 38
2.2.18 Income tax ........ 39
2.2.19 Foreign currency transactions ........ 40

2.2.20 Subsidies .... 40
2.2.21 Segment reporting .... 40
2.2.22 Related entities .... 41
2.3 Main estimates and judgements used for preparing the consolidated financial statements .... 41
3. Financial risk management policies .... 44
4. Companies included in the consolidation .... 50
5. Long Term Infrastructure (LTI) investments Activities .... 53
5.1 Grantor - State - Account Receivable .... 53
5.1.1 Assets under Concession (LTI) .... 53
5.1.2 Subsidies .... 56
5.1.3 Return on assets .... 59
5.1.4 Charged Interest .... 59
5.1.5 Impairments .... 59
5.2 Inventories .... 60
5.3 Clients and other accounts receivable .... 60
5.4 Suppliers and other accounts payable .... 61
5.5 Loans obtained .... 61
5.5.1 Amounts owed to credit institutions .... 62
5.6 Cash and cash equivalents .... 66
6. Infrastructure Management Activity .... 67
6.1 Tangible fixed assets .... 67
6.2 Investment property .... 70
6.3 Intangible assets .... 72
6.4 Investments in associated companies and joint undertakings .... 74
6.5 Categories according to IAS 39 .... 77
6.6 Available-for-sale financial assets .... 82
6.7 Loans and other accounts receivable – non current .... 83
6.8 Inventories .... 83
6.9 Derivative financial instruments .... 85
6.10 Clients and other accounts receivable .... 88
6.11 Income tax .... 90
6.12 Financial assets at fair value through profit or loss .... 95
6.13 Cash and cash equivalents .... 96
6.14 Non current assets held for sale .... 97
6.15 Share capital .... 97
6.16 Non controlling interests .... 98
6.17 Loans obtained .... 98

6.17.1 Amounts owed to Credit Institutions and other entities ..... 98
6.17.2 Loans maturities and terms ..... 99
6.17.3 Fixed rate financing ..... 101
6.18 Suppliers and other accounts payable ..... 102
6.19 Provisions ..... 105
7. Variation in production: ..... 106
8. Sales and services ..... 106
9. Operating subsidies ..... 108
10. Supplies and Services ..... 108
10.1 Operating leases ..... 109
11. Personnel expenses ..... 109
12. Provisions ..... 111
13. Impairments ..... 111
14. Other expenses ..... 114
15. Other income ..... 115
16. Gains/ (Losses) in associates and jointly controlled companies ..... 116
17. Financial losses and gains ..... 116
18. Segment reporting ..... 117
19. Statement of internal results for the long term infrastructure investment activity ..... 124
20. Remuneration of the members of governing bodies ..... 124
21. Balances/transactions with related entities ..... 130
21.1 Summary of related entities ..... 130
21.2 Balances and transactions with associated and jointly controlled companies ..... 131
21.3 Balances and transactions with other related entities ..... 132
21.4 Balances and invoicing with public entities ..... 133
22. Recently issued accounting standards and interpretations ..... 134
23. Investment commitments ..... 136
24. Guarantees and State guarantees ..... 137
25. Contingencies ..... 138
26. Subsequent events ..... 139

# Statement of Compliance

Under the terms and for the purposes of provisions in Article 245, no. 1, sub paragraph c) of the Securities Code, each member of the Board of Directors of REFER, E.P.E., as identified below, underwrote the following statement:

"I hereby declare, under the terms and for the purposes of provisions in Article 245, no. 1, sub paragraph c) of the Securities Code, that to the best of my knowledge, within the scope of the duties assigned to me and based on the information supplied to the Board of Directors, the consolidated financial statements were prepared in compliance with the applicable accounting standards and give a true and appropriate view of the assets and liabilities, the cash flows, the financial situation and the results of Rede Ferroviária Nacional – REFER, E.P.E., and the companies included in its consolidation perimeter, and the management report relating to the company activity in 2013 faithfully describes the material events that occurred during this period and the impact on respective financial statements, and describes the main risks and uncertainties for the forthcoming year."

## THE BOARD OF DIRECTORS

| | |
|---|---|
| **Chairman** | Eng. Rui Lopes Loureiro |
| **Vice chairman** | Eng. José Luís Ribeiro dos Santos |
| **Member** | Dr. Alberto Manuel de Almeida Diogo |
| **Member** | Dr. José Rui Roque |
| **Member** | Eng. Amílcar Álvaro de Oliveira Ferreira Monteiro |

# Consolidated Financial Statements

## STATEMENT OF CONSOLIDATED FINANCIAL POSITION
## 31 December 2013 and 2012

| Assets | Notes | 31-12-2013 | 31-12-2012 |
|---|---|---|---|
| **Management of Railway Infrastructure** | | **434 693 182** | **483 724 217** |
| **Non current** | | | |
| Tangible fixed assets | 6.1. | 47 725 316 | 59 315 172 |
| Investment property | 6.2. | 6 000 577 | 4 052 066 |
| Intangible assets | 6.3. | 2 222 187 | 3 689 365 |
| Investments in associates and joint arrangements | 6.4. | 0 | 76 309 |
| Available-for-sale financial assets | 6.6. | 31 875 | 31 875 |
| Loans and other accounts receivable | 6.7. | 984 936 | 874 508 |
| Deferred tax assets | 6.11. | 14 862 696 | 1 472 652 |
| | | 71 827 587 | 69 511 947 |
| **Current** | | | |
| Derivative financial instruments | 6.9. | 3 383 345 | 16 243 974 |
| Inventories | 6.8. | 22 584 462 | 25 465 828 |
| Clients and other accounts receivable | 6.10. | 231 372 939 | 140 957 299 |
| Income tax refund | 6.11. | 2 421 633 | 2 464 586 |
| Financial assets at fair value through profit or | 6.12. | 0 | 167 877 |
| Cash and cash equivalents | 6.13. | 103 103 215 | 228 912 706 |
| Non current assets held for sale | 6.14. | 0 | 0 |
| | | 362 865 595 | 414 212 271 |
| **Activity in long term Infrastructure investments** | | **4 988 685 173** | **4 832 848 225** |
| **Current** | | | |
| Grantor .- State - Account Receivable | 5.1. | 4 973 984 930 | 4 814 210 104 |
| Inventories | 5.2. | 13 992 736 | 14 475 401 |
| Clients and other accounts receivable | 5.3. | 707 507 | 2 980 197 |
| Cash and cash equivalents | 5.6. | 0 | 1 182 523 |
| | | 4 988 685 173 | 4 832 848 225 |
| **Total assets** | | **5 423 378 354** | **5 316 572 443** |

**To be read jointly with the notes to the consolidated financial statements**

## STATEMENT OF CONSOLIDATED FINANCIAL POSITION (Continued)
## 31 December 2013 and 2012

| Equity and Liabilities | Notes | 31-12-2013 | 31-12-2012 |
|---|---|---|---|
| **EQUITY** | | | |
| Share capital | 6.15. | 451 200 000 | 430 200 000 |
| Reserves | | - 99 411 | - 99 411 |
| Other changes in equity - deferred taxes | 6.11. | - 26 259 959 | 0 |
| Cumulative results | | -2 284 133 858 | -2 189 261 833 |
| | | -1 859 293 228 | -1 759 161 245 |
| Net profit/(loss) for the year attributable to shareholders | | - 92 287 556 | - 94 872 024 |
| **Shareholders' Equity attributable to Equity Holders** | | **-1 951 580 784** | **-1 854 033 269** |
| Non controlling interests | 6.16. | 0 | 1 062 171 |
| **Total equity** | | **-1 951 580 784** | **-1 852 971 098** |
| **LIABILITIES** | | | |
| **Management of Railway Infrastructure** | | **2 337 075 646** | **2 280 691 654** |
| **Non current** | | | |
| Borrowings | 6.17. | 1 467 414 270 | 1 613 073 244 |
| Suppliers and other accounts payable | 6.18. | 2 906 004 | 3 782 972 |
| Provisions | 6.19. | 21 444 993 | 13 298 677 |
| | | 1 491 765 267 | 1 630 154 894 |
| **Current** | | | |
| Borrowings | 6.17. | 742 872 321 | 535 553 831 |
| Derivative financial instruments | 6.9. | 0 | 44 966 433 |
| Suppliers and other accounts payable | 6.18. | 68 677 772 | 66 489 242 |
| Provisions | 6.19. | 0 | 3 252 953 |
| Income tax payable | 6.11. | 7 500 328 | 274 302 |
| Deferred tax liabilities | 6.11. | 26 259 959 | 0 |
| | | 845 310 379 | 650 536 760 |
| **Activity in long term Infrastructure investments** | | **5 037 883 493** | **4 888 851 887** |
| **Non current** | | | |
| Borrowings | 5.5. | 4 882 724 235 | 4 741 329 410 |
| | | 4 882 724 235 | 4 741 329 410 |
| **Current** | | | |
| Borrowings | 5.5. | 91 260 694 | 72 880 694 |
| Suppliers and other accounts payable | 5.4. | 63 898 563 | 73 408 120 |
| Subsidies | 5.6. | 0 | 1 233 663 |
| | | 155 159 258 | 147 522 477 |
| **Total Liabilities** | | **7 374 959 139** | **7 169 543 541** |
| **Total equity and liabilities** | | **5 423 378 354** | **5 316 572 443** |

**To be read jointly with the notes to the consolidated financial statements**

## CONSOLIDATED PROFIT AND LOSS STATEMENT
## 31 December 2013 and 2012

| Headings | Notes | 31-12-2013 | 31-12-2012 |
|---|---|---|---|
| Sales and services | 8. | 124 653 573 | 126 381 221 |
| Changes in inventories of finished w orks | 7. | 0 | - 45 443 |
| Operating subsidies | 9. | 43 700 000 | 39 600 000 |
| Cost of materials consumed | 6.8. | - 6 646 400 | - 4 548 653 |
| Supplies and services | 10. | - 88 146 607 | - 86 187 745 |
| Personnel expenses | 11. | - 107 298 085 | - 90 226 725 |
| Depreciation and amortisation for the year | | - 5 646 862 | - 7 690 545 |
| Provisions | 12. | - 8 115 779 | - 4 171 031 |
| Impairments | 13. | - 4 816 401 | - 8 065 624 |
| Other expenses | 14. | - 4 013 418 | - 2 936 705 |
| Other income | 15. | 15 196 077 | 7 771 972 |
| Gains/(Losses) on Assoc. Ent. Joint undertakings | 16. | - 126 309 | - 1 406 055 |
| **Operating Results** | | - 41 260 212 | - 31 525 334 |
| Financial losses | 17. | - 297 922 090 | - 334 473 961 |
| Financial gains | 17. | 242 172 352 | 271 966 889 |
| **Results before tax** | | - 97 009 949 | - 94 032 405 |
| Tax for the year | 6.11. | 4 722 393 | - 850 682 |
| **Net profit/(Loss) for the year** | | **- 92 287 556** | **- 94 883 088** |
| **Attributable to non controlling interests** | 6.16. | **0** | **- 11 064** |
| **Attributable to equity holders** | | **- 92 287 556** | **- 94 872 024** |

**To be read jointly with the notes to the consolidated financial statements**

**NOTE:**
Earnings per Share are not presented as REFER is excluded from the scope of IAS 33, since its share capital holds the form of "Statutory Capital" fully held by the Portuguese State and it is not therefore represented by shares or any other type of securities.

## STATEMENT OF COMPREHENSIVE INCOME
## 31 December 2013 and 2012

| STATEMENT OF COMPREHENSIVE INCOME | Notes | 31-12-2013 | 31-12-2012 |
|---|---|---|---|
| Results recognised directly in the income statement | | **- 92 287 556** | **- 94 883 088** |
| **Other comprehensive income** | | | |
| **Non-recyclable items in results** | | | |
| Transition differences - deferred taxes | 6.11. | - 26 259 959 | |
| | | **- 26 259 959** | **0** |
| **Recyclable items in results** | | | |
| | | **0** | **0** |
| **Comprehensive Result** | | **- 118 547 515** | **- 94 883 088** |
| **Attributable to equity holders** | | **- 118 547 515** | **- 94 872 024** |
| **Attributable to non controlling interests** | | **0** | **- 11 064** |

**To be read jointly with the notes to the consolidated financial statements**

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### 31 December 2013 and 2012

| | Notes | Share capital | Reserves | Other changes in equity | Cumulative results | Results recognised in the income statement | Non controlling interests | Total |
|---|---|---|---|---|---|---|---|---|
| **Balance at 31.12.2011** | a) | **430 200 000** | **- 99 411** | **0** | **-2 025 587 297** | **- 163 674 536** | **1 073 235** | **-1 758 088 010** |
| **Changes in the period** | | | | | | | | |
| Appropriation of results for 2011: | | | | | - 163 674 536 | 163 674 536 | | 0 |
| 2012 Comprehensive Results | | | | | | - 94 872 024 | - 11 064 | - 94 883 088 |
| | b) | **430 200 000** | **- 99 411** | **0** | **-2 189 261 833** | **- 94 872 024** | **1 062 171** | **-1 852 971 098** |
| **Balance at 31.12.2012** | c) =a) +b) | **430 200 000** | **- 99 411** | **0** | **-2 189 261 833** | **- 94 872 024** | **1 062 171** | **-1 852 971 098** |
| **Operations with equity holders** | | | | | | | | |
| Contribution of statutory capital | d) | 21 000 000 | | | | | | 21 000 000 |
| | (d) | **21 000 000** | **0** | **0** | **0** | **0** | **0** | **21 000 000** |
| **Changes in the period** | | | | | | | | |
| Appropriation of comprehensive results for 2012 | f) | | | | - 94 872 024 | 94 872 024 | | 0 |
| Changes in perimeter | g) | | | | | | - 1 062 171 | - 1 062 171 |
| 2013 Comprehensive Results | (h) | | | - 26 259 959 | | - 92 287 556 | | - 118 547 515 |
| | i) =f)+g)+h) | **0** | **0** | **- 26 259 959** | **- 94 872 024** | **2 584 468** | **- 1 062 171** | **- 119 609 686** |
| **Balance at 31.12.2013** | c) + e) + i) | **451 200 000** | **- 99 411** | **- 26 259 959** | **-2 284 133 858** | **- 92 287 556** | **0** | **-1 951 580 784** |

**To be read jointly with the notes to the consolidated financial statements**

## CONSOLIDATED CASH FLOW STATEMENT
## 31 December 2013 and 2012

| Caption | Notes | 2013 | 2012 |
|---|---|---|---|
| **Operating Activities** | | | |
| Cash receipts from clients | | 30 685 451 | 114 448 725 |
| Cash paid to suppliers | | - 111 323 617 | - 131 557 780 |
| Cash paid to personnel | | - 102 265 581 | - 89 214 643 |
| Flows generated by operations | | - 182 903 747 | - 106 323 698 |
| CIT (paid)/received | | - 1 904 942 | - 1 478 734 |
| Other receipts/payments relating to operating activities | | 54 738 187 | 42 277 214 |
| **Net cash from operating activities (1)** | | **- 130 070 502** | **- 65 525 218** |
| **Investing activities** | | | |
| Cash receipts relating to: | | | |
| Investment subsidies | | 87 245 056 | 263 280 455 |
| Other financial assets | 6.12 | 173 299 | 0 |
| Interest and similar income | | 0 | 9 399 |
| | | 87 418 355 | 263 289 854 |
| Cash payments relating to: | | | |
| Financial investments | | - 4 404 940 | 0 |
| Tangible assets | | - 72 580 634 | - 106 930 214 |
| Intangible assets | | 0 | - 3 284 502 |
| | | - 76 985 574 | - 110 214 716 |
| **Net cash from investing activities (2)** | | **10 432 781** | **153 075 138** |
| **Financing activities** | | | |
| Cash receipts relating to: | | | |
| Borrowings | | 825 541 837 | 3 036 849 941 |
| Capital contribution | | 21 000 000 | 0 |
| Interest | | 36 830 003 | 51 838 030 |
| Other financing operations | | 0 | 15 841 |
| | | 883 371 840 | 3 088 703 812 |
| Cash payments relating to: | | | |
| Borrowings | | - 609 912 062 | -2 650 322 298 |
| Interest and similar costs | | - 287 539 473 | - 316 974 276 |
| | | - 897 451 535 | -2 967 296 574 |
| **Net cash from financing activities (3)** | | **- 14 079 695** | **121 407 238** |
| **Variation in cash and cash equivalents (4)=(1)-(2)+(3)** | | **- 133 717 416** | **208 957 158** |
| Cash and cash equivalents at the end of the year | 5.6/6.13 | 96 281 411 | 229 998 827 |
| Cash and cash equivalents at the beginning of the | 5.6/6.13 | 229 998 827 | 21 041 669 |
| **Variation in cash and cash equivalents** | | **- 133 717 416** | **208 957 158** |

**To be read jointly with the notes to the consolidated financial statements**

**Note:**

The balance of cash and cash equivalent in the consolidated cash flow statement is detailed in Notes 5.6 and 6.13 corresponding to the summing up of the cash and liquid assets of the two activities reported by the Group.

## THE BOARD OF DIRECTORS

**Financial Manager**
Dra. Maria do Carmo Duarte Ferreira

**Chairman**
Eng. Rui Lopes Loureiro

**The Official Accountant**
Dra. Isabel Rasteiro Lopes

**Vice Chairman**
Eng. José Luís Ribeiro dos Santos

**Member**
Dr. Alberto Almeida Diogo

**Member**
Dr. José Rui Roque

**Member**
Eng.º Amílcar Ferreira Monteiro

Lisbon, 20 May 2014

# Notes to the Consolidated Financial Statements

for the year ended at 31 December 2013

## 1. Introduction

Rede Ferroviária Nacional – REFER, **E.P.E.**, hereinafter **REFER,** with head office at Estação de Santa Apolónia, Lisbon, is a state-owned company with administrative and financial independence and own assets. The company was established pursuant to Decree-law 104/97 of 29 April, and is subordinated to the Ministry of Finance and Public Administration and the Ministry of Economy and Employment.

The REFER Group includes the following subsidiaries: **REFER TELECOM**, Serviços de Telecomunicações, S.A., active as a railway telecommunications operator, **REFER PATRIMÓNIO** – Administração e Gestão Imobiliária, S.A., which manages the real estate and railway property of the Group, and **REFER ENGINEERING, S.A**., which provides engineering services in the transport, logistics and other areas.

The REFER Group holds a stake in an associated company **- GIL** – Gare Intermodal de Lisboa, S.A., linked to the management of the Oriente Railway Station, and two joint-ventures, **AVEP** – Alta Velocidade de Espanha e Portugal A.E.I.E., in partnership with ADIF – Administrador de Infraestruturas Ferroviárias (Spanish company), to study the Madrid-Lisboa-Porto and Porto-Vigo railway links and **CORREDOR FERROVÁRIO DE MERCADORIAS N.º4 (A.E.I.E, CFM4),** in partnership with ADIF - Administrador de Infraestruturas Ferroviárias and RFF – Réseau Ferré de France (French entity); the object of this joint-venture is to promote measures to improve freight transport competitiveness in the Sines-Lisboa/ Leixões| Sines –Elvas/ Algeciras – Madrid – Medina del Campo – Bilbao – Irun/ Bordeaux – Paris – Le Havre – Metz railway corridor.

### 1.1 Parent company activity

REFER's main object is the rendering of public services, specifically the management of the national railway infrastructure, including construction, installation and renewal of railway infrastructures.

While carrying out its activity and in order to provide a highly efficient and effective service, REFER relies on complementary services in business areas not covered by its main object, which are performed by its subsidiaries.

### 1.1.1 REFER Missions

REFER's activity is subdivided into two missions: Long Duration Infrastructure Investments (LDI) and Infrastructure Management (IM)

- Long Term Investment (LTI)

This mission covers investments associated to:

- New infrastructures and/or network expansion;
- Modernisation and renewal, via the introduction of new technology in operations;
- Replacement, including interventions introducing lasting improvements or likely to increase the value and/or lifetime of the asset, while not altering operation conditions.

As described hereinabove, the financing required for investments made is obtained by REFER and may be in the form of loans with financial institutions and the financial market, capital contributions of the shareholder and community funds.

- Infrastructure Management (IM)

The IM mission corresponds to the rendering of a public service, covering tasks such as conservation and maintenance of infrastructures, management of capacity, management of the regulation system, and traffic safety, command and control.

It further covers operating investments bearing no implications on railway concessions and operation (e.g. furniture and IT equipment)- Investment in Support and Management Structures (ISMS).

### 1.1.2 Regulation of REFER's missions

#### User Fee Regulation

Pursuant to Decree-Law 104/97 of April 29, REFER was entrusted with the duty of managing the overall national railway network and it was granted the right to charge fees for the use of the railway infrastructure.

In what concerns user fees, under the terms of Decree-Law no. 270/2003 of 28 October, as amended by Decree-Law no. 231/2007 of 14 June, REFER shall establish and collect the fees due for using the infrastructure, viewing to finance the infrastructure management activity, respecting the rules defined in the aforementioned legal decree, as well as those provided in Regulation no. 630/2011, of 12 December, by the IMT.

Within the scope of its activity, REFER provides essential, additional and auxiliary services, the description and conditions of which – including fees – are defined in the Network Directory.

#### User Fees for Essential Services

a) Base Fees

Main services provided by the infrastructure manager include the following:

- the minimum access package;
- railway access to service facilities and to the supply of services;
- the use of infrastructures and equipment for the supply, transformation and distribution of traction power;
- the provision of emergency railway assistance under the terms provided in article 51 of Decree-Law 270/2003.

b) User Fee for capacity requested but not used

The amount payable capacity requested but not used corresponds to:

- 100% of the applicable user fee if the non-utilisation is notified from the date for which the capacity was requested to three days (inclusive) prior to that date;
- 10% of the applicable user fee if the non-utilisation is notified from three days (exclusive) to 14 days (inclusive) prior to the date for which the capacity was requested;
- 5% of the applicable user fee if the non-utilisation is notified more than 14 days (exclusive) in relation to the date for which the capacity was requested;
- No user fee is applicable for capacity requested but not used in cases of replacement of an allocated path, provided it is confirmed that the new path has the same origin and destination and a time of departure within 24 hours in relation to the path of origin, in case of a passenger train or seven days in case of a freight train.

User Fees for Additional Services

a) Traction Power

Since access to traction electricity required by Operators can only be provided through the infrastructures managed by REFER, the company provides Operators with access to the means under its management.

If any contracts exist establishing the payment to REFER of any consideration for services relating to the checking, invoicing and/or distribution of consumption, the amount that will be taken into account will be that determined according to tariff regulations in force, up to the agreed amount.

b) Shunting

Shunting services are charged according to the mobilisation of human resources (including travel time, if applicable), measured in minutes; these human resources fit into three professional categories: Shunting Operator, Circulation Operator or Circulation Controller.

c) Parking of Rolling Stock

Parking in station lines not assigned to circulation is considered for periods equal to or greater than 1 hour.

User Fees for Auxiliary Services

Services involving the use of REFER labour force are invoiced according to the human resources used.

Other Fees

The Network Directory, the railway regulations and the technical documentation necessary for studying capacity requests are supplied to interested parties upon request and against payment of an amount corresponding to the publishing cost.

## 1.2 Activity of the companies included in Group REFER

We present herein below the activities developed by the companies included in Group REFER. Note that these companies operate in the Infrastructure Management area described in note 1.1.1.

### 1.2.1 Railway telecommunications operations

REFER TELECOM, Serviços de Telecomunicações, S.A., hereinafter REFER TELECOM, with head-office in Lisbon, was set up on 9 November 2000, with the purpose of managing and operating telecommunications infrastructures and systems and complementary, accessory or subsidiary activities thereof, directly or via holdings in other companies.

In 2001 a "concession contract" was entered between REFER and REFER TELECOM, which was revised in 2013.

Currently, pursuant to the concession contract, REFER TELECOM is the managing company of the Telecommunications and IT Systems infrastructure under REFER's responsibility, its networks, systems and related services, and it is the only company responsible for the maintenance and repair of the said infrastructure.

### 1.2.2 Integrated management and improvement of the Group's real estate and public railway property (commercial areas)

REFER PATRIMÓNIO's corporate object is the management and operation of the real estate property and undertakings, whether belonging to the company or to third parties; the acquisition and disposal of property and setting up of rights over the said property; the purchase of buildings for marketing purposes and the management and operation of railway stations and equipment, including respective commercial operation.

### 1.2.3 Provision of engineering and transportation services

REFER ENGINEERING, S.A. provides consultancy services and develops engineering projects in the fields of transports, logistics and other, including the design, development, maintenance and operation of respective infrastructures and technical assistance. 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.

### 1.2.4 High-speed Project

RAVE, Rede Ferroviária de Alta Velocidade, SA, was the Portuguese company set up to develop and coordinate the works and studies relating to the planning, building, financing, supply and operation of a high-speed rail network to be depoloyed in mainland Portugal linking to its counterpart Spanish network. As from 2011, this company's activity was gradually merged into REFER's. The merger was completed in 2013.

The General Shareholders Meeting held on 27 November 2012 decided on the dissolution and liquidation of RAVE.

The last General Meeting which took place on 17 January 2014 approved the liquidation accounts and the sharing project proposed by the Liquidating Entity. The liquidation was closed and registered with the Commercial Registry Office in February 12, 2014.

### 1.2.5 Management of Estação do Oriente

The corporate object of GIL – Gare Intermodal de Lisboa, S.A., hereinafter referred to as GIL is the management, maintenance, upkeep and cleaning of Complexo Intermodal de Transportes, known as Estação do Oriente (Station of Oriente), the rendering of maintenance, cleaning and surveillance services to REFER and the Lisbon Underground, the lease of commercial areas, operation of the car park, supply of goods and services to users and assignment of areas for events.

### 1.2.6 Atlântico Corridor

In November 2013, railway infrastructures managers of Portugal (REFER, E.P.E), Spain (ADIF) and France (RFF) set up the European Economic Interest Grouping "Rail Freight Corridor n.º4" (A.E.I.E., CFM4), with the objective of developing an internal railway freight market, by setting up dedicated corridors.

CFM4 covers existing and planned railway lines, specifically the Sines/Setúbal/Lisboa/Aveiro/Leixões – Algeciras/Madrid/Bilbao – Bordeaux/Paris/Le Havre/Metz lines crossing the Portuguese border at Vilar Formoso/Fuentes de Oñoro, Elvas/Badajoz and the Spanish border at Irún/Hendaya.

As a first step, CFM4's mission views the management and profit-generating use of existing infrastructures via the centralised management of allocated capacity and customer relationship, with no additional investments.

Subsequently, through CFM4, these three neighbouring countries will be able to articulate investment in railway infrastructures, overcoming operational, technical and interoperability barriers to finally improve competitiveness in rail freight transport.

## 2. Bases of presentation and accounting policies

The accounting policies used to prepare these consolidated financial statements are described in the following paragraphs and were applied in a consistent manner for the years under review.

## 2.1 Basis of presentation

The financial statements presented herein reflect the results of Group REFER's operations and its financial position for the years ending at 31 December of 2013 and 2012, constituting the Group's consolidated financial statements.

Pursuant to Decree-law 158/2009, specifically no. 1 of article 4, companies with securities listed on regulated markets are required to prepare consolidated accounts according to international accounting standards, effective as from 2010. Under the terms of article 6 no. 1, this consolidation obligation applies to any parent company subject to Portuguese law. As result, REFER must prepare consolidated accounts as from 2010.

These financial statements were assessed by the Board of Directors at a meeting held on 20 May 2014, where it was decided to submit them to the approval of the relevant Ministry. The Board of Directors is of the opinion that these financial statements give a true and fair view of Group REFER's operations, its financial position, results of its operations and cash flows.

All amounts are expressed in Euros (€), without any rounding up or down, unless otherwise stated. Group REFER's financial statements were prepared according to the International Financial Reporting Standards (IFRS) as adopted by the European Union, in force on 31 December 2013.

IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and its predecessor body.

The financial statements presented herein were prepared according to the principle of historic cost, except for financial assets and liabilities recorded at fair value, in particular derivative financial instruments, which are recorded at respective market value,.

The preparation of financial statements in conformity with IFRS requires the application of judgement and the use by the Group of estimates and assumptions that affects the process of applying the accounting policies and the reported amounts of income, expenses, assets and liabilities. 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 could not be obtained through 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 . (Main estimates and judgements used for preparing the financial statements).

## 2.2 Bases of consolidation and accounting policies

Consolidated financial statements at 31 December 2013 and 2012 included assets, liabilities, results and cash flows of the Group's companies, which are presented in Note 4.

### 2.2.1 Consolidation methods adopted by the Group

The consolidation methods adopted by the Group are as follows:

Equity holdings in subsidiaries

According to the concepts provided in IAS 27 – Separate and consolidated financial statements, subsidiaries are the companies controlled by REFER.

Control is presumed to exist where REFER has the power to exercise the majority of voting rights. Additionally, control also exists when the Company has the power to directly or indirectly govern the financial and operating policies of the entity, so as to obtain benefits from its activities, even if its shareholding is less than 50%.

Equity holdings in subsidiaries were included in these consolidated financial statements according to the **full consolidation method**. Companies consolidated according to the full consolidation method are described in Note 4.

Significant balances and transactions between subsidiaries are eliminated in the consolidation process.

Whenever necessary, adjustments are made to the financial statements of subsidiary companies to conform to the Group’s accounting policies.

Equity and results corresponding to third parties' holdings in subsidiaries are presented separately in the consolidated statement of financial position and the consolidated income statement under caption non controlling interests, respectively. Gains and losses attributable to non-controlling interests are charged to such interests accordingly.

Any transaction occurring with non-controlling interests will be recorded in equity.

Assets and liabilities of each group company are recorded at fair value as of acquisition date or as provided in IFRS 3, within 12 months following such date. Any excess value resulting from the difference between the acquisition cost and the net fair value of acquired assets and liabilities is recorded as goodwill in the consolidated statement of financial position. If the excess of the acquisition cost over the net fair value of acquired assets and liabilities is negative, it will be recognised as income for the year, except in case of increase in equity holdings where control already existed, where the said difference will be recognised directly in equity, specifically under reserves through adjustments of non controlling interests.

## Equity holdings in jointly controlled companies

According to provisions in IAS 31 – Interests in joint ventures, these may have various forms, including: i) jointly controlled operations , ii) jointly controlled assets and iii) jointly controlled entities.

According to the said standard, as far as jointly controlled entities are concerned, the Group may choose between proportionate consolidation and the equity method.

Therefore, equity holdings in jointly controlled companies were included in the consolidated financial statements according to the **equity method**, except for investment in joint undertaking E.E.I.G. CFM4, which has no share capital and therefore is consolidated on a proportionate basis (note 6.4) since the date the joint control is exercised. Associates recognised by the equity method are described in Note 4.

Any excess of acquisition cost over the fair value of identifiable assets and liabilities as of acquisition date is recognised as goodwill and kept in the amount of the equity holding under caption Equity holdings in associates and jointly controlled companies. Any negative difference between the acquisition cost over the fair value of net assets and liabilities will be recognised as income in profit or loss for the period in caption Equity holdings in associates and jointly controlled companies, following reassessment of the estimated fair value.

A valuation of the investments in jointly controlled companies is performed when impairment indications are identified. The impairment losses are recognized when identified. When the accumulated impairment recognized in previous years ceases to exist (partially or fully), it will be reversed.

Where the share of the Group in the cumulative losses of the jointly controlled company exceeds the value at which it is registered, the recorded investment is nil, except where the Group assumed commitments with the jointly controlled company; in this case, the Group will recognise a loss for the amount of the jointly and several liabilities assumed with the jointly controlled company.

Unrealised gains and losses in transactions with jointly controlled companies are eliminated in proportion to the Group's interest in such company, by corresponding entry in the amount of the related investment. Unrealised losses are also eliminated, but only up to the point in which the loss does not show that the asset transferred is in a situation of impairment.

Whenever necessary, adjustments are made to the financial statements of jointly controlled companies to conform to the Group's accounting policies.

## Equity holdings in associated companies

As provided in "IAS 28 – investments in associated companies", associated companies are companies in which a company exercises a **significant influence** over their financial and operational policies, although it does not control them.

A significant influence is presumed to take place where the company has the power to exercise more than 20% of the voting rights in the associated company.

Financial investments in group and associated companies are recorded by the **equity method**.

According to the equity method, financial investments are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate (and accounted in the income statement and the other comprehensive income of the Group) and the dividends received.

Any excess of acquisition cost over the fair value of identifiable assets and liabilities as of acquisition date is recognised as goodwill and kept in the amount of the equity holding under caption equity holdings in associates and jointly controlled companies. Any negative difference between the acquisition cost over the fair value of net assets and liabilities will be recognised as income for the period in caption Equity holdings in associates and jointly controlled companies, following reassessment of the estimated fair value.

A valuation of the investments in jointly controlled companies is performed when impairment indications are identified. The impairment losses are recognized when identified. When the accumulated impairment recognized in previous years ceases to exist (partially or fully), it will be reversed.

Where the share of the Group in the cumulative losses of the associate exceeds the value at which it is registered, the recorded investment is nil, except where the Group assumed commitments with the associate; in this case, the Group will recognise a loss for the amount of the jointly and several liabilities assumed with the associate company.

Unrealised gains in transactions with associated companies are eliminated in proportion to the Group's interest in such companies, by corresponding entry in the amount of the related investment. Unrealised losses are also eliminated, but only up to the point in which the loss does not show that the asset transferred is in a situation of impairment.

Equity holdings in associated companies are described in Note 4.

## Goodwill

Differences between the acquisition cost of equity holdings in subsidiaries, jointly controlled companies and associated companies and the fair value of these companies identifiable assets and liabilities at respective acquisition date (or during a period of 12 months following such date), if positive, are recorded against goodwill (if it concerns subsidiaries),

Except if they concern an increase in holdings where control already existed, the said difference will be reflected directly in equity, in caption Reserves against adjustment of non-controlling interests, where applicable.

When recognised separately as asset, any impairment loss recognised for goodwill is immediately recorded in the consolidated statement of financial position as deduction to the corresponding asset's carrying value, and in the consolidated statement of comprehensive income in caption other gains and losses, not being subsequently reversed.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values.

The acquirer shall recognise any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date. Goodwill or any recognised gain shall be adjusted as from acquisition date by an amount equivalent to the adjustment to the fair value at acquisition date of identifiable assets, liabilities or contingent liabilities to be recognised or adjusted, and comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting had been completed from the acquisition date. This includes any additional depreciation, amortisation or other profit or loss effect recognised as a result of completing the initial accounting.

### 2.2.2 Long Term Investments Activity (LTIs) – Service Concession Arrangements – IFRIC 12

Following the split-off of the railway activity in Portugal in 1997, REFER was assigned the responsibility of building and renovating long term railway infrastructures. This activity is carried out according to the State's directives and its financing is guaranteed through subsidies and loans (specifically Chapter 50 of PIDDAC), most of which secured by the State, where REFER is an "agent".

Following this understanding, the effects relating to this activity are accounted for according to IFRIC 12.

Accordingly, for the purposes of IFRIC 12, it is considered that the Long Term Investment Activity substantiates the existence of a concession arrangement between the State (Public Entity) and REFER (considered as private entity although its sole shareholder is the State), and that it must be developed according to State directives, where REFER acts as "Concessionaire".

IFRIC 12 – Service Concession Arrangements was issued by IASB on November 2006, to be applied in the years starting at or following 1 January 2008. Its adoption within the European Union occurred on 25 March 2009, to be mandatorily applied in the years starting at or following 1 January 2010.

IFRIC 12 applies to public service concession arrangements where the Grantor (State) controls (regulates):

- The services to be provided by the concessionaire (using the infrastructure), to whom they are to be provided and at what price; and
- Any residual interests concerning the infrastructure at the end of the contract.

IFRIC 12 applies to infrastructures:

- built or acquired by the operator to third parties;
- already existing and to which the operator provides access.

In the light of the above, the concession existing at REFER is included in the scope of this IFRIC due to the following reasons:

I. REFER is a profit-making company subject to provisions in the Companies Code; although its shareholder is the State, the company was incorporated according to a specific regime and holds equity independence in relation to its shareholder; it is therefore excluded from the application of IFRIC 12, according to its paragraph 4;

II. The decree-law which establishes REFER may, in substance, be considered as a concession agreement, since the State as Grantor, controls and governs the public services provided by REFER, as concessionaire of the infrastructures belonging to public railway domain, and defines to whom the services are to be provided and at what price;

III. The State owns and controls the infrastructures since they are public domain, and assigns to REFER the right of access to such infrastructures for the rendering of a public service.

This interpretation sets out the general principles for recognising and measuring rights and obligations pursuant to concession contracts holding the characteristics mentioned above and defines the following models:

I. Intangible asset model - this model applies where the operator receives from the grantor the right to charge a tariff for using the infrastructure;

II. Financial asset model - where the operator has an unconditional right to receive cash or other financial assets from the Grantor corresponding to specified or determinable amounts, the operator must recognise a financial asset (account receivable). Under this model the company has little or no discretionary powers to avoid payment, since the agreement is generally legally binding.

III. "Mixed" model - This model, provided under paragraph 18 of IFRIC 12 applies where the concession simultaneously includes remuneration commitments guaranteed by the grantor and remuneration commitments contingent on the level of use of the concession infrastructures.

Considering the types of models presented above, we consider that the model which best translates REFER's 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, whilst REFER has an unconditional right to receive cash from the State for its investments in LTIs. Such right is granted pursuant to article 11 of the Land Transport System Base Law for railway transport (LTBL) and DL 141/2008 dated 22 July, and by the Strategic Plan for Transports (PET) which provide, amongst other things, that the "construction of new railway lines and tracks requires the prior approval of the Finance Ministry and the Ministry supervising this sector" and that the investment required for the construction of the railway infrastructure, as public domain assets, is the responsibility of the State.

In what concerns the Financial Assets resulting from the application of this rule, they fit under IAS 32, IAS 39 and IFRS 7.

As there is no official concession agreement, REFER made some assumptions for determining the value of the concession, based on the principle of substance over form and existing law, namely:

- The Land Transport System and Infrastructure Maintenance and Supervision Base Law 10/90 - which establishes in number 3 of article 11 the compensation due by the State for the full construction, maintenance and supervision costs of the infrastructure, in accordance with rules to be approved by the Government.

- REFER, E.P.E. articles of association, specifically no. 4 of article 15, which provides that “the value of the assets acquired by the company for a valuable consideration, and which are allocated to the public domain, as well as the value of improvements made by the company to public domain assets allocated to or managed by the company, must be re-established in case the company should be deprived of its management or operation”

- The Strategic Transport Plan (RCM 45/2011):

    - The investment necessary to the construction of transport infrastructures which are public domain assets, is a State responsibility as provided in the Land Transport System BAse Law. Notwithstanding, over the past decades, state-owned corporations 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 charges stemming from this investment made on behalf of the State.

    - The historic debt of state-owned enterprises operating in the public and railway transport and infrastructures sector, results in part from the development of investment projects which are the State's responsibility (...)

- When any assets are withdrawn from the public railway domain, the profit or loss is attributed to this activity, as established in each withdrawal order.

Therefore, the costs borne with LTIs assume the form of "accounts receivable" charged to the "State Grantor", being initially recognised at fair value.

Financial assets are made up of the assets subject to concession, which include public railway domain property, to which REFER only has access to provide Infrastructure Management services, plus the return on assets following sale or improvements made to them, deducted of any subsidies received plus interest allocated to the concession, deriving from the non existence of an official concession contract.

As there is no defined maturity, it is assumed that the amounts receivable will be due on the date they are charged. Consequently, it is considered that as from that date the concessionaire (REFER) will be entitled to default interest. The determination of the said interest is made based on the same terms of the funding obtained to directly finance this activity. The company thus charges interest and other financial expenses incurred with the loans contracted to finance the concession.

### Long Term Infrastructures ("LTIs")

Tangible fixed assets classified as long term infrastructures belong to the public railway domain, and REFER only has access to them so as to supply the infrastructure management services. They are recorded as “long term infrastructures investment activity” in the consolidated statement of financial position since they do not qualify as assets controlled by this entity. These assets, in addition to the acquisitions and constructions subsequent to the split-off of CP, also include the assets of extinguished departments and assets transferred from CP.

The use of LTIs was assigned to REFER, as described above, therefore the tangible fixed assets of remaining Group companies are allocated to the Infrastructure Management activity described hereinbelow.

### 2.2.3 Tangible fixed assets

Allocated to infrastructure management

Tangible fixed assets recorded in Group REFER's statement of financial position concern equipment used for infrastructure management purposes and not allocated to long term infrastructure investment activities. They are **initially registered** at cost.

**Following the initial recognition**, Group REFER adopted the cost model permitted by IAS 16, and the tangible fixed assets are recorded at their cost minus any depreciation and any accumulated impairment losses.

Maintenance and repair costs that do not increase the lifetime of these assets are recorded as costs in the year they are incurred.

Gains or losses from the disposal of assets are determined by the difference between the asset's realisation value and the accounting value, and they are recognised in the consolidated income statement.

Depreciation

Depreciation is determined according to the acquisition value, through the **straight-line depreciation** method and at the rates corresponding to the expected lifetime of each asset type. The most relevant annual depreciation rates (in %) are as follows:

| Name | % |
|---|---|
| Land | Non depreciated |
| Buildings and other constructions | 2 - 100 |
| Basic equipment | 3.33 - 100 |
| Transport equipment | 4 - 100 |
| Tools and utensils | 12.5 - 100 |
| Administrative equipment | 12.5 - 100 |
| Other tangible assets | 12.5 - 100 |

An asset's lifetime is reviewed at the end of each year so that depreciation complies with the asset consumption pattern.

## Leasing Contracts

The classification of lease operations as financial leases or operating leases takes into consideration the substance of the transaction rather than its legal form. Operations whereby the risks and benefits inherent to the possession of the leased asset are transferred to the lessor are classified as financial leases. All other leases are classified as operating leases.

### Finance Lease - Group REFER as lessee

Assets subject to leasing contracts are classified as tangible fixed assets according to IAS 17 – Leases.

Assets acquired through financial leasing operations are depreciated according to the company's policy for tangible fixed assets of the same type.

Instalment payments consist of the financial expense and the financial amortisation of principal. Expenses are assigned to the respective periods during the lease term in order to obtain a constant periodic interest rate applicable to the lessor's remaining net investment.

### Finance Lease - Group REFER as lessor

When the right to use a tangible fixed asset is assigned under a finance lease, the present value of the rents is recognised as a receivable financial asset. The difference between the nominal value and the present value of the amount receivable constitutes a financial gain to be recognised for the repayment period, reflecting a constant interest rate.

The tangible fixed asset under lease is derecognised in the consolidated statement of financial position at the beginning of the lease.

### Operational Lease - Group REFER as lessee

Assets used under lease contracts relative to which the Group substantially does not assume all the risks and rewards of ownership of the leased asset are classified as operating leases, in accordance with IAS 17 – Leases, and therefore they are not recorded as tangible fixed assets.

Rents are registered at cost in the respective periods of the lease term (Note 10.1).

Operational Lease - Group REFER as lessor

Where the right to use a tangible fixed asset is assigned under an operational lease, the asset is recorded in the consolidated statement of financial position according to its nature. In this case, the revenue deriving from the lease is recorded during the period of the lease, on a straight-line basis, recognized in the consolidated income statement.

The tangible fixed asset under operational lease depreciates according to its estimated useful life, regardless of the duration of the lease.

### 2.2.4 Intangible assets

Intangible assets are recorded at acquisition cost minus depreciation and impairment losses.

Intangible assets recognised in the consolidated statement of financial position refer essentially to software licences.

Amortisation

Amortisation/Depreciation is calculated based on the acquisition value, through the straight-line depreciation method, over a 3-year period.

### 2.2.5 Investment property

Investment properties are made up of land and buildings, their purpose being to obtain rents and not to be used in the production or supply of goods, services or for other administrative purposes or for sale during the course of the Group's business.

Investment properties are recognised at acquisition and production cost deducted of cumulative depreciation and cumulative impairment losses where applicable.

Costs incurred with investment property, namely management and maintenance costs, insurance and property tax (IMI) are recognised in the consolidated income statement for the year they concern. Improvements that are estimated to generate additional future economic benefits are capitalised under caption investment properties.

### Depreciation

Depreciation is calculated using the straight-line method at the maximum rates allowed for tax purposes, which do not differ from the estimated useful life of the assets.

### Impairments

A comparison is made annually between the book value of investment properties and their recoverable value, whether by use (based on discounted cash flows) or sale (based on their market value). If the book value is less than the lower of recoverable value, an impairment loss will be recognised in the consolidated income statement, and if in subsequent years, such loss will have ceased to exist, it will be reversed with effect in results for the year.

## 2.2.6 Derivative financial instruments

Derivative instruments are initially recognised at fair value on trade date (IAS 39). Subsequent to initial recognition, the fair value of derivative financial instruments is re-measured on a regular basis and the resulting gains or losses on re-measurement are recognised directly in the income statement, except for derivatives designated as hedging instruments.

The recognition of the resulting gains or losses of the derivatives designated as hedging instruments in results for the period depends on the nature of the risk being hedged and of the hedge model used.

The fair value of derivative financial instruments corresponds to their market value, when available, and when not available, it is determined by external entities based on valuation techniques.

### Hedge accounting

Derivative financial instruments are designated as hedging instruments in accordance with the provisions of IAS 39,.

Changes in the fair value of derivative financial instruments which are contracted for financial hedging purposes in accordance with the Group's risk management policies, but do not comply with the requirements of IAS 39 to qualify for hedge accounting, are classified as "derivatives held for trade" and are recorded in the statement of comprehensive income for the period in which they occur.

As of 31 December 2013 Group REFER did not classify any derivative financial instruments as hedge derivatives.

### 2.2.7 Financial assets

Group REFER classifies its investments on their trade date according to the objective that determined their acquisition, in the following categories: financial assets at the fair value through income (held for trading and fair value option); loans and receivables; assets held until maturity; and financial assets available for sale, according to what is recommended by IAS 39 - Financial instruments.

#### Financial assets at fair value through profit or loss

This category includes: (i) financial assets held for trading, which are those acquired mainly for the purpose of being sold in the short term and (ii) financial assets that are designated at fair value through profit or loss at inception. Financial assets **at fair value** through profit or loss are subsequently carried at fair value and gains and losses arising from changes in their fair value are included in the income statement in the period in which they arise.

This category includes derivatives that are not qualified for the purpose of hedge accounting. Changes to their fair value are recognised directly in income for the year according to the accounting policy described in note 2.2.8.

#### Held-to-maturity investments

These investments are non-derivative financial assets with fixed or determinable payments and specified maturities, for which there is the intention and capacity of holding them until maturity.

Held-to-maturity investments are **carried** at amortised cost using the effective interest method, net of any impairment losses.

Impairment losses are recorded based on the evaluation of estimated losses, plus doubtful receivables at the date of the financial statements..

For held-to-maturity investments, the amount of the impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (considering the recovery period) discounted at the financial asset’s original effective interest rate.

These assets are recorded in the consolidated statement of financial position, net of any impairment loss recognized.

### Loans and accounts receivable

These correspond to non-derivative financial assets, with fixed or determined payments, for which there is no active securities market. They arise from normal operation activities, in the supply of goods or services, and are not meant for negotiation.

Loans and receivables are **initially** recognised at their fair value, and **subsequently** accounted at amortised cost based on the effective interest rate method.

Impairment losses are registered when there are indicators that the Group will not receive all the amounts to which it is entitled according to the original terms of the signed contracts. In identifying situations of impairment, various indicators are used, such as: i) default analysis; ii) default for over 6 months; iii) debtor's financial difficulties; iv) probability of bankruptcy of debtor.

When due amounts to be received from clients or other debtors are subject to a renegotiation of the respective terms, they are no longer regarded as due and are treated as new credit.

For held-to-maturity investments, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (considering the recovery period) discounted at the financial asset's original effective interest rate.

These assets are recorded in the consolidated statement of financial position, net of any impairment loss recognized.

### Available-for-sale financial assets

Available-for-sale financial assets are non derivative financial assets which:

- Group REFER intends to maintain for an indefinite time;
- Are designated as available for sale at the time of their initial recognition or;
- Do not fit into the above categories.

Available-for-sale financial assets are also subsequently carried at fair value. However, gains and losses arising from changes in their fair value are recognised directly in equity, under Reserves, until the financial assets are derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement.

In the absence of a market value, the assets are maintained at acquisition cost, although impairment tests should be performed.

Interest earned from fixed income instruments, when classified as available-for-sale assets and the differences between the acquisition cost and the nominal value (premium or discount) are recorded in income according to the effective interest rate method.

Equity holdings that are not holdings in subsidiaries, associates or joint undertakings are classified as available-for-sale financial assets.

### 2.2.8 Fair value of financial assets and liabilities

In determining the fair value of a financial asset or liability, if an active market exists, the market price is applied. This constitutes level 1 of the hierarchy of fair value, as defined in the IFRS 7, and used by REFER.

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

In this level 2 of the hierarchy of fair value Group REFER includes unlisted financial instruments, such as derivatives, financial instruments at the fair value through income and available for sale assets. The valuation models most frequently used are discounted cash flow models and option evaluation models which include, for example, interest rate curves and market volatility.

For some types of more complex derivatives, more advanced valuation models are used containing assumptions and data that are not directly observable in the market. This constitutes level 3 of the hierarchy of fair value, as defined in the IFRS 7.

### 2.2.9 Impairment of Assets

In accordance with IAS 36 – Impairment of assets, whenever a non financial asset's accounting value exceeds its recoverable amount, its value is reduced to the recoverable amount, and the loss by impairment is recognised in income for the year. The recoverable value corresponds to the highest value between its value in use and the fair value less costs to sell, and is determined whenever there are indicators of lost value.

The asset utilisation value is determined based on the current value of estimated future cash flows, deriving from continued use and the sale of the asset at the end of its useful life. To determine future cash flows, assets are allocated at the lowest level for which identifiable separate cash flows exist (cash generating units).

Non financial assets, for which impairment losses were recognized, are valued at each reporting date, on the possible reversal of the impairment losses.

In the event of recording or reversal of impairment, the assets' amortisation and depreciation are re-determined prospectively, in accordance with recoverable value.

### 2.2.10 Inventories

**Goods, as well as raw materials**, subsidiary materials and consumables are valued at the lowest value between the acquisition or production cost and the net realizable value.

The acquisition or production cost includes all purchase costs, conversion costs and other costs incurred to place the inventories at the location and in their condition for use or sale. Net realisable value is the estimated sale price during the normal period of activity minus the respective sale costs, as stipulated in IAS 2 - Inventories.

Goods leaving the warehouse (consumption) are valued at the weighted average cost.

At its warehouses, REFER has materials to be applied in the construction of tangible fixed assets for its Long Term Infrastructure Investment Activities. These inventories are shown in the consolidated statement of financial position in the “long term infrastructure investment activities” item (Note 5.2).

**Products and works in progress** correspond to production costs incurred with the construction and promotion of real estate undertakings and include the acquisition cost of the land, raw-materials, capitalized financial expenses and sub-contracts and labour expenses.

### 2.2.11 Cash and cash equivalents

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the amounts recorded in the consolidated statement of financial position, including cash and deposits with banks relating to both activities of the Group (notes 5.6 and 6.13).

Cash and cash equivalents include cash, bank deposits and other short-term investments of high liquidity and with initial maturity of up to 3 months.

## 2.2.12 Non current assets held for sale

Non-current assets are classified as held for sale if the amount is realisable through sale, as opposed to through continued use. However, such classification requires that the sale is highly probable, the asset is available for immediate sale and the management is committed to a plan to dispose of the asset in the short term (normally, but not exclusively, within 1 year).

Non current assets held for sale are recorded at their lowest book value or realisable value net of expenses with their sale.

## 2.2.13 Financial liabilities

Financial liabilities represent payable obligations against financial assets, irrespective of their legal form. They are **initially** recorded at fair value minus transaction costs and **subsequently** at amortised cost, based on the effective rate method.

## 2.2.14 Non current loans

Group REFER recognises non current bank loans as financial liability according to IAS 39 – Financial instruments; these financial liabilities are recorded (i) initially at their fair value minus transaction costs and (ii) subsequently at amortised cost, based on the effective rate method.

Group REFER holds medium and long-term loans, in the form of bilateral loans and bonds, to finance the construction of long term infrastructures (LTI) and the infrastructure management activity. Loans to finance LTI activity are recognised in the consolidated statement of financial position, in caption "Long Term Infrastructure Investment Activities" (Note 5.5)

### 2.2.15 Suppliers and other accounts payable

The balances of suppliers and other creditors are recorded at the amortised cost

The balances of suppliers and other creditors refer to the balances of payables to suppliers of the Group REFER's operating activities. The balances of suppliers relating to the acquisition/construction of Long Term Infrastructure activities are recorded in the consolidated statement of financial position, in the corresponding item (see note 5.4).

### 2.2.16 Impairments and Provisions

Impairments are recognised when losses in the assets are recorded in the consolidated statement of financial position, as described in the previous notes.

Provisions are set up whenever there is an obligation (legal or implicit) arising from a past event and whenever it is probable that a reasonably estimated decrease of resources, which include economic benefits, will be required to liquidate the obligation.

Group REFER records provisions for legal processes in progress and for which it is highly probable that they may imply outflows from the company (note 6.19).

### 2.2.17 Recognition of revenue

Revenue is recorded in the period to which it refers, irrespectively of when it is received in line with the accrual concept of accounting. The differences between the amounts received and the corresponding income are registered in caption “other receivables”.

Group REFER's revenue includes:

- infrastructure management: fees due by railway operators for the use of the infrastructure, traction power, shunting, requested but not used capacity and other services in the Network Directory available at REFER's website, under the terms of Decree-law 270/2003, as amended by Decree-law 231/2007, specifically Section III of Chapter IV and Regulation 630/2011. The Directory views to provide railway transport companies the information they may need to access and use the national railway infrastructure managed by REFER.

The Network Directory shows the characteristics of the Portuguese railway network and explains the general conditions to purchase available capacity and services (Note 1.1.2);

- telecommunications: telecommunication services, rental of optical fibre and data networks;

- engineering and transportation services;

- real estate area: sub-concession consideration for the use of commercial areas and services, sale of apartments and commercial areas and property valuation services, technical assistance and other related services.

In services contracts relating to telecommunications and engineering services, revenue is recognised with reference to the end phase.

In cases of apartments and commercial areas sales, revenue is recognised on effective date of sale or on the date the risks and benefits were transferred to the purchaser (effective purchase of the asset).

### 2.2.18 Income tax

Income tax is recognised in the consolidated income statement, except when related with gains or losses recognised directly in equity, in which case it is also recognised directly in equity and therefore in the consolidated statement of comprehensive income.

Current income tax is determined according to the tax criteria in force at reporting date

Deferred taxes are calculated in accordance with the liabilities method based on the consolidated statement of financial position, taking into account the timing differences between the accounting values of assets and liabilities and their tax base.

using the tax rates approved or substantially approved at the reporting date or which are expected to be applied when the deferred tax assets are realised or the date of payment of the deferred tax liabilities.

### 2.2.19 Foreign currency transactions

Foreign currency transactions are translated into Euros using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities expressed in foreign currency are converted at the exchange rate applicable on reporting date, and the resulting exchange rate differences are recognised as earnings/(losses) for the year.

The main exchange rates used in the consolidated statement of financial position were as follows:

| Currency | 2013 | 2012 |
|---|---|---|
| Swiss Francs (CHF) | 1,23 | 1,21 |
| Swedish Krona (SEK) | 8,86 | 8,58 |

### 2.2.20 Subsidies

Operation subsidies are recognised in the consolidated income statement in the same period as when the associated expenses are incurred, from the moment when their receipt is probable.

Subsidies obtained to finance assets acquired/built in long term infrastructures are recognised in the consolidated statement of financial position under caption "Grantor-State-Account Receivable", since as they are awarded within the scope of the activity under concession, they represent the repayment of part of the expenses incurred and are deducted to the amount receivable from the grantor.

Where there may be a risk of having to return the subsidies, these will be recognised in liabilities, notwithstanding the increase in debt receivable from the Grantor.

### 2.2.21 Segment reporting

#### Business segments

An operating segment is a component of an entity which develops a business activity: i) that can generate revenue and incur costs; ii) whose operating income is regularly reviewed by the chief decision maker of the entity; and iii) which supplies distinct financial information.

Group REFER appointed as responsible for operational decision-making the Board of Directors, i.e. the body which reviews the internal information prepared so as to assess the performance of the company's activities and the allocation of its resources. The decision to set up business segments is based on the information that is analysed by the Board of Directors, which did not result in new segments in relation to those reported last year.

An entity shall report the information about each operating segment separately, where it results from aggregating two or more of those segment with similar economic characteristics, or which exceeds the quantitative thresholds in accordance with IFRS 8 – Business Segments.

Group REFER's area of operation is the rendering of public services namely the management of the national railway infrastructure and related activities.

Group REFER includes four operating segments as described in Note 18.

### 2.2.22 Related entities

IAS 24 – "Related parties: disclosure" establishes the obligation to disclose transactions with the State and State-related entities (i.e. equally held by the State).

Related entities are those which, directly or indirectly through one or more intermediaries, control or are controlled by Group REFER, or under common control. Related entities also include those entities in which Group REFER holds an interest that grants it significant influence.

Group REFER discloses in Note 21 the balances and transactions with related entities which it controls or over which it holds significant influence as of 31 December 2013. In relation to public entities with which Group REFER entered protocols directly related to the Long Term Infrastructure Investment activity, the Company adopted the exception permitted of only disclosing the most relevant transactions (see note 21.4).

## 2.3 Main estimates and judgements used for preparing the consolidated financial statements

The main accounting estimates and judgements used as the basis for applying the accounting principles are discussed in this note in order to facilitate its understanding and to demonstrate how their application affects the earnings reported by Group REFER and their disclosure.

The estimates and judgements with an impact on Group REFER's financial statements are continuously evaluated. On each date, the report represents the Board of Director's best estimate, taking into account the historical performance, the accumulated experience and the outlook for future events that, in the current circumstances, are believed to be reasonable. The intrinsic nature of the estimates and judgements may imply that the real impact of the situations which had been estimated may, for the purposes of the financial report, differ from the estimated amounts.

The Board of Directors believes that the estimates made by it are appropriate and that the financial statements adequately present Group REFER's financial position and results of its operations in all material respects.

### Fair value of derivative financial instruments

The fair value is based on market quotes, when available. When not available, the fair value is determined based on recent transaction prices which are similar and performed under market conditions or based on evaluation methodologies based on discounted future cash flow techniques (for plain-vanilla swaps) or assessment of options (for exotic swaps). Consequently, the use of a different model or of different assumptions or judgements in applying a particular model may have produced different financial results from the ones reported.

### Impairment losses of debtors

Impairment losses relating to debtors are based on the evaluation by the Board of Directors of the probability of recovering respective receivables, the seniority of the balances, cancellation of debts and other factors. There are other circumstances and facts that may alter the estimated impairment losses of receivables due to the assumptions considered, including changes in the economic climate and sector trends, the creditor position of the 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 and, consequently, may have different impacts on income.

### Recognition of income/expenses

Expenses and income are recorded in the year to which they refer, regardless of when paid or received, according to the accrual concept of accounting. At the end of the year estimates are made for the non recognised amounts, which are added to the consolidated income statement in the liabilities/receivables that pertain to the year concerned.

### Provisions for ongoing legal proceedings

The Board of Directors believes it is highly probable that some ongoing legal proceedings may imply economic outflows from Group REFER. Therefore, an estimate is made of the liability, which is duly recorded as a provision (Note 6.19).

Tangible and intangible assets and investment property

The determination of the useful lives of assets and the depreciation/amortisation method to apply are crucial to determine the amount of the depreciation/amortisation to recognise in the consolidated income statement for each year.

These two parameters are defined according to the Board of Directors' best estimate for the assets and businesses concerned, taking into account the practices adopted by companies operating in the same sector.

# 3. Financial risk management policies

## Financial Risks

Group REFER'S activity is exposed to financial risks, namely liquidity risk, interest rate risks associated to cash flows arising from loans obtained and credit risk.

The Financial Division, as responsible for the financial management of the Group's companies, must assess, monitor and perform operations viewing to mitigate financial risks, in line with directives established by the Board of Directors.

In what concerns the credit risk of REFER Património, it is managed by the Market and Valuation Division of the said company, in close conjunction with the REFER's Financial Division. .

In terms of interest rate risk management, changes were introduced under Decree-law 133/2013 of 3 October to the autonomy of reclassified public companies (EPR) in relation to funding with the financial market and the use of derivative financial instruments. In fact, Article 29 of the said Decree-law determines that EPRs cannot access funding with financial institutions, except for those of multilateral nature (e.g.. European Investment Bank), while article 72 provided 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)). (IGCP). In practice, this provision only affects REFER as it is the only company within the Group classified as EPR.

## Management of exchange risk

Group REFER is not subject to significant exchange rate risk in its activities.

## Credit risk management

Group REFER is subject to credit risk.

Credit risk is associated with another party defaulting on its contractual obligations and resulting in a financial loss for the Group. This type of risk is incurred by the Group in its operating and financial activities.

At operational level, the main clients of Group REFER are the following:

- rendering of public infrastructure management services: CP, Fertagus, Takargo and CP Carga.

- operation of railway telecommunications: ZON, VODAFONE and FCT, IP-Polo FCCN.

- valuation of public railway property: EMEF – Empresa de Manutenção de Equipamento Ferroviário, MOP – Multimédia Outdoor Portugal, Metro do Porto, Jardim das Tágides and SPRU – Residências Universitárias

Credit risk stemming from operational activity is mainly related to any failure in payment to Group REFER of any liabilities assumed by the said entities, deriving from rendered services. CP is the main counterparty as exclusive passenger transport operator for the whole network, except for the 25 de Abril Bridge crossing, which is operated by Fertagus. In 2013 CP and Fertagus did not make any payment for the use of the infrastructure; as result, the amount due by these companies at 31 December 2013 totalled over EUR 125 million. Therefore, although credit risk is strongly concentrated in CP, it is mitigated by the legal nature of this company, which is also a public owned company (E.P.E.) 100% held by the Portuguese State. Impairment adjustments for accounts receivable are calculated on the basis of the counterparty's risk profile and financial condition.

As for credit risk associated with financial activity, Group REFER, and particularly its parent company, is exposed to the national banking sector, namely banks where it has its demand deposits and to the international banking sector with which it has contracted derivative financial instruments. So far REFER did not incur any impairment resulting from the non compliance with any contractual obligations with banks, and in what concerns derivative financial instruments, this risk was null as of the date of the financial statements, as all such contracts were fully settled (note 26).

The following table provides a summary, as of 31 December 2013 and 2012, of the credit quality of deposits, applications and derivative financial instruments with positive fair value:

| Rating | 2013 | 2012 |
|---|---|---|
| >=A- | 3 383 345 | 16 245 195 |
| < =BBB+ | 92 956 | 122 716 |
| < =BB+ | 102 981 044 | 229 945 538 |
| | **106 457 345** | **246 313 449** |

Note: Does not include cash

Ratings above were provided by Standard and Poor's at reporting date.

## Liquidity risk management

The whole of Group REFER is subject to liquidity risk.

This type of risk is measured by the capacity to obtain financial resources to face liabilities undertaken with different stakeholders, namely suppliers, banks, the capital market, and others. This risk is measured by the company's available liquidity to face the said liabilities as well as its capacity to generate cash flow from its business activity.

Given the legal nature of Group REFER, the ability to act on such risk is limited. However, the Group sets out to minimise the probability of a breach of commitment by means of a stringent and thoroughly planned management of its activity. A conservative management of liquidity risk implies the maintenance of an adequate level of cash and cash equivalent to face existing liabilities. Following REFER's integration into the State's consolidation perimeter in 2011, the Company is financed directly by the Portuguese State and therefore, its liquidity risk was considerably reduced. The remaining companies of the Group are allowed to use short term debt instruments to face day-to-day running, but they must report any such operation to IGCP within no more than 30 days following the date of respective contracts.  The contracting of financing operations for periods over 1 year is subject to the prior approval of the DGTF, subject to the opinion of IGCP.

Table below shows the liabilities of Group REFER by residual and contractual maturity levels. The amounts presented in the tables are non-discounted contractual cash flows.

### 31 December 2013

| | Notes | Less than 1 year | 1 to 5 years | + than 5 years |
|---|---|---|---|---|
| **Loans** | | | | |
| - Loans for LTIs | | 822 059 223 | 2 023 537 476 | 2 948 214 675 |
| - other loans | | 211 777 893 | 1 703 056 450 | 839 073 903 |
| | | **1 033 837 116** | **3 726 593 926** | **3 787 288 578** |
| **Suppliers and other accounts payable** | **6.5.** | **88 138 485** | | |
| **Guarantee** | | **5 192 951** | **19 422 061** | **22 502 742** |
| | | **1 127 168 553** | **3 746 015 987** | **3 809 791 320** |

### 31 December 2012

| | Notes | Less than 1 year | 1 to 5 years | + than 5 years |
|---|---|---|---|---|
| **Loans** | | | | |
| - Loans for LTIs | | 744 862 846 | 2 376 683 097 | 3 118 163 656 |
| - other loans | | 74 639 391 | 1 577 921 798 | 585 000 000 |
| - derivative financial instruments (gross | | 61 733 272 | 161 553 145 | 151 550 608 |
| - derivative financial instruments (gross | | - 44 324 205 | - 145 385 951 | - 157 846 000 |
| | | **836 911 304** | **3 970 772 089** | **3 696 868 264** |
| **Suppliers and other accounts payable** | **6.5.** | **102 846 688** | | |
| **Guarantee** | | **5 302 272** | **20 007 389** | **27 132 087** |
| | | **945 060 264** | **3 990 779 478** | **3 724 000 351** |

## Interest rate risk management

Within Group REFER, as of 31 December 2013 the only company subject to interest rate risk is REFER.

REFER's counterparties in derivative contracts are national and international financial institutions of high rating and credibility. Operations are covered by ISDA contracts according to international standards. The main objective of interest rate risk management is to provide protection against interest rate rises, insofar as REFER's revenue is immune to this variable and, thus, prevent any natural hedging.

Throughout the period during which REFER held the responsibility for managing interest rate risk, the type of instrument chosen was always the result of a cost/benefit assessment applied to each case. In addition to the main goal described above, REFER also performed operations to reduce the cost of loans at fixed or floating rate. Occasionally, the company restructured its positions to accommodate market developments. In managing its portfolio, REFER sought diversification as a means of maintaining a balanced portfolio and low volatility, by following a conservative approach to the risks to be taken, both in terms of instrument characteristics and indexes. This strategy has determined the company’s decision not to classify any of the derivative instruments as hedge, since the non-assignable portfolio could have a negative impact on results.

## Interest rate sensitivity test

REFER periodically uses sensitivity analysis to measure the extent to which results would be influenced by the impact of interest rate variations and volatility on the fair value of debt and derivative financial instruments. This analysis has assisted the decision-making process in interest rate risk management since, in practice, interest rates and volatility rarely change "ceteris paribus". Furthermore, there are also other variables that influence the fair value of those positions such as correlations. The sensitivity test is based on the following assumptions:

i. REFER uses derivative financial instruments (swaps) to hedge the interest rate risk associated with medium and long term loans indexed to floating interest rates. The financial flow of the underlying loan is offset by the receiving leg of the respective swap, resulting in a net position equal to that of the paying leg of the swap;
ii. REFER uses derivative financial instruments (swaps) to reduce financial costs associated with fixed rate medium and long term loans. The financial flow of the underlying loan is offset by the receiving leg of the respective swap, resulting in a net position equal to that of the paying leg of the swap;
iii. At 31 December 2013, REFER had not acknowledged any loan obtained at a fair value;
iv. Changes to the fair value of loans and derivative financial instruments and other assets and financial liabilities are estimated by discounting future cash flows, using market rates at the time of reporting;
v. Under these assumptions, at 31 December 2013 an increase or decrease by 0.5% and 5%, respectively, in interest rate curves (of the Euro and Pound Sterling) and by 5% in their volatility curve, would result in the following variations in the fair value of the loans and derivative financial instruments, with consequent direct impact on results:

## 31 December 2013

| | Increase/(decrease) in the FV of derivative instruments | | | |
|---|---|---|---|---|
| | Change in the Interest rate curve | | Change in the volatility curve | |
| | -0,50% | 0,50% | -5% | 5% |
| EUR | 438 575 | - 2 451 872 | 88 602 | - 131 007 |
| GBP | - 2 148 315 | 382 087 | 45 459 | - 131 957 |

| | Increase/(decrease) FV of loans | |
|---|---|---|
| | Change in the Interest rate curve | |
| | -0,50% | 0,50% |
| EUR | 115 030 519 | - 178 431 053 |

| | Net effect on results | | | |
|---|---|---|---|---|
| | Change in the Interest rate curve | | Change in the volatility curve | |
| | -0,50% | 0,50% | -5% | 5% |
| EUR | - 114 591 944 | 175 979 181 | 88 602 | - 131 007 |
| GBP | - 2 148 315 | 382 087 | 45 459 | - 131 957 |

## 31 December 2012

| | Increase/(decrease) in the FV of derivative instruments | | | |
|---|---|---|---|---|
| | Change in the Interest rate curve | | Change in the volatility curve | |
| | -0,50% | 0,50% | -5% | 5% |
| EUR | - 2 572 803 | - 15 417 192 | 17 337 014 | - 18 685 781 |
| GBP | - 9 050 000 | 4 720 000 | 98 125 | - 46 813 |

| | Increase/(decrease) FV of loans | |
|---|---|---|
| | Change in the Interest rate curve | |
| | -0,50% | 0,50% |
| EUR | 117 729 584 | - 112 843 158 |

| | Net effect on results | | | |
|---|---|---|---|---|
| | Change in the Interest rate curve | | Change in the volatility curve | |
| | -0,50% | 0,50% | -5% | 5% |
| EUR | - 120 302 387 | 97 425 966 | 17 337 014 | - 18 685 781 |
| GBP | - 9 050 000 | 4 720 000 | 98 125 | - 46 813 |

Capital risk management

The management of capital risk views to safeguard the operational continuity of the Group.

REFER's financing plan is prepared taking into account the capital structure of REFER, a review of the financing requirements deriving from investment and operational activity, and subsequently submitted to the shareholder. In 2013 the State granted to REFER, via the State Budget, medium and long term loans totalling EUR 804.5 million to face the debt service and the deficit in infrastructure and rolling stock management, and made a capital increase by EUR 21 million; the statutory capital of REFER now totals EUR 451,200,000.

For the remaining companies of the Group, the planning of respective activities presupposes an equity increase in the shareholder's position and compliance with provisions in the Company Code (article 35).

# 4. Companies included in the consolidation

The companies included in the consolidation, their head offices, main activity and the proportion of capital held in them at 31 December 2013 and 2012 are as follows:

## Companies included in the REFER's consolidation perimeter 31 December 2013

| Company | Registered office | % capital held | | Object |
|---|---|---|---|---|
| | | 2013 | 2012 | |
| **Parent company** | | | | |
| REFER - Rede Ferroviária Nacional, E.P.E. | Lisbon | - | - | |
| **Subsidiaries** | | | | |
| REFER TELECOM, Serviços de Telecomunicações, S.A. | Lisbon | 100% | 100% | Build, manage and operate the telecommunications infrastructure included in the national railway infrastructure |
| REFER PATRIMÓNIO - Administração e Gestão imobiliária, S.A. | Lisbon | 100% | 100% | Rendering of services viewing enhancing the value of REFER's property not allocated to railway activity |
| REFER ENGINEERING , S.A. | Lisbon | 98,43% | 98,43% | Engineering and transportation services. |
| RAVE - Rede Ferroviária de Alta Velocidade, S.A. - Company undergoing liquidation **(a)** | Lisbon | (a) | 40% | Development and coordination of the design projects and studies viewing the development of the high speed railway network in Portugal. |
| **ASSOCIATES** | | | | |
| GIL - Gare Intermodal de Lisboa, S.A. | Lisbon | 33,98% | 33,98% | Management, maintenance and repair and cleaning of Complexo Intermodal de Transportes, known as Oriente Station. |
| **JOINTLY CONTROLLED COMPANIES** | | | | |
| AVEP - Alta Velocidade de Espanha e Portugal, A.E.I.E. **(b)** | Madrid | 50% | 50% | Development of the projects required for the Madrid-Lisbon - Porto-Vigo railway connections |
| AEIE - CMF4 **(c)** | | 33,33% | | Promotion of measures viewing to improve competitiveness in rail freight transport çin railway corridor Sines - Lisboa/ Leixões \| Sines - Elvas/Algeciras - Madrid - Medina del Campo - Bilbao - Irun/ Bordeaux - Paris-Le Havre - Metz. |

**(a)** On 17 January the splitting off of RAVE was decided by shareholders, with assets shared among the latter in proportion of respective holdings. In accounting terms, this meant that the company ceased to be considered as subsidiary and is now valued according to the recoverable value arising from the sharing. On 12 February 2014 the liquidation of the company was definitively closed as registered in the Commercial Registry.

**(b)** Entity jointly controlled by REFER and ADIF, in the form of European Economic Interest Grouping (E.E.I.G.).

**(c)** Entity jointly controlled by REFER, ADIF and RFF, in the form of European Economic Interest Grouping (E.E.I.G.), established in 2013, with no share capital (note 1.2.6).

# 5. Long Term Infrastructure (LTI) investments Activities

The breakdown of "Long Term Investment in Infrastructures Activity" is as follows:

| Activity in long term Infrastructure investments | Notes | 2013 | 2012 |
|---|---|---|---|
| **Assets** | | **4 988 685 173** | **4 832 848 225** |
| **Current** | | **4 988 685 173** | **4 832 848 225** |
| Grantor .- State - Account Receivable | 5.1. | 4 973 984 930 | 4 814 210 104 |
| Inventories | 5.2. | 13 992 736 | 14 475 401 |
| Clients and other accounts receivable | 5.3. | 707 507 | 2 980 197 |
| Cash and cash equivalents | 5.6. | | 1 182 523 |
| **Liabilities** | | **5 037 883 493** | **4 888 851 887** |
| **Non current** | | **4 882 724 235** | **4 741 329 410** |
| Borrow ings | 5.5. | 4 882 724 235 | 4 741 329 410 |
| **Current** | | **155 159 258** | **147 522 477** |
| Borrow ings | 5.5. | 91 260 694 | 72 880 694 |
| Suppliers and other accounts payable | 5.4. | 63 898 563 | 73 408 120 |
| Subsidies | | | 1 233 663 |

## 5.1 Grantor - State - Account Receivable

The financial assets underlying the concession are made up as follows:

| Description | Notes | 2013 | 2012 |
|---|---|---|---|
| Assets under Concession (LDI) | 5.1.1. | 8 563 091 350 | 8 494 941 589 |
| Subsidies | 5.1.2. | -4 346 375 117 | -4 281 142 790 |
| Return on assets | 5.1.3. | - 3 088 956 | - 3 088 956 |
| Charged Interest | 5.1.4. | 1 065 557 653 | 908 700 262 |
| Impairments | 5.1.5. | - 305 200 000 | - 305 200 000 |
| | 5. (6.5) | **4 973 984 930** | **4 814 210 104** |

### 5.1.1 Assets under Concession (LTI)

Changes occurred in the years ended as of 31 December 2013 and 2012 were as follows:

## 31 December 2013

| Gross assets | Opening balance | Transfers | Increases | Write-offs / corrections | Closing Balance |
|---|---|---|---|---|---|
| **Assets under Concession - Active LTI** | | | | | |
| Land and natural resources | 236 639 674 | 591 663 | | | 237 231 337 |
| Buildings and other constructions | 6 050 744 636 | 180 613 955 | 178 640 | - 33 873 | 6 231 503 357 |
| Basic equipment | 30 268 679 | | | | 30 268 679 |
| Work in progress | 2 047 262 357 | - 181 011 023 | 69 255 894 | | 1 935 507 229 |
| Advances To be forwarded to Works in Progress _ LTIs | 5 013 190 | - 1 093 344 | 43 058 | | 3 962 904 |
| | **8 369 928 535** | **- 898 749** | **69 477 592** | **- 33 873** | **8 438 473 505** |
| **Assets under Concession - Discontinued LTI** | | | | | |
| Land and natural resources | - 2 524 798 | | | 475 004 | - 2 049 795 |
| Buildings and other constructions | 6 150 841 | | | 22 750 | 6 173 591 |
| | **3 626 042** | | | **497 754** | **4 123 796** |
| **Assets under concession - High Speed** | | | | | |
| Assets in progress - High Speed | 121 387 011 | | | - 892 963 | 120 494 048 |
| | **121 387 011** | | | **- 892 963** | **120 494 048** |
| **Total assets under concession - LTIs (Note 5.1)** | **8 494 941 589** | **- 898 749** | **69 477 592** | **- 429 083** | **8 563 091 350** |

## 31 December 2012

| Gross assets | Opening balance | Transfers | Increases | Write-offs / corrections | Closing Balance |
|---|---|---|---|---|---|
| **Assets under Concession - Active LTI** | | | | | |
| Land and natural resources | 224 092 265 | 12 547 408 | | | 236 639 674 |
| Buildings and other constructions | 5 793 859 349 | 256 885 287 | | | 6 050 744 636 |
| Basic equipment | 30 268 679 | | | | 30 268 679 |
| Work in progress | 2 255 564 545 | - 270 179 062 | 61 876 874 | | 2 047 262 357 |
| Advances To be forw arded to Works in Progress _ LTIs | 5 919 188 | - 1 666 983 | 760 985 | | 5 013 190 |
| | **8 309 704 026** | **- 2 413 350** | **62 637 859** | | **8 369 928 535** |
| **Assets under Concession - Discontinued LTI** | | | | | |
| Land and natural resources | - 169 458 | | | - 2 355 340 | - 2 524 798 |
| Buildings and other constructions | 5 301 845 | | | 848 996 | 6 150 841 |
| | **5 132 386** | | | **- 1 506 344** | **3 626 042** |
| **Assets under concession - High Speed** | | | | | |
| Assets in progress - High Speed | 118 818 444 | | 2 568 567 | | 121 387 011 |
| | **118 818 444** | | **2 568 567** | | **121 387 011** |
| **Total assets under concession - LTIs (Note 5.1)** | **8 433 654 856** | **- 2 413 350** | **65 206 426** | **- 1 506 344** | **8 494 941 589** |

Assets under Concession (Discontinued LTI)

Caption "Assets Under Concession – Discontinued LTIs" results from the obligation provided by joint order of the Ministries of Finance and Public Works of deducting gains from the sale of assets de-allocated from the public domain to the amounts receivable from the grantor.

The change occurred in 2013 corresponds to the disposal of assets, namely the stretch of Viseu railway in São Pedro do Sul, and respective real estate property.

Assets under concession do not include the following facility, which is not the responsibility of REFER:

| Description | 2013 | 2012 |
|---|---|---|
| Terreiro do Paço | 128 559 | 128 559 |
| | **128 559** | **128 559** |

Facilities at Terreiro do Paço are those indicated in Joint Dispatch 261/99 concerning "the setting up of CP concession" and the respective refurbishment which took place on 31/12/1999.

### 5.1.2 Subsidies

Note 2.2.20 describes the subsidies recognition policy.

Changes occurred in subsidies were as follows:

## 31 December 2013

| Description | Note | Opening balance | Increases | Repayments | Closing Balance |
|---|---|---|---|---|---|
| **PIDDAC** | | **1 098 868 165** | **2 355 187** | **- 638 725** | **1 100 584 627** |
| REFER | | 1 013 920 610 | 2 355 187 | | 1 016 275 797 |
| RAVE | | 84 947 555 | | -638.725 | 84 308 830 |
| **Cohesion Fund** | | **1 469 861 426** | **84 656 928** | **-53.433** | **1 554 464 921** |
| **RTE-T** | | **101 137 562** | | **- 21 087 630** | **80 049 931** |
| REFER | | 29 828 857 | | | 29 828 857 |
| High Speed | | | | | |
| Studies | | 36 457 645 | | - 2 994 677 | 33 462 968 |
| Poceirão-Caia | | 18 337 737 | | - 3 125 000 | 15 212 737 |
| Lisboa - Poceirão | | 6 321 250 | | - 6 321 250 | |
| Signalling and Telecom. | | 7 492 073 | | - 7 492 073 | |
| Preparatory w orks | | 2 700 000 | | - 1 154 630 | 1 545 370 |
| **FEDER-IOT** | | **635 868 943** | | | **635 868 943** |
| **Other** | | **975 406 695** | | | **975 406 695** |
| **Subsidies - Invest.** | 5.1 | **4 281 142 790** | **87 012 115** | **- 21 779 788** | **4 346 375 117** |

## 31 December 2012

| Description | Note | Opening balance | Increases | Repayments | Closing Balance |
|---|---|---|---|---|---|
| **PIDDAC** | | **1 088 698 547** | **10 169 618** | | **1 098 868 165** |
| REFER | | 1 003 750 992 | 10 169 618 | | 1 013 920 610 |
| RAVE | | 84 947 555 | | | 84 947 555 |
| **Cohesion Fund** | | **1 217 142 085** | **252 719 341** | | **1 469 861 426** |
| **RTE-T** | | **98 568 995** | **2 568 567** | | **101 137 562** |
| REFER | | 29 828 857 | | | 29 828 857 |
| High Speed | | | | | |
| Studies | | 33 889 078 | 2 568 567 | | 36 457 645 |
| Poceirão-Caia | | 18 337 737 | | | 18 337 737 |
| Lisboa - Poceirão | | 6 321 250 | | | 6 321 250 |
| Signalling and Telecom. | | 7 492 073 | | | 7 492 073 |
| Preparatory w orks | | 2 700 000 | | | 2 700 000 |
| **FEDER-IOT** | | **635 547 003** | **321 939** | | **635 868 943** |
| **Other** | | **975 406 695** | | | **975 406 695** |
| **Subsidies - Invest.** | 5.1 | **4 015 363 325** | **265 779 465** | | **4 281 142 790** |

During 2013 note the increase by EUR 84,656,928 stemming mainly from advances received concerning new applications to the Cohesion Fund to comply with goals set forth in the 2013 State Budget.

Repayments in the amount of EUR 21,087,630 concern the decision to return the funding obtained following several applications relating to the High Speed Train Project in Portugal taken by the Agency for the Execution of the RTE-T, following political decisions on this subject.

### 5.1.3 Return on assets

This heading relates to gains obtained on the return of public railway domain assets.

| Description | Notes | 2013 | 2012 |
|---|---|---|---|
| Return on assets | 5.1. | - 3 088 956 | - 3 088 956 |

### 5.1.4 Charged Interest

Charged interest derive from the situation explained in note 2.2.2. The change occurred in this caption amounts to EUR 156,857,391 (2012: EUR 185,100,802), and it is recorded under caption Financial gains - interest earned - grantor - State (Nota 17).

| Description | Notes | 2013 | 2012 |
|---|---|---|---|
| Charged Interest | 5.1. | 1 065 557 653 | 908 700 262 |

### 5.1.5 Impairments

The setting up of REFER's statutory capital was made in specie, specifically against the railway infrastructure which at the date was estimated at EUR 62,349,737. From 1998 to 2001, the Portuguese Government increased the statutory capital of REFER by EUR 242,850,262, with the purpose of financing the investments in long term railway infrastructures, as provided in each joint ministerial orders.

As of the date of REFER's incorporation, according to the accounting standards in force whereby public domain assets were accounted for as fixed assets (tangible fixed assets), the amounts were recorded as capital. Following the adoption of IFRIC 12, these amounts are recorded as repayment made in due time of investments in long term infrastructure made by concessionaire REFER, totalling EUR 305,200,000.

As result, it is considered that this amount will no longer be repaid by the State grantor, the amount of EUR 305,200,000 being thus recorded as impairment.

## 5.2 Inventories

This caption refers to warehoused materials to be applied to building railway infrastructures.

| Description | Notes | 2013 | 2012 |
|---|---|---|---|
| Inventories | | 14 309 330 | 14 750 434 |
| Impairment in inventories | 13. | - 316 593 | - 275 033 |
| | 5. | **13 992 736** | **14 475 401** |

## 5.3 Clients and other accounts receivable

| Description | Notes | 2013 | 2012 |
|---|---|---|---|
| Sundry debtors (REFER) | | 707 507 | 842 938 |
| Sundry debtors (RAVE) | | | 2 137 259 |
| | 5. / 6.5. | **707 507** | **2 980 197** |

This caption consists of the receivables from the Municipality of Espinho in the amount of EUR 619,681.

## 5.4 Suppliers and other accounts payable

| Description | Notes | 2013 | 2012 |
|---|---|---|---|
| Suppliers and other accounts payable (REFER) | | 63 898 563 | 71 633 095 |
| Suppliers and other accounts payable (RAVE) | | | 1 775 025 |
| | 5. / 6.5. | **63 898 563** | **73 408 120** |

The Suppliers of other accounts payable caption comprises debt arising out of the modernisation / renovation /construction of railway lines. This balance further includes the liability for the handing over of a Urban Park to the Municipal Council of Sines valued at EUR 1,297,631 (2012: EUR 1,297,631).

Caption accrued expenses includes the amount of EUR 50,550 thousand (EUR 55,481 thousand in 2012) of accrued interest with loans contracted for investment in long term infrastructures.

## 5.5 Loans obtained

The following list describes the loans associated to LTI Investment Activities:

| Description | Notes | 2013 | 2012 |
|---|---|---|---|
| **Non current loans** | | | |
| Amounts owed to credit institutions | | 1 217 736 315 | 1 308 997 010 |
| Bond loans | | 1 599 769 366 | 1 602 145 208 |
| State Loan | | 2 065 218 555 | 1 830 187 193 |
| | 5. / 6.5. | **4 882 724 235** | **4 741 329 410** |
| **Current loans** | | | |
| Amounts owed to credit institutions | | 91 260 694 | 72 880 694 |
| | 5. / 6.5. | **91 260 694** | **72 880 694** |
| **Loans** | | **4 973 984 930** | **4 814 210 104** |

Loans allocated to investment activity result from the direct need to finance the amounts to be received from the grantor and concern mainly bond loans and loans granted or guaranteed directly by the State.

Bond loans Eurobond 06/26,Eurobond 09/19 and Eurobond 09/24 are allocated at amortised cost by the effective interest rate method.

### 5.5.1 Amounts owed to credit institutions

Repayment terms and conditions of the loans to finance investment projects are as follows:

**Repayment terms and conditions of the loans to finance investment projects**
31 December 2013

| | Name | Date of signature | Amount (€) | Principal due | Repayment: Opening date | Repayment: Closing date | Repayment: Periodicity | Interest Payment | Interest rate | Final interest rate |
|---|---|---|---|---|---|---|---|---|---|---|
| FINANCING SECURED BY EIB | CP III Linha do Norte-B | 14-07-1997 | 49 879 790 | 29 927 874 | 15-06-2008 | 15-06-2022 | Annual | 15-Mar 15-Jun 15-Set 12-Jan | EIB variable, cannot exceed Euribor 3M+0.15% | 0,313% |
| | Douro Line | 09-09-1996 | 43 894 215 | 13 168 265 | 15-09-2007 | 15-09-2016 | Annual | 15-Mar 15-Jun 15-Set 15-Dez | EIB variable, cannot exceed Euribor 3M+0.15% | 0,313% |
| | Tagus railway crossing | 01-10-1996 | 99 759 579 | 29 927 874 | 15-09-2007 | 15-09-2016 | Annual | 15-Mar 15-Jun 15-Set 15-Dez | EIB variable, cannot exceed Euribor 3M+0.15% | 0,313% |
| | Tagus-B railway crossing | 14-11-1997 | 99 759 579 | 26 602 554 | 15-09-2003 | 15-09-2017 | Annual | 15-Mar 15-Jun 15-Set 15-Dez | EIB variable, cannot exceed Euribor 3M+0.15% | 0,313% |
| | Tagus-C railway crossing | 26-11-1998 | 25 000 000 | 10 292 500 | 15-09-2004 | 15-09-2018 | Annual | 15-Mar | 1st fixed instalment | 4,670% |
| | | | 25 000 000 | 10 757 500 | | | | 15-Jun | 2nd fixed instalment | 5,800% |
| | | | 49 759 579 | 16 586 526 | | | | 15-Set | 3rd fixed instalment | 0,313% |
| | | | | | | | | 15-Dez | | |
| | Minho Line-A | 26-11-1998 | 25 000 000 | 10 292 500 | 15-09-2004 | 15-09-2018 | Annual | 15-Mar | 1st fixed instalment | 4,670% |
| | | | 25 000 000 | 10 757 500 | | | | 15-Jun | 2nd fixed instalment | 5,800% |
| | | | 24 819 685 | 8 273 228 | | | | 15-Set | 3rd fixed instalment | 0,313% |
| | | | | | | | | 15-Dez | | |
| | CP III Linha do Norte-D | 10-11-2000 | 25 937 491 | 20 749 993 | 15-09-2011 | 15-09-2020 | Annual | 15-Mar 15-Jun 15-Set 15-Dez | EIB variable, cannot exceed Euribor 3M+0.15% | 0,313% |
| | Connection to Algarve-A | 08-10-2001 | 90 000 000 | 78 000 000 | 15-09-2012 | 15-09-2021 | Annual | 15-Mar 15-Jun 15-Set 15-Dez | EIB variable, cannot exceed Euribor 3M+0.12% | 0,303% |
| | Minho Line-B | 08-10-2001 | 59 855 748 | 51 874 981 | 15-09-2012 | 15-09-2021 | Annual | 15-Mar 15-Jun 15-Set 15-Dez | EIB variable, cannot exceed Euribor 3M+0.12% | 0,303% |
| | CPIII/2 L. Norte-A | 02-10-2002 | 100 000 000 | 95 000 000 | 15-03-2013 | 15-03-2022 | Annual | 15-Mar 15-Jun 15-Set 15-Dez | EIB variable, cannot exceed Euribor 3M+0.12% | 0,303% |
| | CPIII/2 L. Norte-B | 15-07-2004 | 200 000 000 | 200 000 000 | 15-12-2014 | 15-12-2023 | Annual | 15-Mar 15-Jun 15-Set 15-Dez | EIB variable, cannot exceed Euribor 3M+0.15% | 0,313% |
| | Suburban | 25-11-2004 | 100 000 000 | 76 190 476 | 15-06-2009 | 15-06-2024 | Annual | 15-Mar 15-Jun 15-Set 15-Dez | EIB variable, cannot exceed Euribor 3M+0.15% | 0,313% |
| | Suburban B | 14-12-2005 | 100 000 000 | 80 952 381 | 15-09-2010 | 15-09-2025 | Annual | 15-Set | Revisable rate | 3,615% |
| | Suburban C | 12-10-2006 | 55 000 000 | 47 142 857 | 15-03-2011 | 15-03-2026 | Annual | 15-Mar | Revisable rate | 4,247% |
| | Connection to Algarve-B | 02-10-2002 | 30 000 000 | 28 000 000 | 15-03-2013 | 15-03-2022 | Annual | 15-Mar 15-Jun 15-Set 15-Dez | EIB variable, cannot exceed Euribor 3M+0.12% | 0,303% |
| | CP III 2 Linha do Norte-C | 08-01-2009 | 100 000 000 | 100 000 000 | 15-06-2017 | 15-06-2026 | Annual | 15-Mar 15-Jun 15-Set 15-Dez | Euribor 3M+0,054% | 0,237% |
| | CP III Linha do Norte-D | 08-01-2009 | 100 000 000 | 100 000 000 | 15-12-2017 | 15-12-2026 | Annual | 15-Mar 15-Jun 15-Set 15-Dez | Euribor 3M+0,056% | 0,239% |
| EIB with no guarantee | Refer V | 20-08-2008 | 160 000 000 | 160 000 000 | 15-03-2014 | 15-03-2033 | Annual | 15-Mar | Revisable rate | 4,786% |
| | Refer VI | 10-09-2009 | 110 000 000 | 104 500 000 | 15-09-2013 | 15-09-2032 | Annual | 15-Set | Revisable rate | 2,976% |
| Eurobond w/ Guarantee | Eurobond 06/26 (1) | 08-11-2006 | 600 000 000 | 600 000 000 | 16-11-2026 | | Bullet | 16-Nov | Rate | 4,047% |
| | Eurobond 09/19 (1) | 18-02-2009 | 500 000 000 | 500 000 000 | 18-02-2019 | | Bullet | 18-Fev | Rate | 5,875% |
| | Eurobond 09/24 (1) | 18-10-2009 | 500 000 000 | 500 000 000 | 18-10-2024 | | Bullet | 18-Out | Rate | 4,675% |
| Borrowings Non Guaranteed | State Loan | 30-12-2011 | 2 062 771 620 | 1 550 683 863 | 31-05-2013 | 30-11-2016 | Half-year | 31-Mai 30-Nov | Rate | 2,770% |
| | State Loan | 14-02-2012 | 75 000 000 | 75 000 000 | 31-05-2014 | 30-11-2017 | Half-year | 31-Mai 30-Nov | Rate | 3,420% |
| | State Loan | 14-02-2012 | 198 400 000 | 198 400 000 | 31-05-2014 | 30-11-2017 | Half-year | 31-Mai 30-Nov | Rate | 3,250% |
| | State Loan | 26-06-2012 | 118 283 966 | 118 283 966 | 31-05-2014 | 30-11-2017 | Half-year | 31-Mai 30-Nov | Rate | 2,740% |
| | State Loan | 26-06-2012 | 152 436 438 | 126 455 873 | 31-05-2014 | 30-11-2017 | Half-year | 31-Mai 30-Nov | Rate | 1,830% |
| | **Total** | | | **4.977.820.712** | | | | | | |
| | **(1) Total considering effective cost** | | | **4.973.984.930** | | | | | | |

**Repayment terms and conditions of the loans to finance investment projects**
31 December 2012

| | Name | Date of signature | Amount (€) | Principal due | Repayment | | | Interest Payment | Interest rate | Final interest rate |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Opening date | Closing date | Periodicity | | | |
| FINANCING SECURED BY EIB | CP III Linha do Norte-B | 14-07-1997 | 49 879 790 | 33 253 193 | 15-06-2008 | 15-06-2022 | Annual | 15-Mar<br>15-Jun<br>15-Set<br>12-Jan | EIB variable, cannot exceed Euribor 3M+0.15% | 0,313% |
| | Douro Line | 09-09-1996 | 43 894 215 | 17 557 686 | 15-09-2007 | 15-09-2016 | Annual | 15-Mar<br>15-Jun<br>15-Set<br>15-Dez | EIB variable, cannot exceed Euribor 3M+0.15% | 0,313% |
| | Tagus railway crossing | 01-10-1996 | 99 759 579 | 39 903 832 | 15-09-2007 | 15-09-2016 | Annual | 15-Mar<br>15-Jun<br>15-Set<br>15-Dez | EIB variable, cannot exceed Euribor 3M+0.15% | 0,313% |
| | Tagus-B railway crossing | 14-11-1997 | 99 759 579 | 33 253 193 | 15-09-2003 | 15-09-2017 | Annual | 15-Mar<br>15-Jun<br>15-Set<br>15-Dez | EIB variable, cannot exceed Euribor 3M+0.15% | 0,313% |
| | Tagus-C railway crossing | 26-11-1998 | 25 000 000 | 12 082 500 | 15-09-2004 | 15-09-2018 | Annual | 15-Mar | 1st fixed instalment | 4,670% |
| | | | 25 000 000 | 12 570 000 | | | | 15-Jun | 2nd fixed instalment | 5,800% |
| | | | 49 759 579 | 19 903 832 | | | | 15-Set | 3rd fixed instalment | 0,313% |
| | | | | | | | | 15-Dez | | |
| | Minho Line-A | 26-11-1998 | 25 000 000 | 12 082 500 | 15-09-2004 | 15-09-2018 | Annual | 15-Mar | 1st fixed instalment | 4,670% |
| | | | 25 000 000 | 12 570 000 | | | | 15-Jun | 2nd fixed instalment | 5,800% |
| | | | 24 819 685 | 9 927 874 | | | | 15-Set | 3rd fixed instalment | 0,313% |
| | | | | | | | | 15-Dez | | |
| | CP III Linha do Norte-D | 10-11-2000 | 25 937 491 | 22 479 159 | 15-09-2011 | 15-09-2020 | Annual | 15-Mar<br>15-Jun<br>15-Set<br>15-Dez | EIB variable, cannot exceed Euribor 3M+0.15% | 0,313% |
| | Connection to Algarve-A | 08-10-2001 | 90 000 000 | 84 000 000 | 15-09-2012 | 15-09-2021 | Annual | 15-Mar<br>15-Jun<br>15-Set<br>15-Dez | EIB variable, cannot exceed Euribor 3M+0.12% | 0,303% |
| | Minho Line-B | 08-10-2001 | 59 855 748 | 55 865 364 | 15-09-2012 | 15-09-2021 | Annual | 15-Mar<br>15-Jun<br>15-Set<br>15-Dez | EIB variable, cannot exceed Euribor 3M+0.12% | 0,303% |
| | CPIII/2 L. Norte-A | 02-10-2002 | 100 000 000 | 100 000 000 | 15-03-2013 | 15-03-2022 | Annual | 15-Mar<br>15-Jun<br>15-Set<br>15-Dez | EIB variable, cannot exceed Euribor 3M+0.12% | 0,303% |
| | CPIII/2 L. Norte-B | 15-07-2004 | 200 000 000 | 200 000 000 | 15-12-2014 | 15-12-2023 | Annual | 15-Mar<br>15-Jun<br>15-Set<br>15-Dez | EIB variable, cannot exceed Euribor 3M+0.15% | 0,313% |
| | Suburban | 25-11-2004 | 100 000 000 | 80 952 381 | 15-06-2009 | 15-06-2024 | Annual | 15-Mar<br>15-Jun<br>15-Set<br>15-Dez | EIB variable, cannot exceed Euribor 3M+0.15% | 0,313% |
| | Suburban B | 14-12-2005 | 100 000 000 | 85 714 286 | 15-09-2010 | 15-09-2025 | Annual | 15-Set | Revisable rate | 3,615% |
| | Suburban C | 12-10-2006 | 55 000 000 | 49 761 905 | 15-03-2011 | 15-03-2026 | Annual | 15-Mar | Revisable rate | 4,247% |
| | Connection to Algarve-B | 02-10-2002 | 30 000 000 | 30 000 000 | 15-03-2013 | 15-03-2022 | Annual | 15-Mar<br>15-Jun<br>15-Set<br>15-Dez | EIB variable, cannot exceed Euribor 3M+0.12% | 0,303% |
| | CP III 2 Linha do Norte-C | 08-01-2009 | 100 000 000 | 100 000 000 | 15-06-2017 | 15-06-2026 | Annual | 15-Mar<br>15-Jun<br>15-Set<br>15-Dez | Euribor 3M+0,054% | 0,237% |
| | CP III Linha do Norte-D | 08-01-2009 | 100 000 000 | 100 000 000 | 15-12-2017 | 15-12-2026 | Annual | 15-Mar<br>15-Jun<br>15-Set<br>15-Dez | Euribor 3M+0,056% | 0,239% |
| EIB with no guarantee | Refer V | 20-08-2008 | 160 000 000 | 160 000 000 | 15-03-2014 | 15-03-2033 | Annual | 15-Mar | Revisable rate | 4,786% |
| | Refer VI | 10-09-2009 | 110 000 000 | 110 000 000 | 15-09-2013 | 15-09-2032 | Annual | 15-Set | Revisable rate | 2,976% |
| Eurobond w/ Guarantee | Eurobond 06/26 (1) | 08-11-2006 | 600 000 000 | 600 000 000 | 16-11-2026 | | Bullet | 16-Nov | Rate | 4,047% |
| | Eurobond 09/19 (1) | 18-02-2009 | 500 000 000 | 500 000 000 | 18-02-2019 | | Bullet | 18-Fev | Rate | 5,875% |
| | Eurobond 09/24 (1) | 18-10-2009 | 500 000 000 | 500 000 000 | 18-10-2024 | | Bullet | 18-Out | Rate | 4,675% |
| Borrowings Non Guarantee | State Loan | 30-12-2011 | 1 836 524 749 | 1 836 524 749 | 31-05-2013 | 30-11-2016 | Half-year | 31-Mai<br>30-Nov | Rate | 2,770% |
| | **Total** | | | **4.818.402.453** | | | | | | |
| | **(1) Total considering effective cost** | | | **4.814.210.104** | | | | | | |

Interest on these loans is paid in arrears on a quarterly, half year or annual basis.

In what concerns the EIB and State loans, the principal will be repaid on a regular basis after the grace period. Remaining loans will be fully repaid at maturity (bullet).

In 2013 the funding allocated to the hedging of the investment activity grew by EUR 67 million, in nominal net terms. This increase results from the following breakdown per type of loan:

- EIB loans fell by EUR 72.8 million over 2012;

- Bond loans remained at the same level;

- State loans rose by EUR 140 million over 2012.

The fair value of the fixed rate financial debt at 31 December 2013 is as follows:

**Financing at fixed rate - fair value**
**31 December 2013**

| Name | Nominal Value | Principal due | Fair value | Interest rate |
|---|---|---|---|---|
| EIB - Minho A | 25 000 000 | 10 292 500 | 11 368 259 | 4.67% Fixed |
| EIB - Minho A | 25 000 000 | 10 757 500 | 12 215 198 | 5.80% Fixed |
| EIB - Tejo C | 25 000 000 | 10 292 500 | 11 368 259 | 4.67% Fixed |
| EIB - Tejo C | 25 000 000 | 10 757 500 | 12 215 198 | 5.80% Fixed |
| EIB - Suburbans B | 100 000 000 | 80 952 381 | 90 340 682 | 3.615% Fixed |
| EIB - Suburbans C | 55 000 000 | 47 142 857 | 54 623 137 | 4.247% Fixed |
| EIB - REFER V | 160 000 000 | 160 000 000 | 165 503 387 | 4.786% Fixed |
| EIB - REFER VI | 110 000 000 | 104 500 000 | 111 178 727 | 2.976% Fixed |
| Eurobond 06/26 | 600 000 000 | 600 000 000 | 456 752 258 | 4.047% Fixed |
| Eurobond 09/19 | 500 000 000 | 500 000 000 | 500 726 336 | 5.875% Fixed |
| Eurobond 09/24 | 500 000 000 | 500 000 000 | 413 505 157 | 4.675% Fixed |
| Borrowings Est. Portugues | 2 062 771 620 | 1 550 683 863 | 1 537 469 875 | 2.77% Fixed |
| Borrowings Est. Portugues | 75 000 000 | 75 000 000 | 73 897 309 | 3.42% Fixed |
| Borrowings Est. Portugues | 198 400 000 | 198 400 000 | 194 789 098 | 3.25% Fixed |
| Borrowings Est. Portugues | 118 283 966 | 118 283 966 | 113 786 283 | 2.74% Fixed |
| Borrowings Est. Portugues | 152 436 438 | 31 359 396 | 29 872 490 | 1.83% Fixed |
| | | **4 008 422 463** | **3 789 611 654** | |

## 5.6 Cash and cash equivalents

Cash and cash equivalent allocated to Long Term Infrastructures Investment in 2012 derived from balances in RAVE, mainly associated to funds received but likely to be returned.

According to the Group's policy (note 2.2.20), these amounts were recorded separately in the consolidated statement of financial position, and the said subsidies were recognised in liabilities allocated to Long Term Infrastructures Investment.

During 2013, during the integration of RAVE's assets and liabilities into RAVE these amounts were returned to the relevant entities.

Balances in this caption were included and reconciled with those shown in the consolidated cash flow statement.

# 6. Infrastructure Management Activity

## 6.1 Tangible fixed assets

In the years ended 31 December 2013 and 2012, changes in Tangible Fixed Assets and respective depreciation captions were as follows:

## 31 December 2013

| Gross value | Opening balance | Transfers | Increases | Write-offs/Adj. | Closing Balance |
|---|---|---|---|---|---|
| **Tangible fixed assets** | | | | | |
| Land and natural resources | 5 971 575 | 431 414 | | - 353 000 | 6 049 989 |
| Buildings and other constructions | 41 380 342 | 189 083 | | - 22 750 | 41 546 675 |
| Basic equipment | 56 957 066 | - 11 196 579 | 1 591 182 | - 832 043 | 46 519 626 |
| Transport equipment | 6 300 943 | 12 635 | 287 175 | - 150 335 | 6 450 418 |
| Tools and utensils | 559 863 | - 1 125 | 4 876 | | 563 614 |
| Administrative equipment | 12 921 783 | | 84 922 | - 246 268 | 12 760 437 |
| Other tangible fixed assets | 1 093 605 | 350 000 | 10 029 | - 19 547 | 1 434 087 |
| Work in progress | 3 008 770 | - 257 218 | 207 808 | | 2 959 360 |
| **Total gross tangible fixed assets** | **128 193 948** | **- 10 471 790** | **2 185 993** | **- 1 623 942** | **118 284 207** |

| Depreciation | Opening balance | Transfers | Increases | Write-offs/Adj. | Closing Balance |
|---|---|---|---|---|---|
| **Tangible fixed assets** | | | | | |
| Buildings and other constructions | 16 066 921 | | 1 457 551 | | 17 524 473 |
| Basic equipment | 33 242 579 | - 1 808 338 | 2 753 030 | - 821 868 | 33 365 403 |
| Transport equipment | 6 149 927 | | 87 359 | - 138 246 | 6 099 040 |
| Tools and utensils | 558 822 | | 4 637 | | 563 459 |
| Administrative equipment | 11 903 068 | | 340 686 | - 244 835 | 11 998 920 |
| Other tangible fixed assets | 957 458 | | 69 686 | - 19 547 | 1 007 597 |
| **Total Depreciation** | **68 878 775** | **- 1 808 338** | **4 712 950** | **- 1 224 495** | **70 558 892** |
| **Total net tangible fixed assets** | **59 315 172** | **- 8 663 452** | **- 2 526 957** | **- 399 447** | **47 725 316** |

### 31 December 2012

| Gross value | Opening balance | Transfers | Increases | Write-offs/Adj. | Closing Balance |
|---|---|---|---|---|---|
| **Tangible fixed assets** | | | | | |
| Land and natural resources | 5 947 252 | 85 084 | | - 60 760 | 5 971 575 |
| Buildings and other constructions | 40 793 501 | 1 399 440 | 125 744 | - 938 343 | 41 380 342 |
| Basic equipment | 45 432 888 | 7 798 194 | 4 177 974 | - 451 991 | 56 957 066 |
| Transport equipment | 6 362 126 | | 40 813 | - 101 996 | 6 300 943 |
| Tools and utensils | 558 235 | | 1 627 | | 559 863 |
| Administrative equipment | 13 833 027 | 32 444 | 77 097 | - 1 020 784 | 12 921 783 |
| Other tangible fixed assets | 1 075 193 | | 23 759 | - 5 346 | 1 093 605 |
| Work in progress | 10 154 263 | - 7 775 159 | 629 667 | | 3 008 770 |
| **Total gross tangible fixed assets** | **124 156 485** | **1 540 003** | **5 076 681** | **- 2 579 221** | **128 193 948** |

| Depreciation | Opening balance | Transfers | Increases | Write-offs/Adj. | Closing Balance |
|---|---|---|---|---|---|
| **Tangible fixed assets** | | | | | |
| Buildings and other constructions | 14 685 009 | | 1 462 028 | - 80 115 | 16 066 921 |
| Basic equipment | 28 875 325 | | 4 805 996 | - 438 742 | 33 242 579 |
| Transport equipment | 6 136 044 | | 115 879 | - 101 996 | 6 149 927 |
| Tools and utensils | 554 617 | | 4 205 | | 558 822 |
| Administrative equipment | 12 455 621 | | 563 330 | - 1 115 883 | 11 903 068 |
| Other tangible fixed assets | 926 154 | | 36 650 | - 5 346 | 957 458 |
| **Total Depreciation** | **63 632 769** | | **6 988 088** | **- 1 742 082** | **68 878 775** |
| **Total net tangible fixed assets** | **64 561 178** | **1 540 003** | **- 5 948 870** | **- 837 138** | **59 315 172** |

Changes occurred in caption Basic Equipment result mainly from the modernisation and increase in capacity of the Optical Fibre infrastructure, the operationalisation of the railway digital mobile GSM-R network and consolidation of the "*Cloud Computing*", following the market availability of the "*cloudsolution*".

The increase in caption Administrative Equipment concerns the acquisition of information equipment.

## 6.2 Investment property

Investment property evolved as follows:

| Investment property | Notes | 2013 | 2012 |
|---|---|---|---|
| **Gross assets** | | | |
| Opening balance | | 4 353 185 | 4 558 432 |
| Adjustments | | - 3 925 | - 205 247 |
| Increases / transfers | 6.8. | 2 705 558 | |
| Closing Balance | | 7 054 818 | 4 353 185 |
| **Cumulative Depreciation** | | | |
| Opening balance | | 173 234 | 118 367 |
| Increase | | 101 482 | 54 867 |
| Closing Balance | | 274 716 | 173 234 |
| **Cumulative impairments** | 13. | 779 525 | 127 885 |
| **Net value** | | **6 000 577** | **4 052 066** |

Investment properties are made up of property held by the Group for lease purposes in Sines (39 units) and Viana do Castelo (3 units), valued according to policy described in note 2.2.5.

As far as the Sines property is concerned, 10 units are leased since 2009 to a public entity.

During the current year, 29 units all located in Sines were transferred from caption Inventories to caption Investment Property (note 6.8), 9 of which were leased in the last quarter of 2013. The Board of Directors believes that the remaining units will be leased during 2014.

A significant part of the property located in Viana do Castelo is available for lease and could be leased during 2014 by the same public entity which leased the property in Sines.

The fair value of investment property amounted to EUR 7,998,113 (2012: EUR 5,158,799).

The fair value of the said property was determined according to the discounted cash flows method of current leases and expected rents for property likely to be leased, net of estimated expenses with the said property.

The discount rate of future net income at constant prices was of 5%.

## 6.3 Intangible assets

In 2013 and 2012, changes occurred in intangible fixed assets and respective depreciation captions were as follows:

### 31 December 2013

| Gross value | Opening balance | Transf/Adj | Increases | Write-offs | Closing Balance |
|---|---|---|---|---|---|
| **Intangible assets** | | | | | |
| Development expenses | 925 656 | 294 398 | | | 1 220 055 |
| Software | 20 685 388 | 972 213 | 74 480 | - 499 974 | 21 232 107 |
| Industrial property and other rights | 29 928 | | | | 29 928 |
| Intangible assets in progress | 1 751 267 | - 1 132 820 | | - 607 026 | 11 421 |
| **Total gross intangible assets** | **23 392 239** | **133 792** | **74 480** | **- 1 107 000** | **22 493 510** |
| **Amortisation** | **Opening balance** | **Transf/Adj** | **Increases** | **Write-offs** | **Closing Balance** |
| **Intangible assets** | | | | | |
| Development expenses | 706 583 | | 177 584 | | 884 167 |
| Software | 18 966 364 | | 654 845 | - 263 981 | 19 357 228 |
| Industrial property and other rights | 29 928 | | | | 29 928 |
| Intangible assets in progress | | | | | |
| **Total Amortisation** | **19 702 875** | | **832 429** | **- 263 981** | **20 271 323** |
| **Total net intangible fixed assets** | **3 689 365** | **133 792** | **- 757 949** | **- 843 019** | **2 222 187** |

### 31 December 2012

| Gross value | Opening balance | Transf/Adj | Increases | Write-offs | Closing Balance |
|---|---|---|---|---|---|
| **Intangible assets** | | | | | |
| Development expenses | 662 768 | 262 888 | | | 925 656 |
| Software | 19 683 507 | 778 751 | 326 080 | - 102 950 | 20 685 388 |
| Industrial property and other rights | 29 928 | | | | 29 928 |
| Intangible assets in progress | 2 402 493 | - 771 243 | 120 017 | | 1 751 267 |
| **Total gross intangible assets** | **22 778 696** | **270 396** | **446 097** | **- 102 950** | **23 392 239** |
| **Amortisation** | **Opening balance** | **Transf/Adj** | **Increases** | **Write-offs** | **Closing Balance** |
| **Intangible assets** | | | | | |
| Development expenses | 653 748 | | 52 835 | | 706 583 |
| Software | 18 474 559 | | 594 755 | - 102 950 | 18 966 364 |
| Industrial property and other rights | 29 928 | | | | 29 928 |
| Intangible assets in progress | | | | | |
| **Total Amortisation** | **19 158 235** | | **647 590** | **- 102 950** | **19 702 875** |
| **Total net intangible fixed assets** | **3 620 461** | **270 396** | **- 201 493** | | **3 689 365** |

The most significant increases in intangible assets concern the deployment of information systems to support the group's activity.

Following the reorganisation and standardization of the Group's information systems, a documental management system used by a Group company was discontinued, and respective functions are now provided by the documental management system SAP-DMS.

## 6.4 Investments in associated companies and joint undertakings

Investments in associated companies and joint undertakings at 31 December 2013 and 2012 evolved as follows:

| Investments in joint undertakings and associates | Notes | 2013 | 2012 |
|---|---|---|---|
| **(Gross) Opening balance** | | **1 463 493** | **1 407 364** |
| Other increases | | 50 000 | 75 000 |
| Gains/Losses on associates | 16. | - 1 513 493 | - 18 871 |
| **(Gross) Closing balance** | | **0** | **1 463 493** |
| **Cumulative impairments** | **16.** | **0** | **- 1 387 184** |
| **Investments in joint undertakings and associates** | | **0** | **76 309** |

In 2013 an amount of EUR 50,000 (2012: EUR 75,000) was transferred to AVEP to cover operating costs.

Cumulative impairments in 2012 concerned exclusively investment held in joint undertaking AVEC and were recognised according to an internal analysis made by the Group to the quality of the assets and liabilities of this joint venture. In 2013 AVEP's accounts were restated and the Group made the corresponding reversal of the impairment recorded in 2012, which was recognised according to the equity method in 2013. The net effect thus implied the recognition of losses in the amount of EUR 126,309 in the consolidated income statement under "Gains/(Losses) in associates and joint undertakings" (note 16).

AVEP is an European economic interest grouping E.E.I.G. with head-office in Spain; according to the law relating to these instruments, members are severally and unlimitedly liable for the debts generated by the group, irrespective of their nature. Therefore, REFER is severally and unlimitedly liable for the debts generated by the group, Since the equity of AVEP is negative, in addition to the previously mentioned effect (note 16), the Group's accounts further include the recognition of EUR 121,655 in the consolidated income statement, under Provisions (notes 6.19 and 12).

Investment in associates concern the equity holding in GIL and it is presently nil as result of successive losses posted by the company over several years.

The Group did not recognise losses relating to the holding in GIL in the amount of EUR 3,857,033 (2012: EUR 3,751,405).

Equity holdings in associated companies and joint undertakings are made up as follows (in 2013 only GIL's accounts were audited).

Description of Equity Holdings in Associated Companies and joint undertakings:

## 31 December 2013

| Companies | % holding | Equity | Profit/(loss) for the year | Total assets | Total liabilities | Income for the period | Book value |
|---|---|---|---|---|---|---|---|
| **Associates** | | | | | | | |
| **GIL**<br>Gare Intermodal de Lisboa, S.A.<br>Av.D. João II, Estação do Oriente, lote1.15<br>1990-233 Lisboa | 33,98% | - 11 350 891 | 60 265 | 75 805 511 | 87 156 402 | 4 865 888 | 0 |
| **JOINT UNDERTAKINGS** | | | | | | | |
| **AVEP**<br>Alta Velocidade de Espanha e Portugal, A.E.I.E.<br>Rua Sor Angela de la Cruz, n.º3, Planta 8 / Madrid | 50,00% | - 243 309 | - 470 043 | 127 190 | 370 499 | 68 | 0 |
| **AEIE CMF4**<br>92 Avenue de France<br>75013 Paris | 33,33% | N.A. | (a) | (a) | (a) | (a) | (a) |
| **Total** | | | | | | | |

a) EEIG CMF4 (AEIE CORREDOR FERRÓVIARIO DE MERCADORIAS N.º4) is an instrument set up with no share capital, with no financial statements as of the date of the consolidated accounts. The Group recorded EUR 98,000 (notes 6.11 and 21.2) relating to transfers made to the EEIG. This investment is recorded according to accounting policy described in Note 2.2.1.

## 31 December 2012

| Companies | % holding | Equity | Profit/(loss) for the year | Total assets | Total liabilities | Income for the period | Book value |
|---|---|---|---|---|---|---|---|
| **Associates** | | | | | | | |
| **GIL** | | | | | | | |
| Gare Intermodal de Lisboa, S.A.<br>Av.D. João II, Estação do Oriente, lote 1.15<br>1990-233 Lisboa | 33,98% | - 11 040 038 | - 583 502 | 75 930 591 | 86 970 628 | 4 743 005 | 0 |
| **JOINT UNDERTAKINGS** | | | | | | | |
| **AVEP**<br>Alta Velocidade de Espanha e Portugal, A.E.I.E.<br>Rua Sor Angela de la Cruz, n.º3, Planta 8 / Madrid | 50,00% | 2 776 987 | - 37 742 | 4 513 344 | 1 736 358 | 904 | 76 309 |
| **Total** | | | | | | | **76 309** |

## 6.5 Categories according to IAS 39

### 31 December 2013

| Categories according to IAS 39 | Notes | Loans and accounts receivable | Financial assets at fair value through results | Available-for-sale financial assets | Financial liabilities at fair value through results | Other Financial liabilities | Non financial assets and liabilities | Total |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| **IM Assets** | | **323 672 167** | **3 383 345** | **31 875** | | | **11 788 924** | **338 876 311** |
| **Non current** | | | | | | | | |
| AFDV | 6.6. | | | 31 875 | | | | 31 875 |
| Loans and accounts receivable | 6.7. | | | | | | 984 936 | 984 936 |
| | | | | **31 875** | | | **984 936** | **1 016 811** |
| **Current** | | | | | | | | |
| Cash and cash equivalents | 6.13. | 103 103 215 | | | | | | 103 103 215 |
| Clients and other accounts receivable | 6.10. | 220 568 951 | | | | | 10 803 988 | 231 372 939 |
| Derivative financial instruments | 6.9. | | 3 383 345 | | | | | 3 383 345 |
| | | **323 672 167** | **3 383 345** | | | | **10 803 988** | **337 859 500** |
| **Assets under Concession (LTI)** | | **4 974 604 611** | | | | | **87 825** | **4 974 692 437** |
| **Current** | | | | | | | | |
| Grantor .- State - Account Receivable | 5.1. | 4 973 984 930 | | | | | | 4 973 984 930 |
| Clients and other accounts receivable | 5.3. | 619 682 | | | | | 87 825 | 707 507 |
| | | **4 974 604 611** | | | | | **87 825** | **4 974 692 437** |
| **Total financial assets** | | **5 298 276 778** | **3 383 345** | **31 875** | | | **11 876 749** | **5 313 568 747** |

31 December 2013

| Categories according to IAS 39 | Notes | Loans and accounts receivable | Financial assets at fair value through results | Available-for-sale financial assets | Financial liabilities at fair value through results | Other Financial liabilities | Non financial assets and liabilities | Total |
|---|---|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | | | |
| **Liabilities in IM** | | | | | | **2 240 831 635** | **41 038 732** | **2 281 870 366** |
| **Non current** | | | | | | | | |
| Borrowings | 6.17.1. | | | | | 1 467 414 270 | | 1 467 414 270 |
| Suppliers and other accounts payable | 6.18. | | | | | | 2 906 004 | 2 906 004 |
| | | | | | | **1 467 414 270** | **2 906 004** | **1 470 320 274** |
| **Current** | | | | | | | | |
| Borrowings | 6.17.1. | | | | | 742 872 321 | | 742 872 321 |
| Derivative financial instruments | 6.9. | | | | | | | |
| Suppliers and other accounts payable | 6.18. | | | | | 30 545 044 | 38 132 728 | 68 677 772 |
| | | | | | | **773 417 364** | **38 132 728** | **811 550 093** |
| **Liabilities in LTIs** | | **4 973 984 930** | | | | **57 593 442** | **6 305 121** | **5 037 883 493** |
| **Non current** | | | | | | | | |
| Borrowings | 5.5. | 4 882 724 235 | | | | | | 4 882 724 235 |
| | | **4 882 724 235** | | | | | | **4 882 724 235** |
| **Current** | | | | | | | | |
| Borrowings | 5.5. | 91 260 694 | | | | | | 91 260 694 |
| Suppliers and other accounts payable | 5.4. | | | | | 57 593 442 | 6 305 121 | 63 898 563 |
| | | **91 260 694** | | | | **57 593 442** | **6 305 121** | **155 159 258** |
| **Total financial liabilities** | | **4 973 984 930** | | | | **2 298 425 076** | **47 343 853** | **7 319 753 859** |

## 31 December 2012

| Categories according to IAS 39 | Notes | Loans and accounts receivable | Financial assets at fair value through results | Available-for-sale financial assets | Financial liabilities at fair value through results | Other Financial liabilities | Non financial assets and liabilities | Total |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| **Assets in IM** | | **362 180 561** | **16 411 851** | **31 875** | | | **8 563 952** | **387 188 239** |
| **Non current** | | | | | | | | |
| AFDV | 6.6. | | | 31 875 | | | | 31 875 |
| Loans and accounts receivable | 6.7. | | | | | | 874 508 | 874 508 |
| | | | | **31 875** | | | **874 508** | **906 383** |
| **Current** | | | | | | | | |
| Cash and cash equivalents | 6.13. | 228 912 706 | | | | | | 228 912 706 |
| Other financial assets | 6.12. | | 167 877 | | | | | 167 877 |
| Clients and other accounts receivable | 6.10. | 133 267 855 | | | | | 7 689 444 | 140 957 299 |
| Derivative financial instruments | 6.9. | | 16 243 974 | | | | | 16 243 974 |
| | | **362 180 561** | **16 411 851** | | | | **7 689 444** | **386 281 856** |
| **Assets under Concession (LTI)** | | **4 816 012 309** | | | | | **2 360 515** | **4 818 372 824** |
| **Current** | | | | | | | | |
| Grantor .- State - Account Receivable | 5.1. | 4 814 210 104 | | | | | | 4 814 210 104 |
| Clients and other accounts receivable | 5.3. | 619 682 | | | | | 2 360 515 | 2 980 197 |
| Cash and cash equivalents | 5.6. | 1 182 523 | | | | | | 1 182 523 |
| | | **4 816 012 309** | | | | | **2 360 515** | **4 818 372 824** |
| **Total financial assets** | | **5 178 192 869** | **16 411 851** | **31 875** | | | **10 924 468** | **5 205 561 063** |

## 31 December 2012

| Categories according to IAS 39 | Notes | Loans and accounts receivable | Financial assets at fair value through results | Available-for-sale financial assets | Financial liabilities at fair value through results | Other Financial liabilities | Non financial assets and liabilities | Total |
|---|---|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | | | |
| **Liabilities in IM** | | | | | **44 966 433** | **2 186 667 415** | **32 231 874** | **2 263 865 721** |
| **Non current** | | | | | | | | |
| Borrowings | 6.17.1. | | | | | 1 613 073 244 | | 1 613 073 244 |
| Suppliers and other accounts payable | 6.18. | | | | | | 3 782 972 | 3 782 972 |
| | | | | | | **1 613 073 244** | **3 782 972** | **1 616 856 216** |
| **Current** | | | | | | | | |
| Borrowings | 6.17.1. | | | | | 535 553 831 | | 535 553 831 |
| Derivative financial instruments | 6.9. | | | | 44 966 433 | | | 44 966 433 |
| Suppliers and other accounts payable | 6.18. | | | | | 38 040 340 | 28 448 902 | 66 489 242 |
| | | | | | **44 966 433** | **573 594 171** | **28 448 902** | **647 009 505** |
| **Liabilities in LTIs** | | **4 814 210 104** | | | | **66 040 010** | **8 601 772** | **4 888 851 887** |
| **Non current** | | | | | | | | |
| Borrowings | 5.5. | 4 741 329 410 | | | | | | 4 741 329 410 |
| | | **4 741 329 410** | | | | | | **4 741 329 410** |
| **Current** | | | | | | | | |
| Borrowings | 5.5. | 72 880 694 | | | | | | 72 880 694 |
| Suppliers and other accounts payable | 5.4. | | | | | 64 806 348 | 8 601 772 | 73 408 120 |
| Subsidies | 5.6. | | | | | 1 233 663 | | 1 233 663 |
| | | **72 880 694** | | | | **66 040 010** | **8 601 772** | **147 522 477** |
| **Total financial liabilities** | | **4 814 210 104** | | | **44 966 433** | **2 252 707 425** | **40 833 646** | **7 152 717 608** |

The breakdown of financial assets and liabilities at fair value through results, in accordance with levels set forth in IFRS7 is as follows:

### 31 December 2013

| Categories according to IAS 39 | Notes | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Financial assets at fair value through results | 6.9. | | 3 383 345 | | 3 383 345 |
| | | | **3 383 345** | | **3 383 345** |
| **Financial liabilities** | | | | | |
| Financial liabilities at fair value through results | 6.9. | | | | |

### 31 December 2012

| Categories according to IAS 39 | Notes | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Other financial assets | 6.12. | 167 877 | | | 167 877 |
| Financial assets at fair value through results | 6.9. | | 16 243 974 | | 16 243 974 |
| | | **167 877** | **16 243 974** | | **16 411 851** |
| **Financial liabilities** | | | | | |
| Financial liabilities at fair value through results | 6.9. | | 44 966 433 | | 44 966 433 |
| | | | **44 966 433** | | **44 966 433** |

## 6.6 Available-for-sale financial assets

Available-for-sale financial assets at 31 December 2013 and 2012 were made up as follows:

| Available-for-sale financial assets | Notes | 2013 | 2012 |
|---|---|---|---|
| **Acquisition cost** | | | |
| Metro Mondego | | 26 875 | 26 875 |
| CRV | | 5 000 | 5 000 |
| Enerfer | | | 133 072 |
| Pirites Alentejanas | | 1 087 | 1 087 |
| | | **32 962** | **166 035** |
| **Cumulative impairments** | | | |
| Enerfer | | | 133 072 |
| Pirites Alentejanas | | 1 087 | 1 087 |
| | 13. | **1 087** | **134 160** |
| **Net value of equity holding** | | | |
| Metro Mondego | | 26 875 | 26 875 |
| CRV | | 5 000 | 5 000 |
| | 6.5. | **31 875** | **31 875** |

These equity instruments are not listed on an active market, and are recorded at cost net of impairment losses, according to policy disclosed in Note 2.2.7.

Group REFER holds a 2.5% stake in Metro Mondego and 10 participation units in CVR – Centro para a Valorização Resíduos.

As far as holding in ENERFER is concerned, in 2013 this amount of this holding was written off.

## 6.7 Loans and other accounts receivable – non current

Loans and non current accounts receivable were as follows:

| Loans and other accounts receivable | Notes | 2013 | 2012 |
|---|---|---|---|
| Expenses to recognise | | 984 936 | 874 508 |
| Loans to associates | 21.2. | 19 147 631 | 14 054 971 |
| Cumulative impairments | 13. | - 19 147 631 | - 14 054 971 |
| | 6.5. | **984 936** | **874 508** |

Expenses to recognise concern mainly two contracts for the use of road channels, one for 10 years in the amount of EUR 778,575 and the other for the following 20 years, in the amount of EUR 252,521.

In 2013, in line with previous years, the Group increased its partners' loans to associated company GIL to ensure this company's compliance with its liabilities. These partners' loans were adjusted by impairment during this year (see Note 13) given the credit risk of the balances receivable from this entity.

## 6.8 Inventories

The breakdown of inventories is as follows:

| Description | Notes | 2013 | 2012 |
|---|---|---|---|
| Raw materials, subsidiary materials and consum. | | 20 203 017 | 20 411 418 |
| Freight | | 306 037 | 329 234 |
| Finished products | 7. | 2 466 690 | 5 172 247 |
| **Cumulative impairment on inventories** | 13. | **- 391 281** | **- 447 071** |
| **INFRASTRUCTURE MANAGEMENT** | | **22 584 462** | **25 465 828** |

Caption **raw materials, subsidiary materials & consumables** concerns various types of materials included in infrastructure maintenance.

As of the date of the financial statements, a physical inventorying was carried out viewing to quantify the adjustment in losses on inventories. Impairment of raw materials, subsidiary and consumption materials and goods refers to:

- materials that are obsolete and technically depreciated and cannot be used for Group REFER's activities, and which might be sold should an interested buyer emerge;
- comparison between the market value of materials and their book value;

The cost of the said inventories were reduced to the recoverable amount on sale.

The analysis made led to the recognition of the reversal of impairment adjustments of inventories in the amount of EUR 62,170.

The cost of goods sold and raw materials consumed for the periods under review is as follows:

| Description | Notes | 2013 | 2012 |
|---|---|---|---|
| Opening inventories | | 20 740 652 | 15 252 794 |
| Purchases | | 5 848 027 | 5 520 490 |
| Adjustments | | 566 774 | 4 516 022 |
| Closing inventories | | 20 509 053 | - 20 740 652 |
| **Cost of materials consumed** | | **6 646 400** | **4 548 653** |

Caption **finished products** land and dwellings in Sines (note 7).

During the current year, figures relating 29 dwellings located in Sines were transferred to caption "Investment Properties".

Impairment tests made to finished products were based on the weighting of the following criteria:

- Price fixed for sale of building in 2014 (Unit F- Sines);
- Figures determined based on market analysis, namely price per square metre of construction for land located in the site concerned (EUR 360/m2);
- Sale prices equivalent to those of similar buildings sold.

Analysis above led ton an increase in adjustments by EUR 6,380.

In what concerns Sines buildings 8 to 12, the devaluation recognised in previous years was reversed and part of this recovery in the amount of EUR 897,362 was allocated to the Grantor (note13).

## 6.9 Derivative financial instruments

The REFER Group, through its parent company, has used derivative financial instruments with the purpose of managing interest rate risk associated to its financial debt.

In line with its financial policies, REFER does not use derivatives for speculative purposes.

Although contracted derivatives are efficient instruments to hedge risks, not all would be qualified as hedge accounting instruments according to the rules and requirements of IAS 39 (see Note 2.2.6). Thus, it was decided to consider the derivatives portfolio as of negotiation and, consequently, not qualify any of the contracted positions as a hedging instrument.

Instruments that do not qualify as hedging instruments are classified as trade derivatives in the financial assets and liabilities category at the fair value through profit and loss. Trade derivatives are recorded in the consolidated statement of financial position at respective fair value and their variations are recognised in financial results. At 31 December 2013 and 31 December 2012, the nominal value of REFER's derivatives portfolio totalled EUR 150 million and EUR 1,450 million, respectively, for an overall financial debt of EUR 7.16 billion in 2013 and EUR 6.94 billion in 2012.

During the second quarter of 2013, within the scope of the renegotiation of the derivatives portfolios of the State corporate sector led by IGCP, REFER settled in advance three swaps contracted with Barclays Capital and two swaps contracted with JPMorgan. The cancellation of these operations gave rise to a net payment of EUR 12.48 million, of which EUR 8.51 million refers to the inflow from Barclays Capital in May and EUR 21 million concern the outflow to JPMorgan in June. Note that following these operations, REFER kept only one swap with a nominal value of EUR 150 million entered with Bank of America Merrill Lynch, the market value of which stood at EUR 3.4 million as of 31 December 2013. At the date of the 2013 accounts this swap was already settled.

The fair value of existing derivative instruments at the end of 2013 and 2012 was as follows:

## 31 December 2013

| Hedged instrument | % hedging | Description | Fair value (€) | | Change in fair value Dec 13/ Dec 12 (€) | | Nominal amount (€m) | Maturity |
|---|---|---|---|---|---|---|---|---|
| | | | Assets | Liabilities | <0 | >0 | Dez-13 | |
| Schuldshein West LB | 100% | Digital Cap (Stibor 12m <6,25%;Euribor 12m < 6,25%; Eur 6m < 6.00%) | | | | | 200 | 08-10-2012 |
| Schuldshein West LB | | Cap KO (Eur 6m < 6%) | | | | | 200 | 08-10-2012 |
| Eurobond 05/15 | 100% | Dual Range [(10Y GBP-10Y EUR Spread) e (10Y-2Y EUR Spread)] | 3 383 345 | | | 5 834 137 | 150 | 16-03-2015 |
| Eurobond 05/15 | | Plain vanilla | | | - 15 824 208 | | 150 | 16-03-2015 |
| Eurobond 05/15 | | Plain vanilla | | | | 15 873 079 | 150 | 16-03-2015 |
| Eurobond 05/15 | | 10Y-2Y EUR Spread Rib | | | | 25 266 011 | 300 | 16-03-2015 |
| Eurobond 06/21 | 100% | Cap KO (Eur 12m < 7%) | | | | 1 376 551 | 500 | 13-12-2021 |
| Eurobond 06/26 | 50% | Cap KO (Eur 12m < 6.50%) | | | - 419 766 | | 200 | 16-11-2026 |
| | | **Note 6.5 Note 17** | **3 383 345** | | **- 16 243 974** | **48 349 777** | **1 850** | |

## 31 December 2012

| Hedged instrument | % hedging | Description | Fair value (€) | | Change in fair value Dec 12/ Dec 11 (€) | | Nominal amount (€m) | Maturity |
|---|---|---|---|---|---|---|---|---|
| | | | Assets | Liabilities | <0 | >0 | Dez-12 | |
| Schuldshein West LB | 100% | Digital Cap (Stibor 12m <6,25%;Euribor 12m < 6,25%; Eur 6m < 6.00%) | | | | 3 335 | 200 | 08-10-2012 |
| Schuldshein West LB | | Cap KO (Eur 6m < 6%) | | | | 3 992 776 | 200 | 08-10-2012 |
| Eurobond 05/15 | 100% | Dual Range [(10Y GBP-10Y EUR Spread) e (10Y-2Y EUR Spread)] | | - 2 450 791 | | 14 025 276 | 150 | 16-03-2015 |
| Eurobond 05/15 | | Plain vanilla | 15 824 208 | | | 424 668 | 150 | 16-03-2015 |
| Eurobond 05/15 | | Plain vanilla | | - 15 873 079 | - 276 456 | | 150 | 16-03-2015 |
| Eurobond 05/15 | | 10Y-2Y EUR Spread Rib | | - 25 266 011 | | 2 759 564 | 300 | 16-03-2015 |
| Eurobond 06/21 | 100% | Cap KO (Eur 12m < 7%) | | - 1 376 551 | | 8 398 741 | 500 | 13-12-2021 |
| Eurobond 06/26 | 50% | Cap KO (Eur 12m < 6.50%) | 419 766 | | | 5 493 901 | 200 | 16-11-2026 |
| | | **Note 6.5 Note 17** | **16 243 974** | **- 44 966 433** | **- 276 456** | **35 098 261** | **1 450** | |

## 6.10 Clients and other accounts receivable

| Description | Notes | 2013 | 2012 |
|---|---|---|---|
| Clients | | 183 063 447 | 97 572 348 |
| Other accounts receivable | | 37 234 734 | 39 318 199 |
| Government and other public bodies | | 5 634 704 | 2 575 645 |
| Accrued income | | 4 688 413 | 536 701 |
| Expenses to recognise | | 751 642 | 954 407 |
| | 6.5. | **231 372 939** | **140 957 299** |

Balances of **Clients and Other Receivables** are current balances, corresponding approximately to their fair value.

Caption Clients is made up as follows:

| Clients | Notes | 2013 | 2012 |
|---|---|---|---|
| Other related parties | 21.3. | 166 870 862 | 87 768 354 |
| Miscellaneous | | 17 760 901 | 11 198 691 |
| Associates or jointly controlled companies | 21.2. | 12 565 | |
| Cumulative impairments | 13. | - 1 580 882 | - 1 394 698 |
| | | **183 063 447** | **97 572 348** |

Debits to **clients-other related entities** (CP, CP Carga) and **sundry suppliers** (Fertagus and Takargo) include, mainly, user fees charged to entities that use the infrastructures and also accounts payable by operators for services rendered in commercial activities, shunting, capacity requested and not used, parking of rolling stock and other services.

The significant increase in the amount receivable from **Other related entities** derives from the delay in payments by the said entities, mainly CP in the amount of EUR 146,160,587 (2012: EUR 73,383,450), as described in Note 3, and shown in the decrease in accounts receivable in the consolidated cash flow statement.

The other accounts receivable are made up as follows:

| Other accounts receivable | Notes | 2013 | 2012 |
|---|---|---|---|
| Miscellaneous | | 38 830 106 | 43 186 252 |
| Other related parties | | 168 288 | |
| Associates or jointly controlled companies | 21.2. | 98 000 | |
| Cumulative Impairment | 13. | - 1 861 660 | - 3 868 053 |
| | | **37 234 734** | **39 318 199** |

Caption **Other accounts receivable – Sundry** concerns the following, but not limited to:

- approximately 36% (34% in 2012) concerns the partial accomplishment of the Protocol with Aveiro Council for the construction of a new railway station, road-rail interface and urban rehabilitation of the surrounding area;

- EUR 2,816,329 relates to VAT payable for 2006, following tax inspection. The REFER Group, specifically its subsidiary REFER PATRIMÓNIO, not having incurred in any tax non compliance in relation to the operation concerned, believes that the result of these proceedings will be to its advantage. In January 2014 REFER PATRIMÓNIO exercised its right to appeal in these tax proceedings.

- expropriation amounts required by Courts until a conclusive decision on the said expropriation proceedings is issued.

The decrease in 2013 in **cumulative impairment** from **other accounts receivable** is mainly explained by the use of the impairment at the time of disposal of equity holding in IFERVISA by EUR 1,684,750 (note 6.14).

The adjustment is made up of balances of Benaterras – EUR 6,818 – dating from 2001 to 2003; Aetur – EUR 22,070 – dating from 2003 to January 2006; and O2 – EUR 1,805,994. As to the remaining amount - EUR 26,778, it relates to entities undergoing bankruptcy proceedings.

The breakdown of caption "State and other government entities" is made up as follows:

- VAT to recover in the amount of EUR 5,512,384, resulting from VAT assessment relating to December 2013 (EUR 4,852,019) and VAT deriving from application of the reverse charge mechanism;

- Social Security contribution in the amount of EUR 122,320, since REFER as centralising company temporarily replaces Social Security, advancing payments for sick leaves/leaves;

Caption **accrued income** concerns operational income, including amounts relating to traction power, which account for 67% of the total in 2013.

## 6.11 Income tax

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities during a period of four years (five years for social security), except where tax losses exist or tax benefits have been granted or inspections, claims or appeals are in progress, in which case, depending on the circumstances, the period can be extended or suspended. The Board of Directors of REFER, based on information from its tax advisors, believes that any tax contingencies will not have a material impact on the financial statements as at 31 December 2013, taking into account the provisions set up and existing expectations as of this date.

The change occurred in corporate income tax, stemming from law 2/2014, specifically article 67 of the CITC limiting financing costs, had a relevant impact on the tax estimate of the parent company. For the very first time since it was created, the company was liable for taxable income, naturally affecting deferred taxes.

The following table shows the amounts of corporate income tax (CIT) of the different companies included in the Group's consolidation scope.

| Corporate Income Tax (CIT) | 2013 | 2012 |
|---|---|---|
| Recoverable | 2 421 633 | 2 464 586 |
| Payable | 7 500 328 | 274 302 |

Corporate income tax to be recovered derives from special advance tax payments made by REFER in the amount of EUR 440,000 (2012: EUR 770,000); and CIT estimate to be recovered by REFER PATRIMONIO, in the amount of EUR 2,001,633 (2012: EUR 1,239,022).

In what concerns special advance tax payments of REFER, in line with the relevant law, the company requested the several refunds, namely EUR 200,000 for 2003, EUR 40,000 for 2004, EUR 40,000 for 2005 and EUR 70,000 for 2006, totalling EUR 350,000, made within permitted deadlines.

In terms of the amounts payable, these refer to the parent company, REFER, specifically EUR 7,282,888 (2012: EUR 274,302), REFER ENGINEERING, EUR 53,846 (2012: EUR 226,919 to recover) and REFER TELECOM, EUR 163,594 (2012: EUR 228,645 to recover).

The impact of deferred taxes on the statement of profit and loss and other comprehensive income was as follows:

## Results recognised in the consolidated income statement

| Tax for the year | 2013 | 2012 |
|---|---|---|
| Current tax for the year | 8 667 651 | 1 397 009 |
| Deferred tax assets | - 13 390 045 | - 546 327 |
| **Total** | **- 4 722 393** | **850 682** |

Results recognised in the consolidated statement of comprehensive income

| Tax for the year | 2013 | 2012 |
|---|---|---|
| Transition differences - deferred taxes | - 26 259 959 | |
| **Total** | **- 26 259 959** | |

This figure relates to the parent company and concerns the tax payable in 2014 stemming from a positive change in equity originated in 2009, due to a postponement of adjustment differences in the light of new accounting rules, and which was being deferred over five years according to article 5 of DL 159/2009.

The reconciliation of the effective rate for the periods ended at 31 December is as follows:

| Reconciliation of effective tax rate | 2013 | 2012 |
|---|---|---|
| **Results before tax (1)** | **- 97 009 949** | **- 94 032 405** |
| Permanent differences (2) - (A) | 65 155 033 | - 1 592 263 |
| Timely differences the deferred tax of which was not recognised (3) - (B) | 89 305 455 | 96 634 053 |
| Reportable tax losses from previous periods (4) | - 45 366 402 | - 1 407 |
| Estimated tax (25% rate) [(1) + (2) + (3) + (4)] X 25% | **3 021 034** | **251 994** |
| Reportable tax loss the deferred tax of which was not recognised | 2 321 845 | 28 889 |
| Effect of restatements | | |
| Corrections of previous years | 126 664 | |
| Autonomous taxation | 261 766 | 474 650 |
| Municipal surcharge | 954 799 | 52 179 |
| State surcharge | 2 879 369 | 46 640 |
| Tax rate difference | - 408 669 | - 3 671 |
| Municipal surcharge and autonomous taxation | 4 095 934 | 573 469 |
| Income related to deductible timing differences not previously recognised as deferred tax assets | - 13 879 201 | |
| **Tax (expense) / income for the year** | **- 4 722 393** | **850 682** |
| **Current tax** | **8 667 651** | **1 397 009** |
| **Deferred tax** | **- 13 390 045** | **- 546 327** |
| **Effective Rate** | **4,87%** | **-0,90%** |

The main permanent differences refer to the following:

| (A) - Permanent differences | 2013 | 2012 |
|---|---|---|
| **Permanent taxable differences** | | |
| Corrections relating to previous years | | 1 813 408 |
| Undercapitalisation | 66 838 982 | |
| Other accruals | 1 558 827 | 693 668 |
| | **68 397 809** | **2 507 076** |
| **Deductible permanent differences** | | |
| Payment or placement at the disposal of beneficiaries of termination benefits, retirement benefits and other post employment or long term benefits | | 3 821 115 |
| Losses | 2 564 886 | |
| Other amounts to deduct | 677 889 | 278 224 |
| | **3 242 775** | **4 099 339** |
| **Net value of permanent differences** | **65 155 033** | **- 1 592 263** |

Temporary differences not giving rise to deferred tax in previous years are as follows:

| (B) Timely differences the deferred tax of which was not recognised | 2013 | 2012 |
|---|---|---|
| **Equity changes** | | |
| Positive equity changes | 86 206 220 | 86 206 220 |
| | **86 206 220** | **86 206 220** |
| **Accruing** | | |
| Non deductible provisions and impairment losses | 5 136 762 | 10 223 267 |
| Other accruals | 12 540 | 204 565 |
| | **5 149 302** | **10 427 833** |
| **Deductible** | | |
| Impairments | 1 308 786 | |
| Other amounts to deduct | 741 281 | |
| | **2 050 067** | |
| **Net value of temporary differences the deferred tax of which was not deducted** | **89 305 455** | **96 634 053** |

Changes in **deferred taxes**, with impact on the statement of profit and loss and other comprehensive income are as follows:

### 31 December 2013

| | Opening balance | Effect on results | Effect on equity | Closing Balance |
|---|---|---|---|---|
| **Deductible temporary differences** | | | | |
| Adjustments in accounts receivable | 78 151 | - 29 974 | | 48 177 |
| Other | 143 996 | - 143 996 | | |
| Transition adjustments | 9 237 | - 6 431 | | 2 806 |
| ANCDV | 700 167 | - 700 167 | | |
| Investment property | 24 897 | 86 237 | | 111 133 |
| Inventories | | 1 027 | | 1 027 |
| Tax losses | 516 203 | 14 183 349 | | 14 699 553 |
| **Deferred tax assets** | **1 472 652** | **13 390 045** | | **14 862 697** |
| **Taxable temporary differences** | | | | |
| Transition adjustments | | | - 26 259 959 | - 26 259 959 |
| **Deferred tax liabilities** | | | **- 26 259 959** | **- 26 259 959** |

### 31 December 2012

| | Opening balance | Effect on results | Effect on equity | Closing Balance |
|---|---|---|---|---|
| **Temporary differences** | | | | |
| Adjustments in accounts receivable | 119 987 | - 41 835 | | 78 151 |
| Other | 110 913 | 33 083 | | 143 996 |
| Transition adjustments | 13 856 | - 4 619 | | 9 237 |
| ANCDV | 656 152 | 44 015 | | 700 167 |
| Investment property | 25 417 | - 520 | | 24 897 |
| Tax losses | | 516 203 | | 516 203 |
| **Total temporary differences** | **926 325** | **546 327** | | **1 472 652** |
| **Deferred tax assets** | **926 325** | **546 327** | | **1 472 652** |

Other temporary differences which did not give rise to deferred taxes

In addition to the tax losses which are expected to be reversed in the future, there are tax losses to use in the amount of EUR 484,581,740, which are not expected to be reversed in the future. These relate to the Group's parent company

| Tax for the year | Final reporting date | Amount |
|---|---|---|
| Period ended in 2008 | 2014 | 122 745 955 |
| Period ended in 2009 | 2015 | 236 172 810 |
| Period ended in 2010 | 2014 | 45 572 502 |
| Period ended in 2011 | 2015 | 79 243 994 |
| Period ended in 2012 | 2017 | 846 479 |
| | | **484 581 740** |

## 6.12 Financial assets at fair value through profit or loss

Changes occurred in caption financial assets at fair value through profit and loss were as follows:

| Description | Notes | 2013 | 2012 |
|---|---|---|---|
| Fair value at 01 Jan | | 167 877 | 149 747 |
| Disposals | | - 167 877 | |
| Gains / (losses) in fair value | | | 18 130 |
| **Fair value at 31 Dec** | 6.5. | **0** | **167 877** |

**Financial assets at fair value through profit and loss** were made up of shares listed in a fund belonging to BES.

These securities were sold during 2013, for EUR 173,299, giving rise to gains of EUR 5,422 recorded as "Other income”.

## 6.13 Cash and cash equivalents

Cash and Cash Equivalents shown in the consolidated cash flow statement for the year ending 31 December 2013 are reconciled with the amounts shown in the captions of the consolidated statement of financial position.

| Description | Notes | 2013 | 2012 |
|---|---|---|---|
| Other loans and advances | | 98 630 000 | 11 114 010 |
| Bank deposits | | 4 444 000 | 217 772 945 |
| Cash | | 29 215 | 25 750 |
| **Cash and cash equivalent in the Statement of Financial Position** | 6.5 | **103 103 215** | **228 912 706** |
| Cheques in transit | | **- 6 821 804** | **- 96 402** |
| **Cash and cash equivalent in the Cash Flow Statement** | | **96 281 411** | **228 816 303** |

The materially relevant balance in caption **cash and cash equivalent** corresponds to financial applications made with IGCP by Group companies (REFER, REFER PATRIMÓNIO and REFER TELECOM), in compliance with provisions in the State's Treasury Unit Principle.

Additionally, REFER set up cash surplus applications with BPI in the amount of EUR 7,000,000.

## 6.14 Non current assets held for sale

The partnership between Group REFER and Group VISABEIRA, via IFERVISA, was renegotiated in 2011, viewing its termination, having resulted in an agreement for the disposal of the 50% stake and the acquisition of the plot of land in Tomar, which would be integrated in the public railway domain.

This agreement was subject to the approval of the relevant ministerial authority, under the terms of art. 37 of DL 558/89 as amended by DL 300/2007.

Following the request for approval, the ministerial authority assessed the land included in IFERVISA (assets located in Sines, Tomar, Aveiro and Guimarães).The approval was finally given on 12 November 2012, based on the said assessments of the property belonging to IFERVISA.

On 27 February 2013 the business was concluded, with the disposal of the equity holding for EUR 1,198,196, which was already fully adjusted (note 13) by Group REFER, as were the partners' loans granted by the Group to IFERVISA in the amount of EUR 1,684,750 (notes 6.10 e 13), added of financial expenses and interest, already estimated in 2012 (notes 6.19 and 12). As result, the disposal was accounted for EUR 2 and the purchase of the land in Tomar for EUR 1,400,000, and subsequently included in the public railway domain.

## 6.15 Share capital

The share capital has a legal form of "Statutory Capital", fully held by the Portuguese State, not being therefore made up of shares or any other type of securities.

In December 2013, the parent company's statutory capital was increased by EUR 21,000,000 to EUR 451,200,000.

## 6.16 Non controlling interests

**Non controlling interests** included in Equity in 2013 and 2012 evolved as follows:

| Non controlling interests | RAVE | Total |
|---|---|---|
| **01-01-2013** | - 1 062 171 | - 1 062 171 |
| Changes in perimeter | 1 062 171 | 1 062 171 |
| **31-12-2013** | **0** | **0** |
| **01-01-2012** | - 1 073 235 | - 1 073 235 |
| Result for the year | 11 064 | 11 064 |
| **31-12-2012** | **- 1 062 171** | **- 1 062 171** |

As result of the change in perimeter occurred during the year (note 4), Group REFER ceased to hold non-controlling interests.

The change in the consolidation scope had a positive impact on the Group's results by EUR 867,538, recognised in the consolidated income statement as **other operating income** (note 15).

## 6.17 Loans obtained

### 6.17.1 Amounts owed to Credit Institutions and other entities

Repayment terms of current and non current loans to finance the infrastructure management are as follows:

| Loans | Notes | 2013 | 2012 |
|---|---|---|---|
| **Non current** | | | |
| Bond loans | | 1 096 460 680 | 1 095 684 486 |
| State Loans | | 370 953 590 | 517 217 519 |
| Bank loans | | | 171 239 |
| | 6.5. | **1 467 414 270** | **1 613 073 244** |
| **Current** | | | |
| Bank loans | | 742 872 321 | 535 553 831 |
| | 6.5. | **742 872 321** | **535 553 831** |
| | | **2 210 286 591** | **2 148 627 075** |

In 2013 caption current loans included the amount of EUR 23.7 million (2012: EUR 25.8 million) relating to accrued interest and expenses to be recognised in loans allocated to Infrastructure Management, via recognition of amortised cost.

## 6.17.2 Loans maturities and terms

**Repayment terms and conditions of the loans to finance the infrastructure management**
**31 December 2013**

| Name | Date of signature | Amount (Euro) | Principal due | Repayment | | | Interest Payment | Interest rate |
|---|---|---|---|---|---|---|---|---|
| | | | | Opening date | Closing date | Periodicity | | |
| **Without State Guarantee** | | | | | | | | |
| REFER Eurobond 2005/2015 (1 ) | 16-03-2005 | 600 000 000 | 600 000 000 | 16-03-2015 | | Bullet | 16-Mar | 4,00% |
| REFER Eurobond 2006/2021 (1 ) | 30-11-2006 | 500 000 000 | 500 000 000 | 13-12-2021 | | Bullet | 13-Jan | 4,25% |
| State Loan | 26-06-2012 | 149 718 804 | 25 980 565 | 31-05-2013 | 30-11-2016 | Half-year | 31-May 30-Nov | 1,83% |
| State Loan | 03-10-2012 | 202 640 666 | 202 640 666 | 31-05-2014 | 30-11-2017 | Half-year | 31-May 30-Nov | 1,76% |
| State Loan | 03-10-2012 | 49 959 779 | 49 959 779 | 31-05-2014 | 30-11-2017 | Half-year | 31-May 30-Nov | 1,59% |
| State Loan | 24-05-2013 | 282 936 806 | 282 936 806 | 31-05-2015 | 30-11-2020 | Half-year | 31-May 30-Nov | 2,10% |
| State Loan | 06-06-2013 | 21 722 536 | 21 722 536 | 31-05-2015 | 30-11-2020 | Half-year | 31-May 30-Nov | 2,27% |
| State Loan | 03-09-2013 | 23 394 171 | 23 394 171 | 31-05-2015 | 30-11-2020 | Half-year | 31-May 30-Nov | 2,35% |
| State Loan | 06-09-2013 | 102 488 324 | 102 488 324 | 31-05-2015 | 30-11-2020 | Half-year | 31-May 30-Nov | 2,44% |
| State Loan | 30-09-2013 | 20 000 000 | 20 000 000 | 31-05-2015 | 30-11-2020 | Half-year | 31-May 30-Nov | 2,15% |
| State Loan | 14-11-2013 | 37 000 000 | 37 000 000 | 31-05-2015 | 30-11-2020 | Half-year | 31-May 30-Nov | 1,86% |
| State Loan | 27-11-2013 | 293 000 000 | 293 000 000 | 31-05-2015 | 30-11-2020 | Half-year | 31-May 30-Nov | 1,88% |
| State Loan | 09-12-2013 | 24 000 000 | 24 000 000 | 31-05-2015 | 30-11-2020 | Half-year | 31-May 30-Nov | 1,96% |
| BCP/Millenium (Ferbritas) | 17-02-1999 | 4 239 782 | 171 055 | Ago-12 | Fev-14 | Half-year | feb /aug | Eur 6M+0.875% |
| **Total** | | | **2 183 293 902** | | | | | |
| **(1) Total considering effective cost** | | | **2 179 754 582** | | | | | |

## Repayment terms and conditions of the loans to finance the infrastructure management

### 31 December 2012

| Name | Date of signature | Amount (Euro) | Principal due | Repayment | | | Interest Payment | Interest rate |
|---|---|---|---|---|---|---|---|---|
| | | | | Opening date | Closing date | Periodicity | | |
| **Without State Guarantee** | | | | | | | | |
| REFER Eurobond 2005/2015 (1 ) | 16-03-2005 | 600 000 000 | 600 000 000 | 16-03-2015 | | Bullet | 16-Mar | 4,00% |
| REFER Eurobond 2006/2021 (1 ) | 30-11-2006 | 500 000 000 | 500 000 000 | 13-12-2021 | | Bullet | 13-Jan | 4,25% |
| State Loan | 30-12-2011 | 226 246 871 | 226 246 871 | 31-05-2013 | 30-11-2016 | Half-year | 31-May 30-Nov | 2,77% |
| State Loan | 14-02-2012 | 75 000 000 | 75 000 000 | 31-05-2014 | 30-11-2017 | Half-year | 31-May 30-Nov | 3,42% |
| State Loan | 14-02-2012 | 198 400 000 | 198 400 000 | 31-05-2014 | 30-11-2017 | Half-year | 31-May 30-Nov | 3,25% |
| State Loan | 26-06-2012 | 118 283 966 | 118 283 966 | 31-05-2014 | 30-11-2017 | Half-year | 31-May 30-Nov | 2,74% |
| State Loan | 26-06-2012 | 152 436 438 | 152 436 438 | 31-05-2014 | 30-11-2017 | Half-year | 31-May 30-Nov | 1,83% |
| State Loan | 03-10-2012 | 206 245 814 | 206 245 814 | 31-05-2014 | 30-11-2017 | Half-year | 31-May 30-Nov | 1,76% |
| State Loan | 03-10-2012 | 49 959 779 | 49 959 779 | 31-05-2014 | 30-11-2017 | Half-year | 31-May 30-Nov | 1,59% |
| BCP/Millenium (Ferbritas) | 17-02-1999 | 4 239 782 | 509 516 | Ago-12 | Fev-14 | Half-year | feb /aug | Eur 6M+0.875% |
| **Total** | | | **2 127 082 384** | | | | | |
| **(1) Total considering effective cost** | | | **2 122 766 870** | | | | | |

### 6.17.3 Fixed rate financing

The fair value of fixed rate loans at 31 December 2013 was as follows:

**Financing at fixed rate - fair value**
**31 December 2013**

| Name | Nominal Value (€) | Principal due (€) | Fair value (€) | Interest rate |
|---|---|---|---|---|
| Eurobond 05/15 | 600 000 000 | 600 000 000 | 600 796 173 | 4% Fixed |
| Eurobond 06/21 | 500 000 000 | 500 000 000 | 410 256 247 | 4.25% Fixed |
| Portuguese State Loan 12/17 | 118 359 408 | 118 359 408 | 112 747 395 | 1.83% Fixed |
| Portuguese State Loan 12/17 | 206 245 814 | 202 640 666 | 192 740 618 | 1.76% Fixed |
| Portuguese State Loan 12/17 | 49 959 779 | 49 959 779 | 47 344 247 | 1.59% Fixed |
| Portuguese State Loan 13/20 | 282 936 806 | 282 936 806 | 181 862 093 | 2.10% Fixed |
| Portuguese State Loan 13/20 | 21 722 536 | 21 722 536 | 14 088 257 | 2.27% Fixed |
| Portuguese State Loan 13/20 | 23 394 171 | 23 394 171 | 13 587 184 | 2.35% Fixed |
| Portuguese State Loan 13/20 | 102 488 324 | 102 488 324 | 59 812 995 | 2.44% Fixed |
| Portuguese State Loan 13/20 | 20 000 000 | 20 000 000 | 11 490 789 | 2.15% Fixed |
| Portuguese State Loan 13/20 | 37 000 000 | 37 000 000 | 20 922 426 | 1.86% Fixed |
| Portuguese State Loan 13/20 | 293 000 000 | 293 000 000 | 165 866 244 | 1.88 % Fixed |
| Portuguese State Loan 13/20 | 24 000 000 | 24 000 000 | 13 646 353 | 1.96 % Fixed |
| | | **2 275 501 690** | **1 845 161 019** | |

## 6.18 Suppliers and other accounts payable

This caption comprises the following amounts:

| Description | Notes | 2013 | 2012 |
|---|---|---|---|
| **Non current** | | | |
| Income to recognise | 6.5 | 2 906 004 | 3 782 972 |
| | | **2 906 004** | **3 782 972** |
| **Current** | | | |
| Suppliers | | 21 354 745 | 25 782 085 |
| Advances to be forwarded to Sales | | 17 281 428 | 16 959 405 |
| Accrued expenses | | 16 176 062 | 12 509 123 |
| Government and other public bodies | | 7 780 446 | 2 883 620 |
| Other accounts payable | | 3 873 988 | 5 957 580 |
| Income to recognise | | 2 211 103 | 2 318 822 |
| Cash receipts from clients | | | 78 606 |
| | 6.5 | **68 677 772** | **66 489 242** |
| | | **71 583 775** | **70 272 214** |

The breakdown of Caption **Suppliers** and other accounts payable is as follows:

| Suppliers | Notes | 2013 | 2012 |
|---|---|---|---|
| Miscellaneous | | 13 829 168 | 18 925 731 |
| Invoices being checked | | 3 554 783 | 1 852 014 |
| Other related parties | 21.3. | 3 505 177 | 4 387 201 |
| Third Party withholdings | | 464 854 | 617 139 |
| Associates or jointly controlled companies | 21.2. | 763 | |
| | | **21 354 745** | **25 782 085** |

Caption Sundry Suppliers concerns the balances of current suppliers generated by activities developed by the Group.

**Advances for sales** in the amount of EUR 17,281 thousand (2012: EUR 16,959 thousand), of which 89% (2012: 87%) concern a Promissory Purchase/Sale Contract signed on 28/07/2000 covering assigned Surface Rights whose deed has not yet been signed, although the amounts agreed in the said contract continue being received. This caption also includes the amounts already received pursuant to protocols entered with several entities and in relation to which the conditions are not fulfilled to enable recognition of respective revenue, namely the orders to de-allocate the assets concerned from public railway domain.

**Accrued expenses** include liabilities with holiday pay and holiday bonuses relating to 2013 and due in 2014, following the Constitutional Court's decision to declare as unconstitutional the suspension of these payments as provided in the State Budgets for 2012 and 2013, accounting for 60% of the caption (2012: 49%). It further comprises sundry expenses in 2013 not invoiced by respective entities until the end of the respective year.

Balances recorded as **other accounts payable** are made up as follows:

| Other accounts payable | Notes | 2013 | 2012 |
|---|---|---|---|
| Miscellaneous | | 3 872 943 | 5 957 580 |
| Other related parties | 21.3. | 1 045 | |
| | | **3 873 988** | **5 957 580** |

**Other accounts payable – sundry** include debts to investment suppliers in the amount of EUR 1,041,978 (EUR 3,101,235 in 2012), including:

- Amounts payable relating to the deployment of optical fibre in the railway infrastructure;

- Amounts owed to consultants in the amount of EUR 35,118 (2012: EUR 198,050);

- Amounts relating to surety bonds for subleased areas in the amount of EUR 673,885 (2012: EUR 627,145).

- Pursuant to Regulation 473/2010 of 6 May 2010 concerning Performance Improvement, REFER recognised the amount of EUR 68,128 (EUR 97,873 2012) relating to the bonuses determined in the current year, to be distributed among operators.

- Amounts relating to energy consumption in commercial areas under concession, and subsequent allocation of these amounts to concessionaires, specifically EUR 266,360 (EUR 598,616 in 2012).

Caption **State and other public entities** is made up as follows:

| Government and other public bodies | Notes | 2013 | 2012 |
|---|---|---|---|
| VAT | | 4 587 312 | 358 978 |
| Contributions to social security and CGA | | 1 906 140 | 1 731 697 |
| Income Tax | | 1 281 970 | 788 023 |
| Other taxes | | 5 025 | 4 922 |
| | | 7 780 446 | 2 883 620 |

**Personal Income Tax and Social Security** balances correspond to the December 2013 wages processed that year but settled in January 2014. The increase in this caption is mostly explained by the VAT assessment for December 2013. At the date of the financial statements, this **VAT** was settled (paid in February 2014).

Caption **Income to recognise** includes the amounts invoiced at the beginning of the contracts entered with Telecommunications operators and other entities, the object of which relates to:

- assignment, lease and maintenance of optical fibre;

- lease and management of transmission circuits.

Detail is as follows:

| Service | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Current | Non current | Total | Current | Non current | Total |
| Optical fibre | 1 438 794 | 2 906 004 | 4 344 797 | 1 451 981 | 3 782 959 | 5 234 941 |
| Information systems | 55 872 | | 55 872 | 62 514 | 13 | 62 527 |
| Transmission | 1 080 | | 1 080 | 1 215 | | 1 215 |
| Data & Internet | 974 | | 974 | 973 | | 973 |
| Railway telecommunication | | | | 10 125 | | 10 125 |
| Voice | | | | 61 | | 61 |
| | 1.496.719 | 2.906.004 | 4.402.723 | 1.526.870 | 3.782.972 | 5.309.843 |

**Income to recognise** include the amount of EUR 641,308 (EUR 444,779 in 2012) to recognise, in proportion to respective depreciation, of industrial creosoting recognised as tangible assets in 2007; amounts received relating to concession contracts for land, buildings and commercial areas in the amount of EUR135,785 (2012: EUR 174,910); advertising in the amount of EUR 7,520 (2012: EUR 117,323), and leases for commercial areas in the amount of EUR 28,272 (2012: EUR 44,604).

## 6.19 Provisions

Changes in the provisions in the years ended 31 December 2013 and 2012 were made up as follows:

| Provisions | Notes | Lawsuits | Other | Total |
|---|---|---|---|---|
| **01-01-2013** | | **15 249 076** | **1 302 554** | **16 551 630** |
| Increase | 12. | 15 494 942 | 121 655 | 15 616 597 |
| Used | | - 2 076 479 | - 1 145 938 | - 3 222 417 |
| Reversal | 12. | - 7 344 201 | - 156 616 | - 7 500 817 |
| **31-12-2013** | | **21 323 338** | **121 655** | **21 444 993** |
| **01-01-2012** | | **12 380 600** | | **12 380 600** |
| Increase | 12. | 5 709 817 | 1 302 554 | 7 012 371 |
| Reversal | 12. | - 2 841 340 | | - 2 841 340 |
| **31-12-2012** | | **15 249 076** | **1 302 554** | **16 551 630** |

The amounts recorded in provisions result from the identification of situations where it is highly likely that Group REFER will be liable to pay obligations in an amount higher than the economic benefit obtained.

Changes occurred in legal proceedings in progress reflect the estimate of losses incurred by Group REFER in civil and labour proceedings, where future losses may occur that can be reasonably estimated.

Changes occurred in other provisions concern: i) the use of provision set up for the disposal of IFERVISA (notes 6.14 and 12); ii) reversal of provision set up to cover costs with works, and provision relating to investment in AVEP (note 6.4. and 12).

Note 12 describes the impact on results of the situations described above.

## 7. Variation in production:

Variation in production is made up as follows:

| Description | Notes | 2013 | 2012 |
|---|---|---|---|
| **Finished products** | | | |
| Opening balance | | 5 172 247 | 4 237 086 |
| Transfers to P.I. | 6.2. | - 2 705 558 | |
| Adjustments | | | 980 605 |
| Sales | | | - 45 443 |
| Closing Balance | 6.8. | **2 466 690** | **5 172 247** |
| **Variation in production** | | | **- 45 443** |

During the current year, no units were sold, and the only change in finished products concerned the transfer of 29 units located in Sines which will go to the market for lease (note 6.2).

## 8. Sales and services

Sales and Services rendered are as follows:

| Description | Notes | 2013 | 2012 |
|---|---|---|---|
| Utilisation of slots (fees) | | 71 930 137 | 68 229 895 |
| State Grantor - Revenue LTI | 19. | 20 769 635 | 24 927 792 |
| Real estate property management | | 10 366 489 | 10 057 747 |
| Telecommunications | | 8 155 387 | 8 462 168 |
| Traction Power | | 5 301 594 | 5 145 736 |
| Shunting/Parking Rolling stock | | 2 934 429 | 3 463 010 |
| Capacity requested and not used | | 1 998 957 | 3 028 309 |
| Transport engineering services | | 1 843 544 | 1 745 601 |
| Information systems | | 421 273 | 259 274 |
| Crossings | | 88 758 | 96 630 |
| Performance improvement | | 77 952 | 184 587 |
| Maintenance of private railway lines | | 63 858 | 75 260 |
| Sale of finished products | | 6 755 | 165 828 |
| Other services | | 694 805 | 539 384 |
| | | **124 653 573** | **126 381 221** |

The amounts recorded under **State Grantor – LTI revenue** correspond to internal works debited to long term investment activity (Note 19).

This caption further includes income from services invoiced according to the Network Directory - a document produced according to Decree-law 270/2003, as amended by Decree-law 231/2007, and according to Regulation 630/2011.

The said income includes revenues stemming from the use of the railway infrastructure by railway operators, valued using the tariffs for essential services determined according to methodology provided in Regulation 630/2011 of 5 December, published by the Railway Regulation Unit of IMT.

Note should be made to additional services provided by REFER to railway operators at the latter's request, namely the availability of traction electricity, shunting and parking of rolling stock.

Additionally, caption "**Other Services**" includes auxiliary services rendered by REFER to railway operators at their request, namely the supply of gasoil and/or water, handling of goods and cleaning of carriages. Moreover, following Decision URF1/2012 issued on 14 September 2012, a number of auxiliary services were included in the 1st Addendum to the Network Directory, namely the supply of market information, the availability of operational facilities at railway stations and the availability of areas for equipment at railway stations.

Invoicing of essential, additional and auxiliary services provided is issued on a monthly basis to operators CP, CP Carga, Fertagus, Takargo and Comsa.

Caption **Real estate property/commercial areas management** includes the amounts relating to the rental of spaces, subleases, rental of parking areas, management of undertakings and advertising. The amount recorded as management of undertakings corresponds to the contribution to common expenses, including management and maintenance expenses.

Caption **telecommunications** includes the provision of telecommunications services to the general market, rental services, maintenance and other services related to optical fibre, private network rentals (netrail VPN) and carrier ethernet and gigabit ethernet), internet access and rental of digital circuits.

The amounts recorded under **Transport Engineering Services** cover activities relating to the planning of transport systems.

## 9. Operating subsidies

Pursuant to the Council of Ministers Resolution 23/2013 of 4 May, the company received EUR 43,700,000 (2012: EUR 39,600,000), by way of compensatory payments recorded under this caption.

## 10. Supplies and Services

**Supplies and services** at 31 December 2013 and 2012 are made up as follows:

| Description | 2013 | 2012 |
|---|---|---|
| Sub-contracts | 55 958 440 | 52 645 102 |
| Electricity | 11 762 680 | 11 441 382 |
| Surveillance and Safety | 4 856 502 | 5 033 672 |
| Rents and rentals | 2 749 973 | 3 348 336 |
| Cleaning, Hygiene and comfort | 2 258 997 | 1 983 417 |
| Maintenance and repair | 1 996 260 | 1 711 999 |
| Specialised w orks | 1 919 047 | 2 465 974 |
| Fuel | 1 211 908 | 1 396 076 |
| Royalties | 925 132 | 1 147 205 |
| Insurance | 836 439 | 885 794 |
| Water | 691 735 | 727 725 |
| Transport of personnel | 661 441 | 877 728 |
| Travelling and accommodation | 408 285 | 441 894 |
| Others below 300000 euros | 1 909 768 | 2 081 442 |
| **Supplies and Services** | **88 146 607** | **86 187 745** |

Caption **supplies and services** recorded an increase by 2.2% in relation to the same period of the previous year (EUR 1,959 thousand). Only four captions recorded an increase in expenses in relation to the previous year (**subcontracts, electricity, maintenance and repair and hygiene and comfort**) though **subcontracts** and **electricity** recorded a higher rise**.**

Caption **subcontracts** refers mainly to subcontracting track maintenance, signalling, telecommunications and power lines services. The increase in the year (EUR 3,313 thousand) is mainly due to expenses incurred with track maintenance.

The increase in electricity is partly explained by a rose in traction power costs. Remaining headings recorded a general decrease in expenses, particularly **rents and leases** and **specialised works**.

In what concerns **rents and leases** it is worth noting the decrease in car lease rents by EUR 554 thousand and concession rents with CP and Transtejo by EUR 633 thousand, although storage rents rose by EUR 591 thousand.

In relation to **specialised works** there was a significant decrease in the rendering of services by external consultants.

## 10.1 Operating leases

Caption **rents and rentals** includes EUR 1,690,536 (EUR 2,245,511 in 2012) relating to expenses with car leasing and EUR 141,065 (EUR 247,434 in 2012) with leases for administrative equipment.

Minimum, non-cancellable future lease instalments for operating leases entered into by Group REFER are as follows:

**31 December 2013**

| Description | Less than 1 year | 1 to 5 years | Total |
|---|---|---|---|
| **According to entered contracts** | | | |
| Vehicles | 1 089 387 | 380 352 | 1 469 739 |
| Equipment | 157 988 | 39 119 | 197 107 |

# 11. Personnel expenses

**Personnel expenses** for the years ended as of 31 December 2013 and 2012 were made up as follows:

| Description | 2013 | 2012 |
|---|---|---|
| Wages | 78 997 971 | 66 967 688 |
| Wage expenses | 18 121 952 | 14 630 831 |
| Indemnities | 4 627 184 | 2 020 775 |
| Other personnel costs | 3 095 554 | 3 796 029 |
| Occupational insurance policies | 1 625 223 | 1 645 172 |
| Remuneration of the members of governing bodies | 453 376 | 624 788 |
| Social security expenses | 376 825 | 541 442 |
| | **107 298 085** | **90 226 725** |

The year was marked by a reorganisation of Group REFER, with the creation of a shared services structure centralising at the parent company the management of logistics, financial, legal and human resources and at REFER Telecom the information systems and technology areas. This led to synergies and optimisation in the use of resources.

Despite a decrease in the average number of personnel by 3% (86 people), **personnel expenses** of Group REFER rose by EUR 17 million in 2013 as against 2012, increasing by 18.9%. The main reason for this rise was the decision of the Constitutional Court to declare unconstitutional the suspension of holiday and Christmas pay set forth in the State Budgets for 2012 and 2013. This fact required the recognition in 2013 of expenses with holiday bonuses paid in 2013 not accrued in 2012, according to the law in force that year.

There was also a significant increase in redundancies paid, namely by EUR 2 million to EUR 4.6 million, which boosted **personnel expenses**.

Conversely, it should be noted a decrease by 27.4% in the remuneration of corporate bodies, which reflect the concentration of the Group's management in one board of directors.

Note also REFER’s expenses with employee representation structures (information referred to by the Dispatch from the Secretary of State of the Treasury, of 25 June 1980). For workers involved full time in these activities (Union Leaders and Employee Committee) the expenses determined for the employee representation structure for the years of 2013 and 2012 totalled EUR 92,733 and EUR 85,591 respectively.

Respective breakdown is as follows:

| Description | 2013 | 2012 |
|---|---|---|
| Monthly wages | 55 033 | 50 410 |
| Long-service wage rises | 5 584 | 5 766 |
| Holiday and Christmas bonus | 10 385 | 1 268 |
| Employer's contribution | 17 501 | 15 881 |
| Other | 4 230 | 12 266 |
| **Expenses with Workers' Representation Structures** | **92 733** | **85 591** |

The number of workers involved in these structures was as follows:

| Description | 2013 | 2012 |
|---|---|---|
| **Part-time (average no.)** | | |
| Union Leaders | 140 | 144 |
| Committees and sub-committees | 29 | 16 |
| **Full time** | | |
| Union Leaders | 5 | 5 |
| Committees and sub-committees | | |
| **No. of employees involved in workers' representation structures** | **174** | **166** |

## 12. Provisions

Figures relating to 2013 and 2012 were as follows:

| Description | Notes | 2013 | 2012 |
|---|---|---|---|
| Law suits | | 8 150 741 | 2 868 477 |
| Loans and interest payable to IFERVISA | 6.14. | - 30 536 | 1 176 474 |
| Other provisions - AVEP | 6.4. | 121 655 | |
| Losses on works | | - 126 080 | 126 080 |
| **Provisions for the year** | 6.19. | **8 115 779** | **4 171 031** |

Provision set up in 2012 to face expenses with IFERVISA, in the amount of EUR 30,536 was reversed, since it was not used.

## 13. Impairments

Changes in **impairment** losses were as follows:

## 31 December 2013

| Impairments | Notes | Opening balance | Increase | Write back for the year | Transfers | Used | Closing Balance |
|---|---|---|---|---|---|---|---|
| **Management of Railway Infrastructure** | | | | | | | |
| **Non current assets** | | | | | | | |
| Investment property | 6.2. | 127 885 | 655 565 | | - 3 925 | | 779 525 |
| Available-for-sale financial assets | 6.6. | 134 160 | | | | - 133 072 | 1 087 |
| Loans and other accounts receivable | 6.7. | 14 054 971 | 5 092 660 | | | | 19 147 631 |
| **Current assets** | | | | | | | |
| Inventories | 6.8. | 447 071 | | - 911 592 | 855 802 | | 391 281 |
| Clients | 6.10. | 1 394 698 | 301 411 | | | - 115 227 | 1 580 882 |
| Other accounts receivable | 6.10. | 3 868 053 | 129 877 | - 451 520 | | - 1 684 750 | 1 861 660 |
| Non current assets held for sale | 6.14. | 1 198 196 | | | | | 1 198 196 |
| **Activity in long term Infrastructure investments** | | | | | | | |
| Grantor | 5.1.5. | 305 200 000 | | | | | 305 200 000 |
| Inventories | 5.2. | 275 033 | | | 41 561 | | 316 593 |
| | | **326 700 066** | **6 179 513** | **- 1 363 112** | **893 437** | **- 1 933 050** | **330 476 855** |

## 31 December 2012

| Impairments | Notes | Opening balance | Increase | Write back for the year | Transfers | Used | Closing Balance |
|---|---|---|---|---|---|---|---|
| **Management of Railway Infrastructure** | | | | | | | |
| **Non current assets** | | | | | | | |
| Investment property | 6.2. | 127 885 | | | | | 127 885 |
| Available-for-sale financial assets | 6.6. | 198 654 | | | | - 64 494 | 134 160 |
| Loans and other accounts receivable | 6.7. | 9 002 763 | 5 052 208 | | | | 14 054 971 |
| **Current assets** | | | | | | | |
| Inventories | 6.8. | 448 745 | | - 1 674 | | | 447 071 |
| Clients | 6.10. | 1 226 944 | 203 881 | | | - 36 127 | 1 394 698 |
| Other debtors | 6.10. | 2 255 039 | 1 613 014 | | | | 3 868 053 |
| Non current assets held for sale | 6.14. | | 1 198 196 | | | | 1 198 196 |
| **Activity in long term Infrastructure investments** | | | | | | | |
| Grantor | 5.1.5. | 305 200 000 | | | | | 305 200 000 |
| Inventories | 5.2. | 275 033 | | | | | 275 033 |
| | | **318 735 063** | **8 067 298** | **- 1 674** | **0** | **- 100 621** | **326 700 066** |

## 14. Other expenses

The consolidated position of caption **Other expenses** is as follows:

| Description | 2013 | 2012 |
|---|---|---|
| IMT | 972 023 | 735 202 |
| Losses on non financial instruments | 852 748 | 23 549 |
| Direct and indirect taxes | 544 371 | 468 963 |
| Contributions | 255 859 | 285 591 |
| Irrecoverable debt | 199 850 | 28 854 |
| Donations | 139 260 | 264 776 |
| Indemnities | 126 362 | 562 901 |
| Losses on inventories | 96 898 | 39 207 |
| Operating expenses < 20000 euros | 826 047 | 527 662 |
| **Other expenses** | **4 013 418** | **2 936 705** |

The amount recorded under **IMT** (IMTT – Instituto da Mobilidade e dos Transportes Terrestres, I.P.) includes adjustments to the estimate made in previous years.

**Losses on non financial investments** include, among others, the write-off of the BPM – Business Process Management system which was recorded as **intangible asset** (note 6.3)

**Indirect taxes** include mainly stamp duty and other taxes borne in the years under review.

These other expenses include **donations** made to Fundação Nacional do Museu Ferroviário in the amount of EUR 128,700 (2012: EUR 212,500).

The amount recorded as **irrecoverable debt** concerns the cancellation of balance with IFERVISA (note 6.19).

## 15. Other income

Caption **Other income** is made up as follows:

| Description | 2013 | 2012 |
|---|---|---|
| Miscellaneous sales | 10 414 023 | 4 282 794 |
| Other income - changes in perimeter | 867 538 | |
| Sale/assignment of energy and w ater | 827 477 | 501 731 |
| Concessions and licences | 812 896 | 1 039 861 |
| Subsidies | 232 941 | 69 557 |
| Telecommunications | 138 701 | 136 593 |
| Home Conservation Fund | 90 915 | 105 940 |
| Assignment of equipment and personnel | 70 139 | 12 846 |
| Gains on inventories | 43 369 | 301 519 |
| Others revenues below 30000 euros | 1 698 076 | 1 321 132 |
| **Other operating revenues** | **15 196 077** | **7 771 972** |

Sales of residues, rails and other ferrous material increased considerably in 2013, following an agreement entered with Siderurgia Nacional (95% of all **Sundry Sales** in 2013), which explains the positive change in this caption (2012: EUR 611,721).

Caption **concessions and use of licences** includes mainly the concession for the use of the infrastructure, specifically buildings and land, accounting for approximately 48% (37% in 2012), licences and leases of commercial areas. approximately 22% (10% in 2012) and parking, nearly 18% (12% in 2012).

The change in **sale/availability** of power and water resulted from recovered invoicing of contracts entered with other entities.

Caption **Other income – changes in perimeter** derive from the withdrawal of RAVE from the consolidation scope (note 6.16)

## 16. Gains/ (Losses) in associates and jointly controlled companies

**Gains and losses in associates and jointly controlled companies** amounted to -EUR 126,309 (loss) (2012: -EUR 1,406,055 (loss)), as described in 6.4.

## 17. Financial losses and gains

Caption **financial losses and gains** is made up as follows:

| Description | Notes | 2013 | 2012 |
|---|---|---|---|
| **Financial losses** | | | |
| **Interest paid:** | | | |
| Loans | | - 220 284 943 | - 256 325 662 |
| Derivative financial instruments | | - 54 777 034 | - 67 015 042 |
| Other interest paid | | - 58 763 | - 29 299 |
| **Changes in fair value:** | | | |
| Derivative financial instruments | 6.9. | - 16 243 974 | - 276 456 |
| **Other financial losses** | | - 6 557 376 | - 10 827 502 |
| | | **- 297 922 090** | **- 334 473 961** |
| **Financial gains** | | | |
| **Interest earned** | | | |
| Derivative financial instruments | | 36 708 179 | 51 558 353 |
| Other interest earned | | 257 004 | 209 474 |
| Interest earned - State Grantor | 5.1.4. | 156 857 391 | 185 100 802 |
| **Changes in fair value:** | | | |
| Derivative financial instruments | 6.9. | 48 349 778 | 35 098 261 |
| | | **242 172 352** | **271 966 889** |
| **Financial results** | | **- 55 749 738** | **- 62 507 071** |

**Interest paid** concern interest on debt allocated to Investment and Infrastructures Management Activities. It also includes interest relating to paying legs and premiums of swaps at contracted interest rate.

**Other financial losses** concern expenses with the Guarantee Facility of the Portuguese State and banking fees and expenses relating to bond issues.

Caption **Interest Income** includes interest earned on derivative instruments, specifically swap operations (receiving leg and premiums), other interest on financial applications and interest paid by the State grantor (Note 5.1.4). The negative changes in the fair value of derivative financial instruments are recorded under **Financial Losses**, while increases are recorded under **Financial Gains**. The positive net effect of these changes amounted to EUR 32.1 million in 2013 (2012: EUR 34.82 million).

## 18. Segment reporting

Under the terms of accounting policy described in Note 2.2.21, Group REFER is organised into four business segments, as follows:

- Management of the railway infrastructure (include the high-speed train project);
- Railway telecommunications;
- Real estate property management
- Engineering and transportation services.

The financial information relating to identified segments at 31 December 2013 and 2012 is as follows:

| 2013 | Management of Railway Infrastructures | Telecommunications | Real estate property management | Engineering and transportation services | Total |
|---|---|---|---|---|---|
| **Revenue from sales and services** | 99 949 783 | 8 922 054 | 10 357 957 | 5 423 779 | 124 653 573 |
| Subsidies | 43 700 000 | | | | 43 700 000 |
| Supplies and services | - 86 091 501 | - 41 829 | - 1 160 495 | - 852 782 | - 88 146 607 |
| Personnel expenses | - 101 556 411 | - 325 844 | - 1 404 025 | - 4 011 805 | - 107 298 085 |
| Other income / (gains) | - 12 603 907 | - 182 961 | - 293 082 | - 962 834 | - 14 042 783 |
| Gains/ (Losses) on associates* | - 126 309 | | | | - 126 309 |
| **EBIT** | **- 56 728 346** | **8 371 421** | **7 500 355** | **- 403 642** | **- 41 260 212** |
| Amortisation and depreciation | 5 070 159 | 183 362 | 142 532 | 250 808 | 5 646 862 |
| Impairments | 4 727 299 | | 92 541 | - 3 439 | 4 816 401 |
| Provisions | 8 272 395 | | - 30 536 | - 126 080 | 8 115 779 |
| **EBITDA** | **- 38 658 492** | **8 554 783** | **7 704 892** | **- 282 353** | **- 22 681 169** |
| Other financial gains / (losses) | - 55 845 349 | | - 11 488 | 107 099 | - 55 749 738 |
| Income tax | 5 150 534 | | - 301 413 | - 126 728 | 4 722 393 |
| **Net profit** | **- 107 423 160** | **8 371 421** | **7 187 454** | **- 423 271** | **- 92 287 556** |
| **Other information:** | | | | | |
| **Segment assets** | | | | | |
| Grantor .- State - Account Receivable | 4 973 984 930 | | | | 4 973 984 930 |
| Other financial assets | 398 567 073 | 25 598 347 | 17 949 604 | 7 278 402 | 449 393 425 |
| **Consolidated total assets** | **5 372 552 002** | **25 598 347** | **17 949 604** | **7 278 402** | **5 423 378 354** |
| **Segment liabilities** | | | | | |
| Borrowings | 7 184 100 465 | | | 171 055 | 7 184 271 521 |
| Other liabilities | 169 878 878 | 11 861 854 | 6 109 180 | 2 837 706 | 190 687 618 |
| **Consolidated total liabilities** | **7 353 979 343** | **11 861 854** | **6 109 180** | **3 008 762** | **7 374 959 139** |

(*) “Other income / (expenses)” include expenses with depreciation and amortisation (EUR 5,646,862), impairment losses (EUR 4,816,401) and provisions (EUR 8,115,779).

| Operations with segments (reconciliations) | 2013 |
|---|---|
| Revenue from reportable segments | 142 144 288 |
| Intra segment revenue | - 17 499 767 |
| Other Adjustments | 9 051 |
| **Consolidated revenue** | **124 653 573** |
| | |
| Aggregate results | - 89 852 151 |
| Intragroup revenues/expenses | - 2 200 000 |
| Other Adjustments | - 235 405 |
| Non controlling interests | |
| **Segment results** | **- 92 287 556** |
| | |
| Segment assets | 5 458 800 889 |
| Elimination of intragroup balances | - 22 650 700 |
| Other Adjustments | - 12 771 835 |
| **Total consolidated liabilities** | **5 423 378 354** |
| | |
| Segment liabilities | 7 397 717 900 |
| Elimination of intragroup balances | - 22 650 700 |
| Other Adjustments | - 108 061 |
| | **7 374 959 139** |

| 2012 (Restated) | Management of Railway Infrastructures | Telecommunications | Real estate property management | Engineering and transportation services | Total |
|---|---|---|---|---|---|
| **Revenue from sales and services** | 102 542 923 | 9 153 306 | 10 217 747 | 4 467 245 | **126 381 221** |
| Subsidies | 39 600 000 | | | | 39 600 000 |
| Supplies and services | - 82 579 046 | - 52 100 | - 1 757 589 | - 1 173 330 | - 85 562 064 |
| Personnel expenses | - 85 470 134 | - 227 477 | - 1 457 222 | - 3 071 893 | - 90 226 725 |
| Other income / (expenses)* | - 15 423 089 | - 173 416 | - 4 145 481 | - 569 725 | - 20 311 711 |
| Gains/ (Losses) on associates | - 1 406 055 | | | | - 1 406 055 |
| **EBIT** | **- 42 735 400** | **8 700 314** | **2 857 455** | **- 347 703** | **- 31 525 334** |
| Amortisation and depreciation | 7 065 212 | 172 256 | 62 813 | 390 265 | 7 690 545 |
| Impairments | 4 728 372 | | 3 341 155 | - 3 903 | 8 065 624 |
| Provisions | 2 868 477 | | 1 176 474 | 126 080 | 4 171 031 |
| **EBITDA** | **- 28 073 339** | **8 872 570** | **7 437 897** | **164 739** | **- 11 598 134** |
| Other financial gains / (losses) | - 62 456 543 | | 3 221 | - 53 750 | - 62 507 071 |
| Income tax | - 1 349 678 | | 29 450 | 469 545 | - 850 682 |
| Non controlling interests | 11 064 | | | | 11 064 |
| **Net profit** | **- 106 530 557** | **8 700 314** | **2 890 126** | **68 093** | **- 94 872 024** |
| **Other information:** | | | | | |
| **Segment assets** | | | | | |
| Investments in associates | 76 309 | | | | 76 309 |
| Grantor .- State - Account Receivable | 4 814 210 104 | | | | 4 814 210 104 |
| Other financial assets | 454 853 965 | 15 728 288 | 22 809 965 | 8 893 811 | 502 286 029 |
| **Consolidated total assets** | **5 269 140 379** | **15 728 288** | **22 809 965** | **8 893 811** | **5 316 572 443** |
| **Segment liabilities** | | | | | |
| Borrowings | 6 962 327 663 | | | 509 516 | 6 962 837 179 |
| Other liabilities | 188 360 327 | 12 007 795 | 5 207 867 | 1 130 373 | 206 706 361 |
| **Consolidated total liabilities** | **7 150 687 990** | **12 007 795** | **5 207 867** | **1 639 889** | **7 169 543 541** |

(*) "Other income / (expenses)" include expenses with depreciation and amortisation (EUR 7,690,545), impairment losses (EUR 8,065,624) and provisions (EUR 4,171,031).

| Operations with segments (reconciliations) | 2012 (Restated) |
|---|---|
| Revenue from reportable segments | 141 589 858 |
| Intra segment revenue | - 15 221 325 |
| Other Adjustments | 12 688 |
| **Consolidated revenue** | **126 381 221** |
| | |
| Aggregate results | - 97 359 032 |
| Intragroup revenues/expenses | - 2 800 000 |
| Other Adjustments | 5 275 944 |
| Non controlling interests | 11 064 |
| **Segment results** | **- 94 872 024** |
| | |
| Segment assets | 5 346 049 885 |
| Elimination of intragroup balances | - 22 671 780 |
| Other Adjustments | - 6 805 663 |
| **Total consolidated liabilities** | **5 316 572 443** |
| | |
| Segment liabilities | 7 187 273 676 |
| Elimination of intragroup balances | - 19 851 780 |
| Other Adjustments | 2 121 645 |
| | **7 169 543 541** |

In line with a new strategy focused on the economic and financial sustainability of REFER, as manager of the national railway infrastructure, it was decided to maximize the return on assets not totally allocated to the railway operation. According to this new management approach, the composition of the model of reportable segments for assets, liabilities and results was re-defined, as shown in table below:

Impact on segmented results

**2012 (Restated)**

| Segments | EBIT | EBITDA | Net profit |
|---|---|---|---|
| Management of Railway Infrastructures | - 42 735 400 | - 28 073 339 | - 106 530 557 |
| Telecommunications | 8 700 314 | 8 872 570 | 8 700 314 |
| Real estate property management | 2 857 455 | 7 437 897 | 2 890 126 |
| Engineering and transportation services | - 347 703 | 164 739 | 68 093 |
| **Total (1)** | **- 31 525 334** | **- 11 598 134** | **- 94 872 024** |

**2012**

| Segments | EBIT | EBITDA | Net profit |
|---|---|---|---|
| Management of Railway Infrastructures | - 22 748 692 | - 11 800 471 | - 85 565 865 |
| Telecommunications | - 8 417 546 | - 4 531 449 | - 9 395 530 |
| Real estate property management | 2 028 199 | 6 608 640 | 2 060 870 |
| Engineering and transportation services | - 2 387 295 | - 1 874 854 | - 1 971 500 |
| **Total (2)** | **- 31 525 334** | **- 11 598 134** | **- 94 872 024** |

**difference**

| Segments | EBIT | EBITDA | Net profit |
|---|---|---|---|
| Management of Railway Infrastructures | - 19 986 708 | - 16 272 868 | - 20 964 693 |
| Telecommunications | 17 117 860 | 13 404 019 | 18 095 844 |
| Real estate property management | 829 256 | 829 256 | 829 256 |
| Engineering and transportation services | 2 039 592 | 2 039 592 | 2 039 592 |
| **Total (3) = (1) - (2)** | **0** | **0** | **0** |

## Impact of segments on assets

2012 Restated

| Segments | Assets |
|---|---|
| Management of Railw ay Infrastructures | 5 269 140 379 |
| Telecommunications | 15 728 288 |
| Real estate property management | 22 809 965 |
| Engineering and transportation services | 8 893 811 |
| **Total (1)** | **5 316 572 443** |

2012

| Segments | Assets |
|---|---|
| Management of Railw ay Infrastructures | 5 250 463 948 |
| Telecommunications | 34 404 719 |
| Real estate property management | 22 809 965 |
| Engineering and transportation services | 8 893 811 |
| **Total (2)** | **5 316 572 443** |

difference

| Segments | Assets |
|---|---|
| Management of Railw ay Infrastructures | 18 676 431 |
| Telecommunications | - 18 676 431 |
| Real estate property management | 0 |
| Engineering and transportation services | 0 |
| **Total (3) = (1) - (2)** | 0 |

## 19. Statement of internal results for the long term infrastructure investment activity

The internal work carried out for the investment activity in LTI, which was not recognised in the consolidated income statement, is as follows (Note 8).

| Description | Notes | 2013 | 2012 |
|---|---|---|---|
| **Activity in long term Infrastructure investments** | | | |
| Material for investment | | 3 288 294 | 2 126 402 |
| Equipment | | 9 583 | 32 782 |
| Labour | | 353 272 | 810 575 |
| Overhead costs | | 17 118 486 | 21 958 033 |
| **Total of long term Infrastructure investments activity** | 8. | **20 769 635** | **24 927 792** |

The decrease stems mainly from a revision of allocation keys to investment activity made following the reorganisation of the Group, which translated in a change in structural charges. In fact, the centralisation of engineering functions at REFER ENGINEERING implied the transfer of approximately one hundred employees to this company, resulting in a decrease in the allocation base for this type of charges.

## 20. Remuneration of the members of governing bodies

The remuneration of the members of the Board of Directors is governed by the Public Manager Statute as provided in Decree-law 71/2007 of 28 March, as amended by Decree-law 8/2012 of 18 January, jointly with Council of Ministers Resolution 16/2012 of 14 February approving the criteria for determining the remuneration of public managers and the Council of Ministers Resolution 36/2012 of 26 March, which approves the ranks of public officers under the responsibility of each Ministry.

REFER

| Board of Directors | Position | 2013 Main Remuneration | 2013 Compl. Remuneration | 2013 Deductions |
|---|---|---|---|---|
| Eng. Rui Lopes Loureiro | Chairman | 83 924 | 5 309 | 16 661 |
| José Luís Ribeiro dos Santos | Vice-chairman | 77 395 | 4 624 | 16 429 |
| José Rui Roque | Member | 72 539 | 2 088 | 16 197 |
| Amílcar Álvaro de Oliveira Ferreira Monteiro | Member | 72 539 | 3 485 | 16 197 |
| Alberto Manuel de Almeida Diogo | Member | 72 539 | 2 074 | 17 312 |
| **Remuneration paid** | | **378 935** | **17 580** | **82 796** |

| Board of Directors | Position | 2012 Main Remuneration | 2012 Comp. Remuneration | 2012 Deductions |
|---|---|---|---|---|
| Luís Filipe Melo e Sousa Pardal | Chairman | 46 613 | | 10 893 |
| Romeu Costa Reis | Member | 47 629 | 267 | 4 979 |
| Alberto José Engenheiro Castanho Ribeiro | Member | 47 785 | 601 | 9 113 |
| Carlos Alberto João Fernandes | Member | 47 629 | 134 | 9 081 |
| Rui Lopes Loureiro | Chairman | 24 942 | 936 | 4 119 |
| José Luís Ribeiro dos Santos | Vice-chairman | 23 074 | 668 | 4 119 |
| José Rui Roque | Member | 21 770 | | 3 984 |
| Amílcar Álvaro de Oliveira Ferreira Monteiro | Member | 21 770 | 267 | 3 984 |
| Alberto Manuel de Almeida Diogo | Member | 21 769 | | 4 846 |
| **Remuneration paid** | | **302 980** | **2 874** | **55 118** |

These figures were subject to reductions as provided in article 12 of Law 12-A/2010 of 30 June and the State Budget for 2011, and to reductions provided in Article 27 of Law 66-B/2012 of 31 December, approving the State Budget for 2013.

Supplementary remuneration shown correspond to travel and meal allowances.

Figures relating to the Supervisory Committee are as follows:

| | 2013 | 2012 |
|---|---|---|
| Entity | Total | Total |
| Barbas, Martins, Mendonça & Associados, SROC | 74 257 | 84 337 |

Figures paid to Barbas, Martins, Mendonça & Associados, SROC were recorded as remuneration for specialised work, paid in 12 monthly instalments.

Pursuant to Joint Ministerial Order Srs. published by the Secretaries of State for the Treasury and Public Works, Transports and Communications of 29 May 2013, the shareholder appointed the Audit Board of REFER, specifying in the said order the need for the Audit Board to appoint an official auditor to the board, in compliance with paragraph 2-b) of article 420 of the Companies Code and Article 10 of REFER's Articles of Association.

This appointment took place on 13 November 2013, according to joint ministerial order Srs. published by the Secretaries of State for the Treasury and Infrastructures, Transports and Communications; As of the date of the accounts, the amount of the fees payable to the Official Auditor was not yet known, although it cannot exceed a certain maximum amount, but will be established under a written agreement to be concluded between the Official Auditor and the Board of Directors of REFER.

## REFER TELECOM

| Board of Directors | Position | 2013 Main Remuneration | 2013 Comp. Remuneration | 2013 Deductions |
|---|---|---|---|---|
| Eduardo dos Santos Pinto | Member | 19 966 | 252 | 4 769 |
| João Francisco de Sampaio Rodrigues | Member | 20 367 | 430 | 3 134 |
| Mª Margarida Baptista Macedo Pires | Member | 19 591 | 422 | 4 698 |
| **Remuneration paid** | | **59 924** | **1 104** | **12 601** |

| Board of Directors | Position | 2012 Main Remuneration | 2012 Comp. Remuneration | 2012 Deductions |
|---|---|---|---|---|
| Eduardo dos Santos Pinto | Member | 56 756 | 520 | 10 632 |
| João Francisco de Sampaio Rodrigues | Member | 53 918 | 1 405 | 10 589 |
| Mª Margarida Baptista Macedo Pires | Member | 53 919 | 1 551 | 10 164 |
| **Remuneration paid** | | **164 593** | **3 476** | **31 385** |

In line with the ongoing reorganisation of Group REFER, the General Meeting of REFER TELECOM held on 11 March 2013 appointed its new managing board, made up as follows:

Chairman - Eng. Rui Lopes Loureiro

Member - Eng. José Luís Ribeiro dos Santos

Member - Dr. José Rui Roque

Current members of the Board of Directors of REFER TELECOM are also members of the Board of Directors of Rede Ferroviária Nacional – REFER, E.P.E. (the appointment of the board of directors of REFER, E.P.E., was made pursuant to Council of Ministers Resolution 37/2012 of 30 August). Under the terms of provisions in art. 31 of Decree-law 71/2007 of 27 March approving the Public Manager Statute, as amended by Decree-law 8/2012 of 18 January, members of the Board of Directors of REFER TELECOM are not entitled to any remuneration for holding this office.

In 2013 and 2012 REFER TELECOM paid to the Sole Auditor by way of fees, the following amounts, invoiced and settled in 12 instalments:

| | 2013 | 2012 |
|---|---|---|
| Entity | Total | Total |
| Barbas, Martins, Mendonça & Associados SROC | 13 375 | 13 375 |

## REFER PATRIMÓNIO

Current members of the Board of Directors of REFER PATRIMÓNIO appointed at the General Meeting of 28 March 2013 are also members of the Board of Directors of Rede Ferroviária Nacional – REFER, E.P.E.

Under the terms of provisions in art. 31 of Decree-law 71/2007 of 27 March approving the Public Manager Statute, as amended by Decree-law 8/2012 of 18 January, members of the Board of Directors REFER PATRIMÓNIO are not entitled to any remuneration for holding this office.

As of the date of these financial statements, the Board of Directors of REFER PATRIMÓNIO was made up as follows:

Chairman - Eng. Rui Lopes Loureiro

Member - Eng. José Luís Ribeiro dos Santos

Member - Dr. José Rui Roque

In 2013 and 2012 REFER PATRIMÓNIO paid to the Sole Auditor by way of fees, the following amounts, invoiced and settled in 12 instalments:

| | 2013 | 2012 |
|---|---|---|
| Entity | Total | Total |
| Barbas, Martins, Mendonça & Associados, SROC | 12 938 | 13 333 |

## REFER ENGINEERING

| Corporate Bodies | Position | 2013 | | |
|---|---|---|---|---|
| | | Main Remuneration | Comp. Remuneration | Deductions |
| Rui Lopes Loureiro | Chairman | | 471 | |
| Amílcar Álvaro de Oliveira Ferreira Monteiro | Member | | 1 453 | |
| **Remuneration paid** | | | **1 924** | |

| Corporate Bodies | Position | 2013 | | |
|---|---|---|---|---|
| | | Main Remuneration | Comp. Remuneration | Deductions |
| Romeu Costa Reis | Chairman | | Unpaid | |
| Luis Fernando da Mata Pires | Member | 52 257 | | 12 050 |
| Clara Manuela de Carvalho Lourenço | Member | 19 244 | | 11 189 |
| José de Castro Cunha Alves Monteiro | Member | 48 390 | | 9 346 |
| Rui Lopes Loureiro | Chairman | | Unpaid | |
| Amílcar Álvaro de Oliveira Ferreira Monteiro | Member | | Unpaid | |
| Alberto Manuel de Almeida Diogo | Member | | Unpaid | |
| **Remuneration paid** | | **119 891** | | **32 585** |

Supplementary remuneration shown correspond to travel allowances.

Current members of the Board of Directors of REFER ENGINEERING appointed at the General Meeting of 30 November 2012 are also members of the Board of Directors of Rede Ferroviária Nacional – REFER, E.P.E.

Under the terms of provisions in art. 31 of Decree-law 71/2007 of 27 March approving the Public Manager Statute, as amended by Decree-law 8/2012 of 18 January, members of the Board of Directors REFER ENGINEERING are not entitled to any remuneration for holding this office.

As of the date of these financial statements, the Board of Directors of REFER ENGINEERING was made up as follows:

Chairman - Eng. Rui Lopes Loureiro

Member - Eng. Amílcar Álvaro de Oliveira Ferreira Monteiro

In 2013 and 2012 REFER ENGINEERING paid to the Sole Auditor by way of fees, the following amounts, invoiced and settled in 12 instalments:

| | 2013 | 2012 |
|---|---|---|
| Entity | Total | Total |
| F.Colaço,A.Coelho e L.Rosa SROC, Lda | 10 128 | 10 128 |

# 21. Balances/transactions with related entities

## 21.1 Summary of related entities

The following entities are identified as Group REFER's related entities:

### 31 December 2013

| | Relationship |
|---|---|
| **Associates companies and jointly controlled company** | |
| GIL | REFER holds 33.98% of the share capital |
| AVEP | REFER holds 50% of the share capital |
| AEIE, CFM4 | REFER holds 33.33% (a) |
| **Other related parties** | |
| RAVE - ONGOING LIQUIDATION | REFER holds 40% of the share capital |
| CP | Controlling relationship - State |
| CP Carga | Controlling relationship - State |

### 31 December 2012

| | Relationship |
|---|---|
| **Associates companies and jointly controlled company** | |
| GIL | REFER holds 33.98% of the share capital |
| AVEP | REFER holds 50% of the share capital |
| **Other related parties** | |
| IFERVISA | REFER holds 50% of the share capital |
| CP | Controlling relationship - State |
| CP Carga | Controlling relationship - State |

## 21.2 Balances and transactions with associated and jointly controlled companies

Balances with **associated companies** were made up as follows:

| Company | Notes | 2013 | 2012 |
|---|---|---|---|
| **ACCOUNTS RECEIVABLE** | | | |
| GIL | | 12 565 | |
| **Clients** | 6.10. | **12 565** | |
| AEIE, CFM4 | | 98 000 | |
| **Other accounts receivable** | 6.10. | **98 000** | |
| GIL | | 207 | 207 |
| **Deferred assets** | | **207** | **207** |
| | | **110 772** | **207** |
| **ACCOUNTS PAYABLE** | | | |
| GIL | | 763 | |
| **Suppliers** | 6.19 | **763** | |
| | | **763** | |

Transactions with associated companies carried out in the period under review were as follows:

| Company | 2013 | 2012 |
|---|---|---|
| **Investments and Suppliers & Services** | | |
| GIL | 841 371 | 841 984 |
| | **841 371** | **841 984** |
| **Rendered Services** | | |
| GIL | 40 863 | 40 863 |
| | **40 863** | **40 863** |

## 21.3 Balances and transactions with other related entities

Balances with **other related entities** were made up as follows:

| Company | Notes | 2013 | 2012 |
|---|---|---|---|
| **ACCOUNTS RECEIVABLE** | | | |
| CP | | 146 603 334 | 73 697 078 |
| CP Carga | | 20 267 529 | 13 874 022 |
| IFERVISA | | | 197 253 |
| **Clients** | 6.10. | **166 870 862** | **87 768 354** |
| | | **166 870 862** | **87 768 354** |
| **ACCOUNTS PAYABLE** | | | |
| CP | | 2 918 521 | 4 289 813 |
| CP Carga | | 586 656 | 97 388 |
| **Suppliers** | 6.19 | **3 505 177** | **4 387 201** |
| RAVE - ONGOING LIQUIDATION | | 1 045 | |
| **Other accounts payable** | 6.19 | **1 045** | |
| | | **3 506 221** | **4 387 201** |

Transactions with other related entities occurred in the period under review were as follows:

| Company | 2013 | 2012 |
|---|---|---|
| **Investments and Suppliers & Services** | | |
| CP | 6 374 654 | 6 635 813 |
| CP Carga | 504 075 | 72 148 |
| | **6 878 730** | **6 707 961** |
| **Rendering of Services** | | |
| CP | 67 982 559 | 65 376 384 |
| CP Carga | 9 631 231 | 10 070 465 |
| | **77 613 789** | **75 446 849** |

## 21.4 Balances and invoicing with public entities

As of 31 December 2013, protocols of significant amount in force are as follows:

| Municipality | Description of Protocol/ Related entity | Transactions in 2013 | Balances at 31.12.2013 |
|---|---|---|---|
| **Balances receivable** | | | |
| Espinho | Intervention in Espinho Urban regeneration and levelling of track | | 619 682 |
| Aveiro | Construction of the New Station of Aveiro - Road Interface, Urban Regeneration of Surrounding Area, Financing of the Undertaking | | 13 350 792 |
| Viana do Castelo | Closure of railway crossings in the Municipality of Viana do Castelo | 80 657 | 2 217 198 |
| Sintra | Technical and financial collaboration of REFER and the Municipality of Sintra for the construction of the "Túnel de Agualva" | | 843 726 |
| Cascais | Regeneration and Improvement of the Cascais railway line - Carcavelos/Estoril stretch (Revision) | | 2 743 161 |
| Fundão | Road and rail infrastructures in the urban area of Fundão - 2nd addenda | 49 859 | 2 950 022 |
| Coimbra | Final closure of 21 railway crossings and respective access roads in the Municipality of Coimbra | 21 786 | 2 730 215 |
| Ovar | Closure of 6 railway crossings and respective access roads in the Municipality of Ovar | 90 488 | 88 836 |
| | | **242 791** | **25 543 632** |

## 22. Recently issued accounting standards and interpretations

REFER decided not to early apply any standard before its approval by the European Union, however, the main changes occurred in the year and those expected in the near future are as follows:

Standards and interpretations which became effective during 2013

| Effective date of application | Standards | Description of standards | Impact on REFER |
|---|---|---|---|
| 01/07/2012 | IAS 1 - Presentation of other comprehensive income captions | Alters the presentation of other comprehensive income captions into two categories: convertible and non convertible captions into results | Statement of comprehensive income |
| 01/01/2013 | IAS 19 - Employee benefits | Elimination of the "corridor" approach to differ gains and losses, which are recognised directly in results for the year. | Not applicable. |
| 01/01/2013 | IAS 12 - Deferred taxes - recovery of underlying assets | Includes the rebuttable presumption that deferred tax resulting from the registration of investment properties at fair value reverts through respective sale. | Not applicable. |
| 01/01/2013 | IFRS 1 - Government loans | Applicable to first-time adopters of the IFRS that have obtained government loans at rates below market rates; the difference between the fair value of the loans and the amount received is recognised prospectively. | Not applicable. |
| 01/01/2013 | Annual improvements (2009-2011 cycle) | IFRS 1 - Re-application of IFRS - where the application of IFRS is interrupted in a period, there are two options i) apply IFRS 1 as if for the first time, ii) Apply IFRS 1 retrospectively, pursuant to IAS 8. | Not applicable. |
| | | IAS 1 - Clarification on comparative information requirements | Not applicable. |
| 01/01/2013 | Annual improvements (2009-2011 cycle) | IAS 16 - Property, plant and equipment - where assets are to be included in tangible fixed assets (TFA), they must be recorded as TFA and be reinstated; if they cannot be defined as TFA they must be recorded as inventories. | Not applicable. |
| 01/01/2013 | IFRS7 - Disclosure- Offsetting of financial assets and liabilities | Disclosure requirements on: i) offsetting rights (assets and liabilities) not accounted for; ii) offset assets and liabilities; iii) effects of this offsetting on exposure to credit risk. | Not applicable. |
| 01/01/2013 | IFRS 13 - Fair value measurement | The aim of the standard is to i) define fair value (FV) applicable to all IFRS, ii) Establish in a single IFRS a framework for fair value measurement, and iii) Establish in a single IFRS disclosure requirements for fair value measurement. | Not applicable. |

Standards and interpretations which will become effective in 2014 and following years:

| Effective date of application | Standards | Description of standards | Impact on REFER |
|---|---|---|---|
| 01-01-2014 | IAS 32 - Offsetting between financial assets and liabilities | Clarifies the right to offset financial assets (FA) with financial liabilities (FL). | Not applicable. |
| 01-01-2014 | IAS 27 - Separate financial statements (*) | IAS 27(2008) was revised following the issuing of IFRS 10. This standard concerns specifically the accounting and disclosure requirements for equity holdings where an entity prepares separate financial statements. | Not applicable. |
| 01-01-2014 | IAS 28 - Investments in associates and joint ventures (*) | This standard establishes the accounting treatment of investments in associates and joint ventures viewing the application of the equity method. | Nota 6.4. |
| 01-01-2014 | IAS 36 - Impairment of assets | Corrects disclosure requirements as concerns determining the recoverable value of an asset, and applies only when such value is determined based on the fair value less estimated costs to sell. | Nota 13. |
| 01-01-2014 | IAS 39 - Financial Instruments | Introduces an exemption to the obligation of discontinuing hedge accounting of a derivative financial instrument in the event of change in counterparty as required by law or regulation, provided certain conditions are met. | Not applicable. |
| 01-01-2014 | IFRS 10 - Consolidated financial statements (*) | Replaces and revokes IAS 27(2008) and SIC12; the main change refers to the notion of control, which exists where i) an entity has power over the investee, ii) an entity is exposed to variable results via its relationship with the investee, and; iii) it can use its powers to affect the results of the investee. Consolidation principles remain unchanged. | Note 2.2 |
| 01-01-2014 | IFRS 11 - Joint ventures (*) | This standard replaces IAS31 and SIC13, focusing on the rights and obligations of joint arrangements rather than their legal form. The standard divides joint ventures into i) joint operations (venturer recognises its share part of assets, liabilities, income and expenses) and ii) joint arrangements (venturer recognises its interest in net assets using the equity method). | Nota 6.4. |

**(Continued)**

| Effective date of application | Standards | Description of standards | Impact on REFER |
|---|---|---|---|
| 01-01-2014 | IFRS 12 - Disclosure of interests in other entities (*) | Standard establishes disclosure requirements for all types of interests in other entities. | Applicable |
| 01-01-2014 | IFRIC 20 - Rates | Establishes the accounting for rates/payments imposed by governments, clarifying the moment when the liabilities must be recognised. | Not applicable. |

# 23. Investment commitments

The estimated value of investments to be made in 2014 in Long Term Infrastructures (LTI) within the scope of the public railway domain, and other investments that are not part of LTI (IEAG – Support and Management Structures integrating the investments in operation, studies and other fixed assets) necessary for developing the planned activities totals EUR 77.6 million.

Ninety six per cent (EUR 74.8 million) of this total correspond to investments in LTI; the remaining 4% (EUR 2.8 million) correspond to investments in Support and Management Structures.

The amount recorded in the State Budget for 2014 within the scope of the PIDDAC allocated to the Investment Plan for the National Railway System totals EUR 10.6 million.

| Programmes/Projects | 2014 Estimate |
|---|---|
| **Investment in LTI** | |
| **included in PIDDAC** | **74 816 795** |
| Minimum investment programme in National Railway Network | 74 816 795 |
| **Not included in PIDDAC** | **0** |
| **Investment in LTI** | **74 816 795** |
| **Investment in IEAG** | **2 808 546** |
| **Total Investment REFER** | **77 625 341** |

Note: investment at technical costs

## 24. Guarantees and State guarantees

REFER

On 31 December 2013, **loans which benefited from State guarantees** amounted to EUR 2,644,497,009 (2012: EUR 2,711,877,704).

**Total bank guarantees received from suppliers** totalled EUR 134,797,119 (2012: EUR 160,240,399). These guarantees in favour of REFER view to ensure the full compliance with contracts entered pursuant to the Code of Public Contracts.

Total **bank guarantees received from clients/debtors** amounted to EUR 10,463,458 (2012: EUR 9,711,758).

At 31 December 2013 REFER had liabilities for **guarantees given to courts** in the amount of EUR 254,052 (2012: EUR 296,552) and **other guarantees** EUR 2,671,173 (2012: EUR 2,629,092).

As major shareholder of REFER ENGINEERING, REFER signed a comfort letter in favour of Banco Millennium covering medium- and long-term financing up to a level of EUR 171,055. As of the date of the financial statements, this loan had been fully repaid and the comfort letter was released.

REFER PATRIMÓNIO

As of 31 December 2013, total **bank guarantees provided by suppliers** amounted to EUR 2,026,418 (2012: EUR 3,016,642). These guarantees concern investments made by the company in the past few years, namely in Braga, Campanhã, Entrecampos, Rossio, Sines and Viana do Castelo.

As of 31 December 2013, **total bank guarantees received from clients/debtors** amounted to EUR 1,474,783 (2012: EUR 1,157,796). These guarantees view to ensure the full compliance with the sub-concession contract in favour of REFER PATRIMÓNIO.

As of 31 December 2013, the Company held bank guarantees in favour of EDP,S.A., relating to a surety bond for the supply of electric power to the facilities located in Rossio and Entrecampos, in the total amount of EUR 2,565 (in 2012: EUR 2,565).

REFER ENGINEERING

Liabilities for **bank guarantees** as of 31 December 2013 total EUR 676,031 (2012: EUR 426.860), of which EUR 432,075 relate to guarantees provided to Cosider-Algeria, within the scope of the Boughzoul/Djelfa project.

REFER TELECOM

At 31 December 2013, REFER TELECOM had liabilities for **guarantees given to courts** valued at EUR 24,448 (2012: 24,448 Euros) and **other guarantees provided to third parties** in the amount of 377,534 Euros (in 2012: EUR 377,534).

As of 31 December 2013, total **bank guarantees provided by suppliers** amounted to EUR 656,547.

## 25. Contingencies

REFER

Pending lawsuits

In the year ended at 31 December 2013, pending lawsuits concerning expropriation proceedings totalled EUR 7,418,938 (2012: EUR 1,950,381). This amount has no impact on the consolidated statement of financial position.

To this end, deposits are made with Caixa Geral de Depósitos on behalf of the courts judging the lawsuits, in an amount equivalent to the arbitrated amount, and the settlement of these proceedings does not represent an expense of the Company but rather of the Grantor of the railway infrastructures.

The Company has pending proceedings relating to railway accidents occurred on the infrastructures under management and damages caused to third-party property; these lawsuits are covered by insurance.

Contingences that may arise from lawsuits ongoing at the Labour Court were duly provisioned, as described in Note 5.14.

### Subsidies

Subsidies allocated to the concession were awarded according to relevant eligibility terms, however, they are subject to audits and possible correction by the relevant authorities. In what concerns applications to community funds, these corrections may occur within a period of five years following the final payment. As these are subsidies allocated to investments on behalf of the grantor, the return will only affect the grantor's account - amount receivable.

A final decision from the Tax Authority is pending concerning the VAT correction relating to 2006, involving an amount of EUR 2,816,329 as described in note 12. Notwithstanding the rejection of the complaint by the tax authority, tax opinions on the matter sustain the company's conviction that it is entitled to the refund of the said amount, since the estimated amount and tax treatment provided by **REFER PATRIMÓNIO** complies with the VAT law.

As of the date of these financial statements, **REFER TELECOM** posted the following contingent liability: executive proceedings pending at the Lisbon Tax Office (1st section) relating to VAT settled by the company in 2002, regarding which it filed a claim. The claim is presently suspended (for the period of validity of the Claim), against a bank guarantee provided in the amount of EUR 24,448 Euros (amount due, interest, expenses added of 25%).

## 26. Subsequent events

On January 2014 a mandate agreement was entered between REFER and IGCP conferring to the latter the managing powers to cancel the only swap still outstanding, namely with Bank of America Merrill Lynch.

On 27 January the operation was settled originating proceeds in the amount of EUR 3,417,000. As result, REFER ceased to have any interest rate risk hedging instrument.

On 12 March 2014, REFER received EUR 80,305,770 to increase its statutory capital.

On 31 March 2014 the parent company became subject to provisions in article 69 of the corporate income tax code, applicable as from 1 January 2014.

Lisbon, 20 May 2014

## THE BOARD OF DIRECTORS

**Financial Manager**
Dra. Maria do Carmo Duarte Ferreira

**Chairman**
Eng. Rui Lopes Loureiro

**The Official Accountant**
Dra. Isabel Rasteiro Lopes

**Vice Chairman**
Eng. José Luís Ribeiro dos Santos

**Member**
Dr. Alberto Almeida Diogo

**Member**
Dr. José Rui Roque

**Member**
Eng.º Amílcar Ferreira Monteiro

MANAGEMENT REPORT
Notes to the Financial Statements

2013

# PART III
# LEGAL CERTIFICATION OF ACCOUNTS

# LEGAL CERTIFICATION AND AUDITORS' REPORT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Issued by the Statutory Auditor, a CMVM Registered Auditor)

**(This report is a free translation to English from the original Portuguese version)**

## INTRODUCTION

1. In accordance with the applicable legislation, we present our Legal Certification and Auditors' Report on the consolidated financial information included in the Board of Directors Report and in the consolidated financial statements as at and for the year ended 31 December 2013 of **Rede Ferroviária Nacional - REFER, E.P.E.** ("the Company" or "the Group"), which comprise the Consolidated Statement of Financial Position as at 31 December 2013 (showing total assets of 5.423.378.354 euros and a negative shareholders' equity of 1.951.580.784 euros, including a negative net profit attributable to the shareholders' of the Company of 92.287.556 euros), the Consolidated Statements of Income, of Comprehensive Income, of Changes in Shareholders' Equity and of Cash Flows for the year then ended, and the corresponding notes to the consolidated financial statements.

## RESPONSABILITIES

2. The Company's Board of Directors is responsible for:

a) the preparation of consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union that present a true and fair view of the financial position of the group of companies included in the consolidation, the consolidated results and the comprehensive income of their operations, the changes in consolidated shareholders' equity and their consolidated cash flows;

b) that the consolidated financial information prepared in accordance with International Financial Reporting Standards as adopted by the European Union is complete, true, current, clear, objective and lawful as established by the Portuguese Securities Market Code ("CVM");

c) the adoption of adequate accounting policies and criteria;

d) the maintenance of an appropriate internal control system; and

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Capital social: 8 000 Euros - Contribuinte nº 501 801 804 – Inscrição na O.R.O.C. com o nº 44
Inscrição no Registo de Auditores da Comissão do Mercado de Valores Mobiliários nº 1054

e) the disclosure of any significant facts that have influenced the operations of the group of companies included in the consolidation, its financial position or its results and comprehensive income.

3. Our responsibility is to verify the financial information included in the above referred documents, namely as to whether it is complete, true, current, clear, objective and lawful as required by the CVM in order to issue a professional and independent report based on our audit.

## SCOPE

4. We conducted our audit in accordance with the Auditing Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors (*"Ordem dos Revisores Oficiais de Contas"*), which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. Accordingly, our audit included the:

a) verification that the financial statements of the companies included in the consolidation have been properly audited, and for the financial statements of the companies which have not been properly audited, the verification, on a sample basis, of the information underlying the amounts and disclosures contained in the consolidated financial statements, and an assessment of the significant estimates made, based on the judgements and criteria defined by the Board of Directors, used in the preparation of the referred financial statements;

b) verification of the consolidation procedures and of the appropriateness of the use of the equity method;

c) evaluation of the appropriateness of the accounting policies used and of their disclosure, taking into account the applicable circumstances;

d) assessment of the applicability of the going concern principle;

e) assessment of the overall adequacy of the consolidated financial statements presentation; and

f) assessment of whether the consolidated financial information is complete, true, current, clear, objective and lawful.

5. Our audit also included the verification that the consolidated financial information included in the Board of Directors Report is consistent with the consolidated financial statements, as well as the verification of the disclosures required by the numbers 4 and 5 of the article 451 of the Portuguese Companies Code (*"Código das Sociedades Comerciais"*).

6. We believe that our audit provides a reasonable basis for our opinion.

## OPINION

7. In our opinion, the referred consolidated financial statements present fairly, in all material respects, the consolidated financial position of **Rede Ferroviária Nacional - REFER, E.P.E.**, as at 31 December 2013 and the consolidated results and comprehensive income of its operations, the changes on its consolidated shareholders' equity and its consolidated cash flows for the year then ended, in accordance with International

Financial Reporting Standards as adopted by the European Union, and the financial information contained therein is complete, true, current, clear, objective and lawful.

## EMPHASIS OF MATTERS

Without affecting the opinion expressed in paragraph 7. we would draw attention to the following matters:

8. As at 31 December 2013 the Group has a negative consolidated shareholder equity of approximately 1,95 billion euros, including a negative consolidated net profit attributable to the shareholders of the Company for the year ended 31 December 2013 of approximately 92,3 million euros. Despite of the fact that the Group has improved its consolidated operating income since 2011, as a consequence of the measures of rationalization of management and of the adequacy of public service compensation, imposed by the State Law Budget and by the shareholder, the support of the Group's future operating and investing activities depends on the financial support of the shareholder - Portuguese State.

9. As at 31 December 2013 the associate company GIL - Gare Intermodal de Lisboa, S.A. ("GIL"), in which the Group has an investment of approximately 34%, has a negative shareholders' equity of approximately 11,4 million euros. As mentioned in note 6.4 of the notes to the consolidated financial statements, as at December 31 2013, the loans granted by the Group to GIL, which amount to approximately 19,1 million euros, were fully adjusted.

10. We were appointed as Auditor of the Group in the end of 2013. Accordingly, other Auditor examined the consolidated financial statements as at and for the year ended 31 December 2012. The Legal Certification and Auditors" Report issued in March 28 2013, referred to those consolidated financial statements, expressed an unqualified opinion.

## REPORT ON OTHER LEGAL MATTERS

11. It is also our opinion that the consolidated financial information included in the Board of Directors Report is consistent with the consolidated financial statements and that the Report on Corporate Governance includes the information required by the article 245.º-A of the Portuguese Securities Market Code ("CVM").

Lisbon, 20 May 2014

P. Matos Silva, Garcia Jr., P. Caiado & Associados
Sociedade de Revisores Oficiais de Contas, Lda.
represented by

Dr. Pedro Matos Silva (ROC 491)

**Rede Ferroviária Nacional-REFER, E.P.E.**
Created by DL no. 104/97 of 29.04, as amended by DL. no. 141/2008 of 22.07
Registered Office: Estação de Santa Apolónia, 1100-468 Lisboa
Commercial registry and tax number 503 933 813



# ANNUAL REPORT AND OPINION OF THE

# SUPERVISORY BOARD

# ON THE

# MANAGEMENT REPORT

# AND THE CONSOLIDATED FINANCIAL STATEMENTS

# FOR 2013

# of the

# REFER GROUP

## I - INTRODUCTION

In compliance with legal and statutory provisions and the mandate entrusted upon us, the Supervisory Board hereby submits its report and opinion on the Management Report and consolidated accounting documents of Group REFER, relating to the year ended at 31 December 2013, which are the responsibility of the Board of Directors.

## II - ACTIVITY OF THE SUPERVISORY BOARD

This Supervisory Board was appointed on May 29, 2012, pursuant to joint Order issued by members of the Government responsible for the Finance and the Transport Sector areas, as provided in paragraph 2 of article 10 of REFER's Articles of Association, approved by Decree-law no. 104/97 of 29 April, as amended by Decree-law 141/08 of 22 July.
Under the terms of article 11 of the said law, the Supervisory Board followed the company's activity since 29 May 2013, although it only issued its opinion as from the 3rd quarter of the said year.
In view of the closure of the annual accounts, the Supervisory Board examined the consolidated financial statements of REFER and corresponding notes relating to 2013.
The Supervisory Board also analysed the Legal Certification of the Accounts and the audit report on the consolidated financial statement issued by the official auditor of REFER, namely P. Matos Silva, Garcia Jr., P. Caiado & Associados, Sociedade de Revisores Oficiais de Contas, Lda (hereinafter "SROC"), on 20 May 2014.

It is the Official Auditor's opinion that the financial statements referred to above present a true and fair view, in all materials aspects, of the financial situation of REFER, free of any reservations, with which we agree.

The SROC expressed the following emphases:

- "At 31 December 2013 the Company showed a negative equity of EUR 1.95 billion, and net losses for the year of EUR 89.1 million. Notwithstanding an improvement in operating results occurred since 2011, on the back of streamlining measures to reduce structural charges and operating expenses, as imposed by the State Budget and directives from governing Ministries, the Company's funding and expenditure are subject to the financial support of the Shareholder, represented by the Ministries for Finance and Economy".

According to statement above, a negative equity does not prevent the Group companies from continuing to operate, though provisions in paragraph 3 of article 35 of DL 133/2013 of 3 October must be taken into account.

- "At 31 December 2013 subsidiary GIL - Gare Intermodal de Lisboa, S.A in which the Company holds a stake of 34%, posted negative equity in the amount of EUR 11.4 million, having resorted to shareholders' loans on an annual basis. As described in Paragraph 6.4 of the Notes to the financial statements, at 31 December 2013, all shareholders' loans provided to GIL by the Company, totalling EUR 19.1 million were fully recognised as impairment."

The Supervisory Board considers this accounting as appropriate.

- "The separate financial statements relating to the year ended at 31 December 2012 were examined by a different Auditor. The Legal Certification of the Accounts and the Audit Report issued on 28 March 2013 did not express any reservations arising out of disagreement or limitation in scope."

## III – GROUP REFER

Group REFER is made up of the following companies:

- Rede Ferroviária Nacional – REFER, E.P.E. ("REFER"), 100% held by the Portuguese State; its main object is the management of the railway infrastructure, which is also the Group's main business activity, at both financial level and personnel management level.

  REFER's activity is divided into two main segments: (i) Infrastructure Management, and (ii) Long Term Investments (LTI), where the following aspects are worth pointing out:
  - The quantification of running trains is measured in millions of trains/km (tK). In 2013 this indicator stood at 35,952 million tK, exceeding figure for 2012 by 0,930 million tK. Main operators are CP in the passenger segment and CP Carga in the freight segment;

- On the back of this increase in activity, income from user fees rose by approximately EUR 71.3 million in 2012 to nearly EUR 73.9 million in 2013;
- Rendered services totalled almost EUR 100 million in 2013 (practically the same as 2012), and include the user fee mentioned above;
- In terms of service level, the most relevant indicator is punctuality. In 2013 this index fell to 85% from 86% in 2012;
- According to available data, the safety index in 2013 stood at 1.295 relevant accidents per million Tk.

- SUBSIDIARIES

i. REFER TELECOM, Serviços de Telecomunicações, S.A. ("REFER TELECOM") is 100% held by REFER; its corporate object is the setting up, management and operation of telecommunications infrastructures and systems and complementary, accessory or subsidiary activities thereof, directly or via holdings in other companies. In 2001 a "concession contract" was entered between REFER and REFER TELECOM, which was revised in 2013;

ii. REFER PATRIMÓNIO - Administração e Gestão imobiliária, S.A. ("REFER PATRIMÓNIO"), is 99.97% held by REFER and 0.003% held by REFER Engineering; its corporate object is the management and operation of the real estate property and undertakings, whether belonging to the company or to third parties; the acquisition and disposal of property and setting up of rights over the said property; the purchase of buildings for marketing purposes and the management and operation of railway stations and equipment, including respective commercial operation.

iii. REFER ENGINEERING , S.A. ("REFER ENGINEERING, S.A") is 98.64% held by REFER and 1.36% held by REFER PATRIMÓNIO; the company provides consultancy services and develops engineering projects in the fields of transports, logistics and other, including the design, development, maintenance and operation of respective infrastructures and technical assistance;

iv. RAVE, Rede Ferroviária de Alta Velocidade, SA ("RAVE") was the Portuguese company set up to develop and coordinate the works and studies relating to the planning, building, financing, supply and operation of a high-speed rail network to be deployed in mainland Portugal linking to its counterpart Spanish network. RAVE's shareholders decided on the sharing of the company's assets in proportion to their respective stakes (40% for Group REFER) on 17 January 2014. On 12 February 2014 the liquidation of the company was definitively closed as registered in the Commercial Registry.

- ASSOCIATED COMPANIES

i. GIL – Gare Intermodal de Lisboa, S.A., ("GIL"), is 33.65% held by REFER; its object is the management, maintenance, repair and cleaning of the railway station undertaking know as Estação do Oriente. GIL has complied with its debt service by using the financial inflows from its shareholders' loans. In 2013 REFER's participation in this support was of 50%, as decided by its shareholder.

- JOINTLY CONTROLLED COMPANIES

i. European Economic Interest Grouping Alta Velocidade Espanha-Portugal ("AVEP"), is 50% held by REFER via RAVE's position in the grouping; its object is the development of studies for the Madrid-Lisboa-Porto and Porto-Vigo railway links;
ii. European Economic Interest Grouping Corredor Ferroviário de Mercadorias n.º4 ("A.E.I.E., CFM4"), the object of which is the development of an internal railway market for freight transport, via the creation of dedicated corridors starting from Sines (33.33% held);
iii. Metro Mondego, S.A. (2.5% held);

- REFER in partnership with other entities, holds a stake in "Acordo de Associadas da PSAT- Associação para a Promoção da Segurança de Ativos Técnicos".

## 1.1 III - REVIEW OF THE MANAGEMENT REPORT

1.2 The Group's results are mainly associated to the following business areas:

- Infrastructure management is the Group's main purpose and also its more relevant business in terms of turnover (EUR 104 million);
- The Engineering arm of the Group posted a business turnover of EUR 1.9 million, and it is banking on international expansion.
- The Group's telecommunications activities recorded total revenues of EUR 8.6 million.
  Asset management posted a business value of EUR 10 million.

The Group's total assets fell from EUR 126.4 million in 2012 to EUR 124.7 million in 2013.
The volume of investment at technical cost amounted to EUR 57.8 million (mainly LTI) against an estimated amount of EUR 69 million, resulting in an implementation rate of 83%; the total cost of expenditure of the Group, including overheads (approx. EUR 13.1 million) amounted to nearly EUR 71 million;

The Group's workforce fell from 3,086 in 2012 to 2,951 in 2013, i.e. a decrease by 135 employees (4.4% in absolute terms).

## IV - ASSESSMENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Supervisory Board has confirmed that the consolidated financial statements of REFER were prepared according to provisions in the International Financial Reporting Standards (IFRS), as adopted in the European Union.
The adoption of IFRS in the preparation of the financial statements is in accordance with the requirements to which the Company is subject for issuing securities, i.e. bonds traded on regulated markets.
From the analysis made to the financial statements for the year ended at 31 December 2013 and respective notes, the following stand out:

- REFER carried out a capital increase by € 21 million in 2013;
- According to information provided by REFER, EPE, at the end of 2013 the Group held financial applications with IGCP in the total amount of EUR 91,648,808, and REFER, EPE, had an application with BPI in the amount of EUR 7,000,000 with a term of less than a week, which goes against the treasury unity principle applicable to public companies; however, as explained by the company, this application was contracted for a very short period (less than a week), as the IGCP does not have any equivalent short term application;

- At 31 December 2013 the book value of the equity holding in GIL is nil; however, this company's equity at the same date was negative by EUR 11,350,981;
- In 2013 loans to associated companies increased by EUR 5 million following the granting of shareholders' loans by REFER, EPE to GIL, which were recognised as impairment given the situation of this subsidiary. As result, the total of loans to subsidiaries reached EUR 19 million; subsidiaries recognised impairment losses by the same amount;
- The increase in Client captions is quite worrying, as they rose from EUR 97.6 million in 2012 to EUR 183.1 million in 2013, mainly as result of the non payment of the User Fee by CP, whose debt to REFER moved from EUR 73.4 million to EUR 146.2 million in 2013. This situation means a decrease in revenues accounted for in 2013, which had to be offset by the use of the treasury balance brought forward from 2012, loans and the capital increase mentioned above;
- The Compensatory Allowance evolved conversely to sales and services, going from EUR 39.6 million in 2012 to EUR 43.7 million in 2013;
- Provisions for the year went from EUR 4.2 million in 2012 to EUR 8.1 million in 2013, mainly related to lawsuits.

Finally, the Statement of Financial Position shows global assets of € 5,423,378,354, the Profit and Loss Statement posts net losses for the year attributable to equity holders in the amount of (EUR 92,287,556 and the Statement of Comprehensive Income shows a negative comprehensive income attributable to equity holders of EUR 118,547,515 in 2013;

- Financial Statements for 2013 show negative net results of EUR 92,286 million, corresponding to an upward change by EUR 2,596 million in relation to 2012.
- The Group's operating results were negative by EUR 41,260 million, worsening in relation to 2012 by approximately EUR 10265 million. This performance resulted from changes in the following captions: increase in personnel expenses by EUR 17,071 million, following the Constitutional Court's decision objecting to provision in Law 66-B/2012 (OE/2013) of 31 December that suspended holiday and Christmas pay. Notwithstanding the decrease in the workforce by 3% (86) in average terms, the said decision led to an increase by EUR 14.5 million in personnel expenses, added of redundancy payments in the amount of EUR 2.6 million;
- Increase in provisions by nearly EUR 3,945 million;

- Increase in external supplies and services by approximately EUR 1,959 million;
- Increase in other income by EUR 7,424 million, resulting mainly from the disposal of residues, rails and other ferrous material.

Operating results worsened in 2013, Net Results improved mainly due to the less negative impact of financial results, which posted a positive change by EUR 6,757 million as against 2012 (evolving from EUR 62,507 million in 2012 to EUR 55,750 million in 2013) and the positive effect of the recognition of deferred tax assets relating to tax losses recognised in 2013 (EUR 4,722 million).
Consolidated liabilities with LTI-related debt) rose by approximately EUR 205.4 million in 2013, increasing by 2.9% over 2012 (EUR 7,169,544 million).
Note that the analysis of the decrease in Net Results must take into account that Results before Tax in 2013 (negative by EUR 97,010 million) are higher than 2012's (negative by EUR 94,032 million).
Moreover, in 2013, in addition to Net Losses of € 89.1 million, note should be made of the other negative comprehensive income of Group REFER, relating to the recognition of deferred tax liabilities in 2013 (€ 26.3 million), resulting in negative comprehensive income of € 115,396 million. As result, the comprehensive income was negative by EUR 118,548 million.
The negative change in equity occurred in 2013 (EUR 97,548 million), which corresponds to the aggregate effect of comprehensive income for the year, was partially offset by the capital increase by EUR 21 million.
REFER's equity as posted in its consolidated report and financial statements at the end of 2013 is negative by EUR 1,951,580,784, having worsened by EUR 97,547,515 in relation to 2012.

## VI - PROPOSAL

In the light of the information and clarifications provided REFER and its Official Auditor, the Supervisory Board, within the scope of its duties, concluded that the consolidated report and financial statements for the year ended at 31 December 2013 comply with legal requirements, presenting a fair view of the company's financial situation and activity, in line with the statement of compliance issued by the Board of Directors of REFER:
*Under the terms and for the purposes of provisions in Article 245, no. 1, sub paragraph c) of the Securities Code, each member of the Board of Directors of REFER, E.P.E., as identified below, underwrote the following statement:*
*"I hereby declare, under the terms and for the purposes of provisions in Article 245, no. 1, sub paragraph c) of the Securities Code, that to the best of my knowledge, within the scope of the duties assigned to me and based on the information supplied to the Board of Directors, the consolidated financial statements were prepared in compliance with the applicable accounting standards and give a true and appropriate view of the assets and liabilities, the cash flows, the financial situation and the results of Rede Ferroviária Nacional – REFER,*

*E.P.E., and the companies included in its consolidation perimeter, and the management report relating to the company activity in 2013 faithfully describes the material events that occurred during this period and the impact on respective financial statements, and describes the main risks and uncertainties for the forthcoming year."*

This Supervisory board issues the following Opinion, notwithstanding the analysis made by this body on the Emphases included in the Legal Certification of Accounts and Audit Report, namely reference to the negative equity and provision in paragraph 3 of article 35 of Decree-law 133/2013 of 3 October, as well as the Board's concern over the amount of interest bearing liabilities and respective financial costs.

As result, it is hereby proposed to approve the following:

- The 2013 Report and Accounts presented by the Board of Directors of Rede Ferroviária Nacional – REFER, EPE;

## 2. VII - STATEMENT OF COMPLIANCE

Under the terms of article 245, paragraph 1, sub-paragraph c) of the Securities Code, the members of the Supervisory Board declare that to the best of their knowledge and belief:

- The information included in the Management Report faithfully expresses the business evolution, performance and position of the Company, describing the most relevant events occurred during the period and their impact on respective separate and consolidated financial statements, highlighting the main risks and uncertainties which it faces;

- The information in the Management Report and remaining consolidated accounts reporting documents was prepared in accordance with applicable accounting standards, giving a true and fair view of the asset and liabilities, financial position and results of the REFER Group.

Lisbon, 20 May 2014

The Supervisory Board

| | |
|---|---|
| Pedro Ventura | Pedro Grilo |
| (Member) | (Member) |

Rede Ferroviária Nacional **REFER** EPE
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**Capital Social** 451 200 000 euros
**NIF** 503 933 813