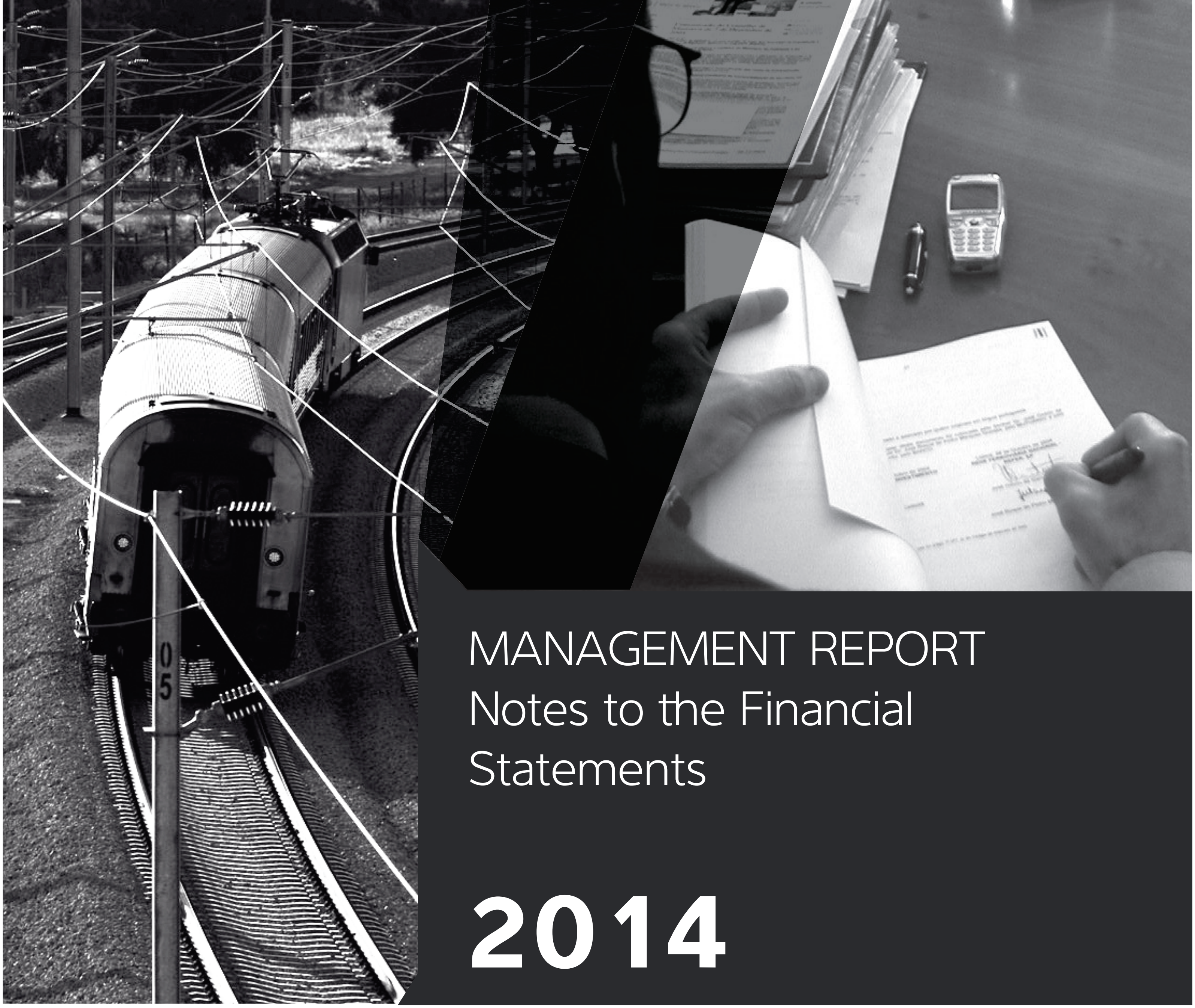
MANAGEMENT REPORT
Notes to the Financial Statements

2014

REFER



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PART I
MANAGEMENT REPORT

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MANAGEMENT REPORT

REFER reports are all available at **www.refer.pt**

Contents

Statement of the Board of Directors

The REFER Group prepared its consolidated financial statements for 2014 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 Gare Intermodal de Lisboa – GIL, S.A.

The year was marked by the consolidation of the reorganisation and sustainability process of the REFER Group, as laid down in the 2014-2016 Plan, which included 10 key goals and the policies and strategies to achieve them.

The strategic alignment followed permitted creating an internal integration dynamics based on three key areas: redesigning of processes, new approach for management control and implementation of shared services. The gains obtained so far are reflected in the more effective and efficient figures posted by performance indicators monitored on a regular basis.

In April, the Government's approval of the Strategic Infrastructures and Transport Plan (PETI3+) provided new opportunities for railways modernisation and expansion, as the plan foresees significant investments for the 2014-2020 period.

This new instrument was taken into consideration in the Group's strategic alignment, which also anticipates the optimization of expenditure and the balancing off of the Group's accounts. This requires redefining the contractualisation of the State's financial relations with the infrastructure manager for the funding of maintenance and modernisation of the railway infrastructure.

While pursuing its key mission as manager of the national railway infrastructure, the REFER Group, and REFER in particular, continued to invest in the promotion of a railway network based on high safety and environmental standards, as only thus will it be able to contribute to improving passengers and citizens quality of life. The attractiveness of the railway transport service is one of the Group's strengths.

In terms of results, improvement in the Group's EBITDA should be pointed out, as they reflect the efforts made to reduce expenses and the impact of the acquisition of the remaining share capital of GIL in 2014.

In terms of capital expenditure, REFER invested € 103 million, of which € 63 million concern the transfer of the railway terminals in December 2014.

The amount due by CP – Comboios de Portugal, E.P.E. (CP) of approximately € 205 million was finally collected and the company carried out a statutory capital increase by € 1,035 million to assist in its investment plans.

To conclude, we thank all employees and stakeholders whose relevant and distinct contribution was the key driver to achieving the above mentioned transformation; In fact, railway should become the favourite means of transport of an increasing number of citizens and REFER wants to provide benchmark services at national and European level.

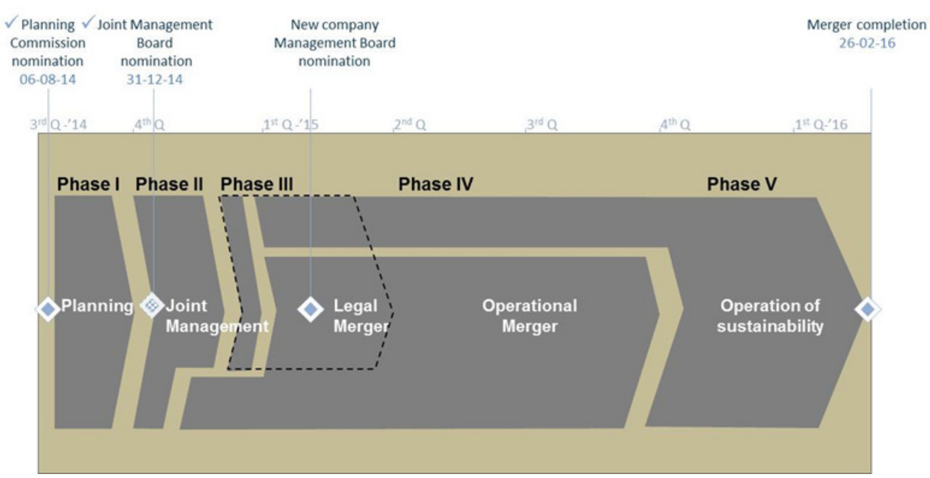
This could only be achieved thanks to the hard work of the entire team of the REFER Group, including, naturally, the boards of directors in office during 2014.

REFER / EP Merger

In line with the Government's resolution provided in PETI3+, on 6 August 2014 under the terms of Order nr. 10145-A/2014 issued by the State-Secretary for Treasury and the State-Secretary for Infrastructures, Transport and Communications, a Planning Committee was appointed to ensure, in a sustained way, the preparation of the necessary procedures viewing the merger of REFER and EP. This Committee is made up as follows:

(i) António Manuel Palma Ramalho (Coordinator)
(ii) José Serrano Gordo
(iii) José Luís Ribeiro dos Santos
(iv) Alberto Manuel de Almeida Diogo
(v) Vanda Cristina Loureiro Soares Nogueira
(vi) José Carlos de Abreu e Couto Osório

Within the framework of its duties, the Planning Committee identified five key stages for a successful completion of the merger, as follows:



Stage 1 – Planning: during this stage, which has already been concluded, the Planning Committee planned the entire merger process;

Stage 2 – Joint Management: this stage started on 31 December 2014 with the appointment of a joint Board of Directors and will end at the beginning of Stage 3. The following will be provided during this stage: i) organisation and assessment of both companies' staff, ii) Strategic Plan, iii) diagnosis of existing information systems, iv) quick wins, and v) preparation of a consolidated budget for 2015;

Stage 3 – Legal Merger: This phase will correspond to the legal incorporation of the company arising out of the merger, under name "Infraestruturas de Portugal, S.A." (hereinafter referred to as "IP, S.A." or "IP") to be finalised following publication of the Decree-law on the merger and the by-laws of IP;

Stage 4 – Operational Merger: This stage started simultaneously with Stage 2 and should end in 2015 upon delivery of the following: i) IP 's 5-year business plan, thoroughly reviewed with the shareholder, and ii) merger of corporate and shared services and optimisation of operational services, in order to harness all the benefits from the merger;

Phase 5 – Sustainability: this phase will start following completion of phase 3, and is expected to create the background for: i) a significant reduction in the structural infrastructure management deficit, ii) reduce dependence from the General Budget of the State and gradually achieving financial self-sufficiency, and iii) eventually, attract private capital to support a sustainable management of road and railway infrastructures in Portugal. To achieve these objectives the Government and IP will first have to draw a concession contract for the railway network and possibly change the current road concession contract entered between the Government and EP.

The Committee ceased its duties when the joint Board of Directors of EP - Estradas de Portugal, S.A. and REFER - Rede Ferroviária Nacional, E.P.E. was appointed, specifically on 31 December 2014.

Within this framework, following the comprehensive work developed by the Planning Committee, the boards of directors of REFER and EP deem that the merger is fully justified as it will achieve a set of relevant goals:

1. Integrated planning and investment
2. Increased efficiency
3. Economies of scale in procurement
4. Achieve financial sustainability
5. Strategic positioning of European / global energy programmes

In overall terms, these objectives comprise the following:

Integrated planning and investments

Both companies have similar purposes, i.e., to manage a set of infrastructures as determined by law. REFER manages the national railway infrastructure and EP manages the national road infrastructure. Instead of having two modes of transport competing with each other IP will guarantee an integrated approach. People's and freight mobility in the mainland is what determines investment in roads or rail; it will thus be the key driver for future investments. IP will work to find out about the complementary aspects of the two modes of transport, privileging people and freight mobility and harmonising investment plans.

Increased efficiency

As the two companies are autonomous in legal, administrative and financial terms, there are overlapping departments. Joining the best practices of each company should give way to an improved corporate centre with meaningful cost savings. Likewise, a combined regional presence involving both companies should generate additional cost reductions. Finally, knowledge gathered in one company will prove useful in future situations. For instance, EP's experience in the management of concession contracts may be used in future railway concessions; REFER, in its turn, has relevant know-how in asset management.

Economies of scale in procurement

As far as procurement and logistics are concerned, there is also overlap. Many contracts have similar provisions and a combined management should generate important savings.

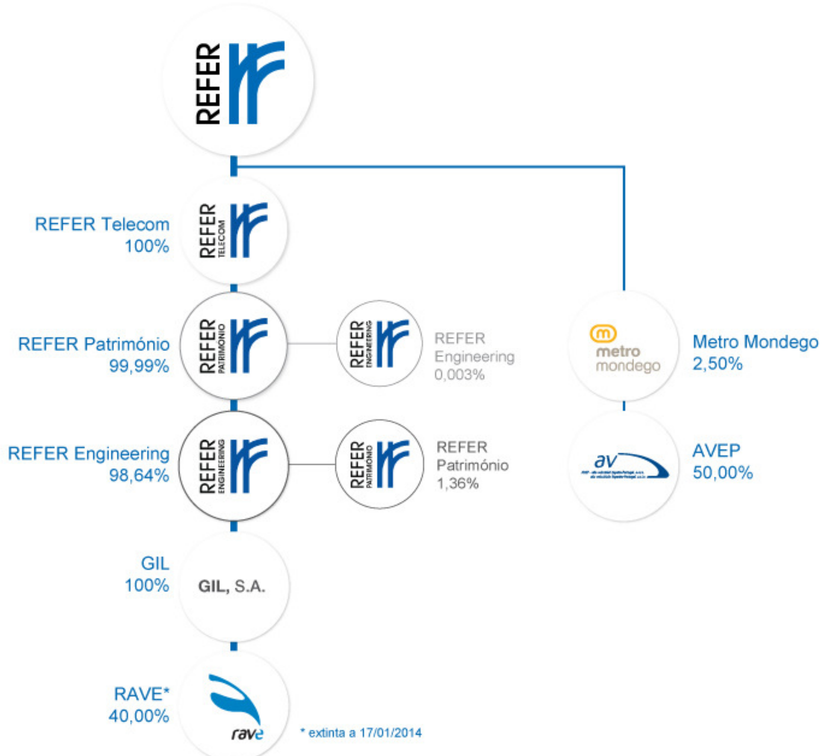
Achieve financial sustainability

The combination of the different actions referred to above with critical actions concerning, for instance, the remuneration of the railway services provided (redefinition of track access charges, investment program with the government, etc.), or the renegotiation of existing road PPPs and conversion into equity of historical debt, should allow IP entering into a financially sustainable path.

Strategic positioning of European / global energy programs

The definition of long term concessions granted by the State to IP for road and rail infrastructures should allow the company to align its investments with EU guidelines. Mobility generates waste. Presently, energy policies, particularly as far as their environmental aspects are concerned, are likely to favour investment in the railway sector. An integrated approach to manage the two sides of land mobility will work as long term hedging to implement these policies.

Group's Shareholder Structure



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 subject to the supervising authority of the Ministry of State and Finance and the Ministry of Economy. The company was established pursuant to Decree-law no. 104/97, of 29 April. Decree-law no. 141/2008 of 22 July amended Decree-law creating Rede Ferroviária Nacional - REFER, EP and respective by-laws, in order to adjust them to the legal regime for the public entrepreneurial sector.

It share capital has the legal status of "statutory capital" fully held by the Portuguese State. At 31 December 2014 the statutory capital of REFER was of EUR 1,486,000,000

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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.

The shares are fully subscribed and paid up.

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.

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.

GIL – Gare Intermodal de Lisboa, S.A. As of 31 December 2014 the company's share capital amounted to EUR 1,952,160, represented by 392,000 shares with a nominal value of € 4.98 each.

Pursuant to order issued by the Secretary of State to the Treasury, the Secretary of State for Infrastructures, Transports and Communications and the Minister for Energy, Country Planning, and the Environment, REFER acquired all shares held by Parque Expo and Metropolitano de Lisboa. As result, REFER now holds 100% of the share capital of GIL.

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

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.

Additionally, REFER participate as operator, in two economic interest groupings:

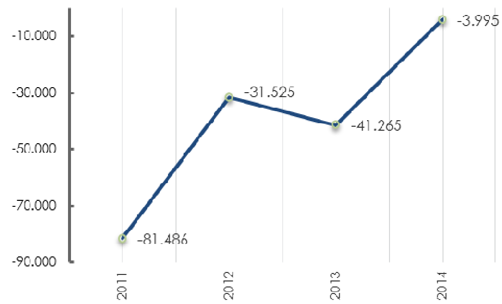
AVEP – **Alta Velocidad Espanha - Portugal (AEIE)** - set up in January 2001 jointly by "Administradora de Infraestructuras Ferroviárias" (ADIF) and the now dissolved

RAVE, holding 50 shares each. The shareholding of RAVE was assigned to REFER following the company's winding up. Its object is the development of preliminary studies for the Porto-Vigo and Madrid-Lisboa-Porto railway corridors.

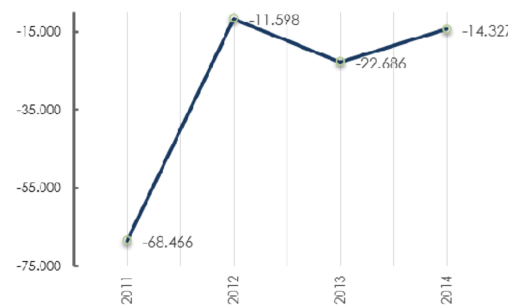
Corredor Ferroviário de Mercadorias - CFM was set up in November 2013 by the Portuguese, Spanish and French railway companies, with the purpose of developing the internal railway market of freight transport, by creating dedicated corridors. In 2014 the German railway infrastructure manager joined the Grouping.

Summary of Indicators

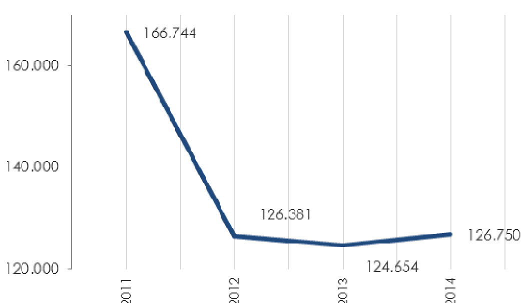
Operating Results
[Euro thousand]



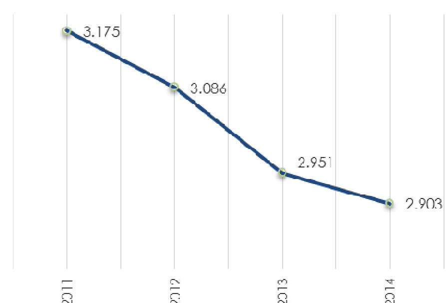
EBITDA
[Euro thousand]



Turnover
Euro thousand



Effective as of 31 December



Financial Results
thousand Euro

The REFER Group in 2014

January

The Portuguese application was chosen by the International Union of Railways (IUR) for the organisation of the 3rd World Congress on Railway Training, to be held in 2015

The IUR challenged all its members to apply for the organisation of this congress.

REFER, through its Academy, decided to apply, for which it invited CP, Fertagus and Instituto Superior Técnico (engineering faculty) to form an unprecedented partnership to organise this event.

After assessing submitted applications, IUR chose the Portuguese proposal for its quality and comprehensive nature, amongst other proposals coming from Czechoslovakia, Russia or Turkey.

It is the first time REFER is involved in the organisation of a IUR world congress.

"INSERTZ 2014 - International Seminar on Rail Track Substructures and Transition Zones"

The National Engineering Laboratory (LNEC), hosted "INSERTZ 2014 - International Seminar on Rail Track Substructures and Transition Zones".

This was a joint organisation of the Portuguese Commission for Geotechnique in Transport of the Portuguese Geotechnique Society and LNEC.

This seminar was attended by employees of the REFER Group and international and national engineers, who submitted papers on the construction and renovation of railway tracks and several research projects.

February

REFER welcomes the Ministry for Transport and Communications of Mozambique

During his official visit to Portugal, the Mozambican Ministry for Transport and Communications, Mr. Gabriel Muthisse had a work meeting at

REFER, where he was given an overview of the consolidated skills and know-how held within REFER's universe.

The delegation was welcomed by the Chairman of the Board of Directors of REFER and visited the Lisbon Operational Control Centre, where they had the opportunity to exchange views with railway operation officials.

Lisbon V-day at Rossio Station

The Rossio Station welcomed the Lisbon V-day event, included in the global One Billion Rising for Justice campaign, which fights for the end of all kinds of violence against women. REFER joined this initiative, which was held in various cities around the world.

The V-day was an idea of playwright Eve Ensler. According to UN statistics, one out of three women in the world is subject to violence, meaning one billion women assaulted. The event proposed that a similar or higher number of women and men around the world joined, and danced together for the end of violence against women. The first edition held in 2013 was a success; 205 countries participated in the event.

March

Electrification works of the Caíde-Marco stretch

The international public tender for the Electrification Works of the Caíde-Marco Stretch on the Douro Line was published on the Official Gazette on 10 March.

The construction works will spread from km 46,180 to km 60,566, crossing the municipalities of Lousada, Amarante, Penafiel and Marco de Canaveses; it comprises the construction of new power traction facilities; the heightening of passenger platforms at existing stations (Oliveira, Vila Meã, Recesinhos, Livração and Marco de Canaveses) and implementation of a new traction current supply system. The works will also include the structural reinforcement and improvement of the tunnels of Caíde, Gaviara and Campainha, where it will be necessary to intervene at track level, to ensure adequate loading gauge.

Presidential Train travels to Famalicão

The National Railway Museum Foundation (NRMF) and the Local Council of Vila Nova de Famalicão organised a trip on board the presidential train.

The trip started at Entroncamento station with a visit to the Railway Museum, and then headed to Lousado.

This initiative views to recreate the Presidential Tours, following the remarkable renovation of this emblematic train, which has attracted the interest of different entities, organisations and the media.

In between organised tours, the train will be on display at the National Railway Museum at Entroncamento.

Valença International Bridge

The 128 year-old Valença International Bridge inaugurated in March 1886 was subject to structural works, including the reinforcement and repair of respective foundations.

Intervention in this centennial engineering structure was required due to the deterioration of foundation pillars and insufficient structural capacity to withstand braking forces; these works comprised the following:

- Repair of the four pillars set in the river bed; Installation of longitudinal movements control systems;
- Replacement of supporting devices;
- Reinforcement and restoration of intersections;
- Masonry repairs.

This relevant investment permitted the reinforcement of the bases of the pillars and the stabilisation of the foundation soil, particularly, the submerged areas in order to prevent undermining phenomena likely to jeopardize the stability of foundations.

Valença International Bridge secures the railway and road links between Portugal (Valença) and Spain (Tuy); the bridge consists of a steel multi-girder beam superstructure running on five continuous spans. The bridge is jointly owned by REFER, Estradas de Portugal and, on the Spanish side, by ADIF (railway infrastructure manager) and Dirección General de Carreteras.

Monitoring plan of the Alcácer by-pass

Research and implementation of "arm-in-arm" know-how

The construction of the Alcácer by-pass completed in 2010 represented a major challenge for REFER, particularly at environmental level.

The by-pass crosses the Natural Reserve of River Sado estuary (part of Natura 2000 network) - a natural refuge of a wide range of protected bird species. Despite the environmental constraints, the undertaking was completed within scheduled deadlines.

As agreed during the project's approval, REFER undertook to implement a monitoring plan on bird wildlife in order to determine the impact of the crossing railway, and assess its real impacts of on the environment.

This wildlife monitoring plan led to a partnership between REFER, the Foundation for Science and Technology (FCT) and the University of Oporto (Centre for Research in Biodiversity and Genetic Resources), giving rise to a chair called "REFER Biodiversity" within the scope of Business & Diversity commitment. REFER was the first state-owned company to join this programme back in 2007.

Cooperation agreement between E.E.I.G. CFM4 and DB Netz AG

A cooperation agreement was signed between E.E.I.G CFM4 (Atlantic Corridor) and DB Netz AG viewing the expansion of the Corridor up to Germany.

April

REFER's anniversary

REFER celebrated its 17th anniversary on the 29th of April. The date was commemorated with a tribute to employees who completed 25 or 40 years of railway service; the event was held at the main lobby of the São Bento Railway Station in Oporto, where the Board of Directors handed over emblematic pins of homage and recognition.

PETI 3+

The Government disclosed the Strategic Infrastructures and Transport Plan for the 2014-2020 period.

REFER Group on the "European Railway Review"

The **"European Railway Review"** magazine published various news articles throughout the year about different experiences of the REFER Group.

May

Internationalisation

The Board of Directors approved the International Development Plan of Group REFER, to be used as guiding framework in its search of new markets, in line with the Group's internationalisation focus.

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REFER Engineering wins tender in Mozambique

REFER Engineering in joint-venture with ECM - Engenheiros Consultores de Moçambique and PROMAN, won the tender launched by CFM - Portos e Caminhos de Ferro de Moçambique for the "Renovation, modernisation and expansion of the railway network comprising the Ressano Garcia line, the Ports of Maputo and Matola and Freight Yard".

The Ressano Garcia line, which is 90 km long with 20 km of double track, is the backbone of the Maputo Corridor, connecting the Mozambican capital's port to South Africa and other countries of its hinterland; it holds a strategic importance in both freight and passenger transport.

The railway engineering services to be provided comprises the development of studies and projects.

June

International Level Crossing Awareness Day

The International Level Crossing Awareness Day is a joint initiative of countries from the five continents; it involved regulatory entities of the rail and road sectors, public administration and NGOs; it was held on June 3.

In addition to the activities organised throughout the year, a range of national events conveying the message of “Act safely at level crossings!” will be held across all continents.

Shift2Rail | Participation of the REFER Group via the European Consortium EUROC

Joint Undertaking Shift2Rail (S²R) was created by (EU)Regulation 642/2014 published in (EU) Official Journal - it is a public-private partnership made up of sector peers and the European Commission.

The Shift2Rail Joint Undertaking will use the financing sources made available through EU "Horizon 2020" programme for the railway system for the next six years, to help develop, test and approve step-change innovations and technologies. The general objectives are to reduce the costs of the railway sector life cycle, foster rail transport and increase its capacity, improve the reliability of transport services and reduce respective environmental impact. Ultimately, the aim is to respond to the major challenges of the European railway sector through an increased effort in technological research and development.

REFER is working with various European peer companies and is a founding member of EUROC, a consortium of railway companies. EUROC will integrate S²R structure as associate member in all innovation programmes.

DG MOVE is the entity managing the creation of Shift²Rail and it will be launching a tender directed to Associate Members. REFER was appointed to coordinate within EUROC the activities of the Innovation 3 - Infrastructure Programme.

Tunnel Digitalisation Campaign

The "3rd Tunnel Digitalisation Campaign through Laser Scanner" occurred from 26 May to 16 June. These campaigns - carried out every five years since 2004 on all railway tunnels - are one of the most important methods of diagnosis and evaluation of the global management system of engineering structures.

July

Tripadvisor awards Excellence Certificate to Aveiro Station

The Aveiro Railway Station was awarded an "Excellence Certificate" by the travel and tourism website Tripadvisor, and it was included in the attractive sites list of the city of Aveiro, based on the opinion of 65 travellers

These awards are given on an annual basis to tourism destinations, hotel accommodation or points of interest in cities across the world, based on travellers' opinions.

Falling blocks detection system - monitoring through video surveillance

Railway lines built on slopes or along watercourses, normally in areas of great natural beauty, require added maintenance efforts to ensure a safe circulation of trains.

REFER makes a survey of all potentially riskier areas, and in the past few years, it has made significant efforts in this field, carrying out slope retention works, particularly in the Douro and Beira Baixa railway lines.

At the same time, it has invested in automatic systems to detect the falling of objects, the first of which were deployed in 2005 in four distinct locations of the Beira Baixa railway line, near Portas do Rodão.

Completion of automation works at eight level crossings

Minho Line and Algarve Line

The installation of automation systems in eight level crossings - one in the Minho Line and seven in the Algarve line - was completed in July.

These works represented an investment of nearly € 883 thousand.

REFER is currently deploying these systems in 12 additional level crossings in the Minho, Oeste and Alentejo railway lines; this investment totals nearly € 1.7 million.

August

Appointment of "Infrastruturas de Portugal" Planning Committee

On 6 August 2014, as published in the Official Gazette, the Government appointed a Planning Committee to manage the merger process of REFER and EP - Estradas de Portugal.

The main functions of the Committee will be to draw the legal framework of the merger and model of the future company, its by-laws and strategic plan, as well as the financial sustainability strategy and organisational structure.

During the term of office of the Committee, the management, mission and objectives of the two companies will continued to be ensured by their Board of Directors.

REFER Group present at FILDA

In line with its internationalisation strategy, the REFER Group was present at FILDA - Luanda International Fair, with its own stand within Portugal Pavilion.

The exhibition took place from 22 to 27 July and had about one thousand exhibiting companies from 39 countries.

The REFER Group seized the opportunity to divulge and exhibit its technical know-how in the field of railway engineering and projects, and to strengthen institutional relations with representatives from many different markets.

September

Commemoration of the 125 years of the Cascais Line

The Cascais Line was inaugurated on the 30th of September 125 years ago, specifically the Pedrouços-Cascais branch.

In celebration of this historical day, the Presidential Train travelled the 25 km linking Cascais to Cais de Sodré, marking the 125 years of the Cascais Line and the 650 years of Cascais as town.

The voyage was made in a glamorous environment, with a train carriage from the beginning of the 20th century, recently restored by Empresa de Manutenção de Equipamento Ferroviário (EMEF) for the National Railway Museum Foundation.

October

Reinforcement of safety conditions in level crossings of the Cascais Line

Viewing the reinforcement of the safety conditions in railway crossings, REFER has recently completed the automation works at the level crossings of Belém and Monte Estoril stations on the Cascais Line.

This marks the completion of automation works in all level crossings in the Cascais Line: Santos; Rocha Conde de Óbidos; Belém; São João do Estoril; Cruz Quebrada and Monte Estoril.

Railway estate at the Lisbon Real Estate Exhibition

REFER Património was present at the 17th Edition of SIL 2014 - Salão Imobiliário de Portugal, held at FIL – Lisbon International Exhibition Centre from 8 to 12 October.

Integrated in the stand of the Directorate-General of the Treasury (DGTF) REFER's main objective at this important real estate fair was the marketing of company property.

REFER distinguished with a Brunel award

The restoration works of the tile panels in São Bento Station at Oporto won a Brunel Award – the most prestigious awards in the field of international railway architecture, engineering and design.

The awards are divided into categories - REFER was distinguished in the stations category.

The organisation of the 12th edition of these awards - held every 3 years - involved Watford Group, the IUR (International Union of Railways) and Dutch railways (ProRail and NS).

The award recognises the effort and commitment of REFER in the preservation and promotion of this important heritage existing in numerous railway stations. The jury highlighted the importance of distinguishing and enhancing the daily life of railway users.

Algarve Line | Completion of contract works

Electronic signalling, speed control and telecommunications contract works

The contract works for the electronic signalling, speed control and operation telecommunications on the Olhão – Vila Real de Santo António Stretch on the Algarve Line were completed.

These works aim at increasing safety levels and improving railway services. Total investment was of € 2.9 million

November

Electrification works of railway branch to the Aveiro harbour

REFER awarded the contract works for the electrification of the railway link to the Aveiro harbour, totalling 8.8 km in length.

These works will improve the competitiveness and help the development of the domestic economy, contributing to expand the market share of rail freight transport to and from the Aveiro harbour. The use of power traction will help reducing greenhouse gases, noise and energy costs, and will have a direct impact on operating costs.

2014 Customer Satisfaction Survey

Two years following the last survey, in June/July CP/REFER carried out a new customer satisfaction survey.

The survey involved 7393 interviews made in 130 stations (35 more than in 2012) throughout the national railway network.

The global level of satisfaction improved, particularly in terms of accessibility, information to the public, general environment and comfort and feeling of traffic safety, reflecting the propriety of the REFER's policy in this regard.

REFER Group sponsors exhibition by "Raríssimas" and the campaign against trafficking in human beings

On the European Day against human trafficking held on 17 October, the Commission for Citizenship and Gender Equality launched an annual awareness raising campaign.

As in the previous year the REFER sponsored the campaign providing billboard space in various stations, thus contributing to raise public awareness to this scourge.

REFER was certified by DGERT as training entity

Last November the Directorate-General for Employment (DGERT) accredited REFER as training entity.

This certification was awarded following the application made by REFER's Academy in June, showing that REFER meets the quality requirements in relation to:

- Existence of adequate internal structure and organisation;
- Existence of adequate training development processes;
- Results and continuous improvement.

This certification covers the following education and training fields:
- Electricity and Energy;
- Electronics and automation;
- Civil construction and civil engineering;
- Transport services;
- Occupational safety and health.

This recognition is aligned with the Group's strategy and goals set forth for the 2014-2016 period, which comprises international expansion and diversification in relation to the core business. The development of key skills is therefore extremely important. As accredited training entity, the company will be able to provide training to other entities.

December

2016 Network Directory

REFER publishes its 2016 Network Directory This document presents the characteristics of the national railway network and access conditions thereto; it describes the services which REFER can provide to railway transport companies and discloses applicable tariffs and rates, as well as the methodology and rules followed to determine them.

Terminals

REFER is responsible since 1 December 2014 for the operational and business management of 14 railway terminals transferred from CP Carga, in compliance with provisions in Joint Order SET / SEITC dated 23 April 2014.

APNCF Certification

REFER was certified as Entity Responsible for Maintenance, following assessment made by APNCF (railway standardisation entity) to the Wagons Maintenance Management System, developed according to UE Regulation 445/2011 issued by the Commission on 10 May 2011.

This certification was granted for three out of four functions defined in the said Regulation, specifically:

Management Function – management of the system secured by the Safety Department;

Maintenance Management Function – management and definition of technical requirements by the Maintenance Department;

Fleet Maintenance Management Function – management of the fleet and relation with the maintenance entity carried out by the Logistics Department and the Maintenance Department.

This certification is valid for five years and is subject to annual follow-up by the certifying entity.

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, namely railway engineering, telecommunications and management of railway assets.

In December 2014 REFER acquired from Parque Expo and Metropolitano de Lisboa their shareholdings in GIL.

Infrastructure Management

The management of the national railway infrastructure was entrusted to REFER which, according to respective by-laws, must provide the public service of managing Portugal's railway infrastructure, ensuring the network's capacity and availability in reliable operation conditions, with the quality and safety levels required. To this end, REFER ensures the maintenance works and investment as established by the Government for the development of the network.

Segment turnover

95
million euros

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).

The National Railway Network (NRN) is made up as follows:

Characterisation of the National Railway Network

[km]

	With railway traffic					Without railway traffic	National Railway Network
	Electrified			Non electrified	TOTAL		
	25,000V	1,500V	Sub-total				
Wide track	**1 605**	**25**	**1 630**	**802**	**2 432**	**547**	**2 979**
Single track	1 020	0	**1 020**	802	**1 822**	547	2 369
Double track	537	25	**562**	0	**562**	0	562
Multiple track	48	0	**48**	0	**48**	0	48
Narrow track	**0**	**0**	**0**	**112**	**112**	**528**	**640**
Single track	0	0	**0**	112	**112**	528	640
TOTAL	**1 605**	**25**	**1 630**	**914**	**2 544**	**1 075**	**3 619**

Lines and branch lines (whether in operation or not, including franchised sections) in a total length of 3,619 km.

Seventy percent of the total railway network is operating; i.e. tracks suitable for train running cover 2,544 km (the same as in 2013).

The part of the network which is electrified (1,630 km) corresponds to 64% of the total network under operation.

As provider of a public service, i.e. the management of the national railway infrastructure REFER is entitled to charge user fees.

The fixing of tariffs is made in accordance with Regulation 630/2011 of 12 December, as published by the Transport and Mobility Institute (Instituto da Mobilidade e Transportes - IMT).

This activity ensures the commercial relationship with railway transport companies and the market in general, while providing railway services aligned with operators' expectations, in accordance with impartial and transparent criteria.

To this end, under the terms of provisions in Decree-Law 270/2003 and Decree-law 151/2014 of 13 October, REFER annually publishes its Network Directory, which views to provide railway transport companies the information they may need to access and use the national railway infrastructure.

The annual Network Directory contains the characteristics of the national railway network (NRN), as well as respective access terms and other aspects of the services provided by REFER to railway operator. This document also explains the principles governing the fixing of fees and tariffs, including methodology and rules.

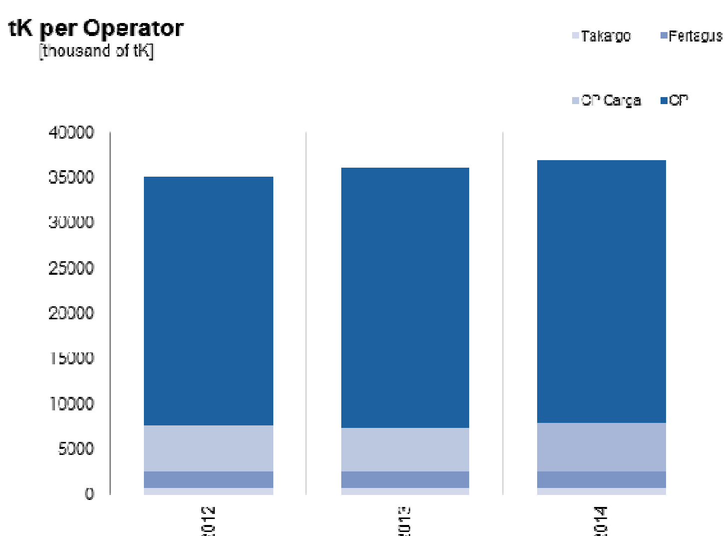
Summing up, the Network Directory describes the general rules and terms, procedures and criteria relating to tariffs, distribution of capacity, and other required information allowing operators to apply for the use of the infrastructure.

In 2014 train operators performed 36,923 thousand Tk (train x kilometre) on the network managed by REFER, corresponding to an increase by 971 thousand Tk over 2013:

Unit: million of tK

USE OF NETWORK	2013	2014	Ch. 2014/2013	%
Passenger	29.682	30.020	338	1%
Goods	5.450	6.025	575	11%
Unladen	820	878	58	7%
TOTAL	**35.952**	**36.923**	**971**	**3%**

The freight transport segment was the main driver of this performance (575 thousand Tk, corresponding to an increase by 11% over 2013), although passenger transport also grew (by 338 thousand Tk, i.e. 1.3% over 2013).



Main railway operators running on the NRN continue to be CP and FERTAGUS for passenger transport, and CP Carga (belonging to Group CP) and TAKARGO for freight transport.

CP is still the operator with the highest impact on REFER's turnover, accounting for 79% of total Tk travelled on the national railway network.

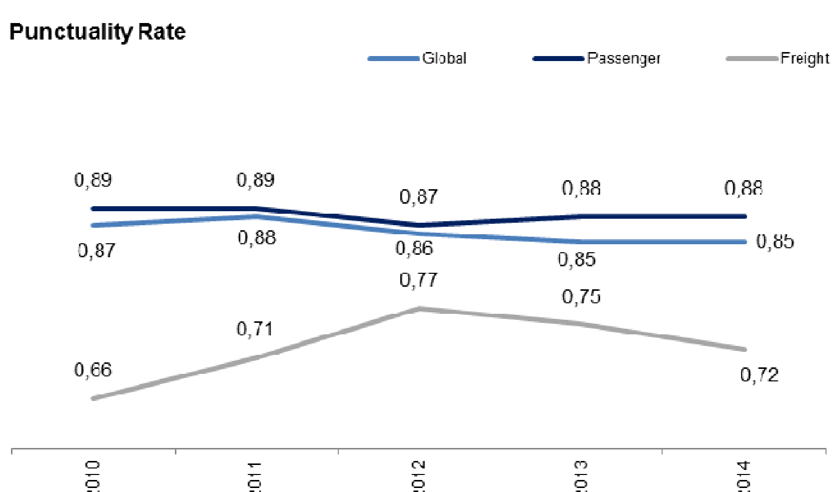
It should be pointed out that REFER is responsible since 1 December 2014 for the operational and business management of 14 railway terminals transferred from CP Carga, in compliance with provisions in Joint Order SET / SEITC dated 23 April 2014. Among these terminals, the Bobadela and Leixões terminals are worth mentioning given their role in terms of containerised cargo transport, and the Loulé terminal for its strategic importance in the jet-fuel supply chain for the Faro airport.

Service Level

In addition to having to secure safe conditions on the railway infrastructure, REFER must abide by quality levels, namely it must ensure high punctuality levels, also known as PPM (public performance measure).

Punctuality means trains arriving at their terminating station within specific times, and is measured according to the total number of trains across the whole network.

In 2014 global punctuality rate stood at 85%, the same as in 2013.



The punctuality rate of freight trains worsened in relation to 2013 (standing at 72% in 2014 as against 75% in 2013); the main reasons for this performance were delays in departures and traffic on non planned channels, causing traffic disturbances.

Safety

Safety is key. REFER's sustainability on the railway market depends on it. It is also a differentiating factor in relation to remaining land transport modes.

In terms of **railway safety**, in line with its mission to ensure a reliable and safe railway infrastructure, REFER develops the following activities:

- Promotion and development of railway safety policies, improving the performance of infrastructure maintenance operations, fostering a healthy relationship with all stakeholders;
- Definition and disclosure of railway safety indicators on a daily and monthly basis, promoting the analysis and follow up of gaps, providing prompt responses and maintaining adequate safety levels;
- Development, coordination and monitoring of investigation proceedings relating to railway accidents and incidents;
- Preparation of procedures and rules to support critical activities in terms of railway safety;
- Issuing of regulatory and technical opinions on railway safety (for instance relating to works carried out in the proximity of railways, or contract specifications);
- Determination and risk assessment, using common safety methods, inspections (on foot, on board trains or on board maintenance, verification of works in prohibited tracks, follow-up of traffic control/command) and audits viewing to identify risk situations and establish mitigating measures to minimize incidents/accidents;
- Management and monitoring of the Wagon Maintenance Management System (certification obtained in December 2014 valid for 5 years);
- Enhancement of procedures for authorising the placing in service, in compliance with specifications relating to the design, construction, placing in service, re-adaptation, renovation, operation and maintenance of the various elements which make up the railway system;
- Coordination of the certification procedures relating to the safety of rolling stock (running on operating or closed tracks), preparation of transit documents, ensuring process coherence and compatibility of the different elements of the railway infrastructure;
- Support to the activities developed by the safety authority, namely in what concerns the processing of Special Transit Authorisation applications.

The indicator relating to significant accidents per million of train-kilometre stood at 1.344 at the end of 2014. This is a provisional figure since final data provided by railway transport companies was still being reviewed as of the date of this report. This revision is made under the supervision of IMT.

In 2015 safety levels on the National Railway Network will be maintained; the goal will be to improve the indicator of significant accidents per million train-kilometre (as against 2014).

In the fields of **Occupational Safety and Management of Emergency**, with a view to enhance the safety of the workers of the REFER Group and foster cooperation with external emergency entities, the following activities were developed:

- Analysis and Risk Assessment, with a view to publish the Risk Analysis Cards and define prevention measures for the activities to be developed, within the scope of occupational safety;
- Creation and development of training actions in the areas of occupational safety and emergency management;
- Analysis and inputs to tender documents and preparation of the relevant safety management tool;
- Taking over of coordination functions concerning project and work safety and railway maintenance services at national level;
- In the fields of occupational safety and emergency management, follow-up of preventive measures through inspections and audits, promoting their efficiency and operability;
- Awareness raising campaigns/actions to consolidate a safety culture within the company (Brigades Challenge and "Report, Analyse, Prevent" project);
- Within the scope of Emergency Management, specifically in what concerns the planning of emergency management procedures for the National Railway Network, the General Emergency Plan (IET nr. 96) was finalised; this plan establishes the rules and procedures to adopt in emergency situations as well as an efficient articulation between the Infrastructure Manager and railway operators;
- In compliance with DL nr. 220/2008, safety plans (self protection measures) were conducted in buildings managed by REFER, in articulation with the National Civil Protection Authority;
- Emergency procedures to ensure ongoing activity in contingency situations were tested at nationwide level.

– In order to comply with DL nr. 188/2009 and DL nr. 184/2012, REFER implemented the External Automatic Defibrillation programme, starting at the following stations:

  - São Bento
  - Cais do Sodré

In terms of the protection of the railway infrastructure, viewing to ensure its integrity and the **safety of users of railway areas** (stations, commercial areas) and reduce the **damages and losses on railway property**, holding financial and operational impact, REFER has carried out a set of specific actions..

This work was based on the identification and analysis of vulnerabilities; it was made jointly with the relevant organic units, namely the functional areas responsible for asset management, maintenance and operations, and gave rise to respective assessment reports.

By way of example, the company undertook the coercive eviction of areas and buildings belonging to the public railway domain, including commercial areas occupied by concessionaires that are in dispute with REFER.

In order to promote better safety conditions, the operational capacity of the Security Central was reinforced with an additional job position and 24 hour surveillance. At the same time, video surveillance was extended and improved in the Cascais Line, the Braga Station and the Oriente Station. The Security Centre processed over six hundred video surveillance image requests from police and judicial authorities.

Although benefiting from exogenous facts which had positive impact on final figures, the number of damaging occurrences on railway property with (effective or potential) impact at operational level actually dropped: 113 burglary occurrences as against 133 in 2013 and 24 (wrongful) damage occurrences as against 42 in 2013.

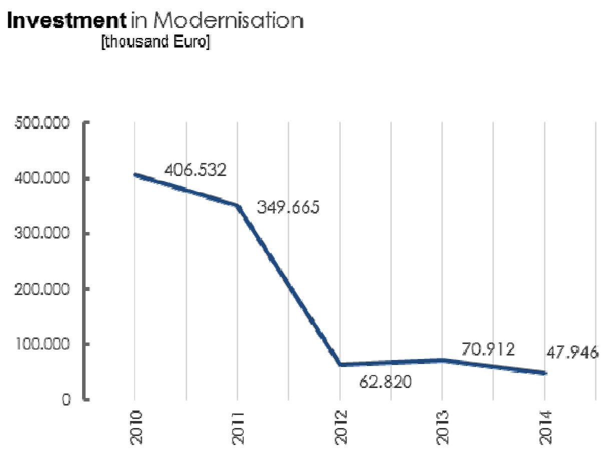
Investment

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 Duration Infrastructures(LDI)**.

Investment in LDI 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.

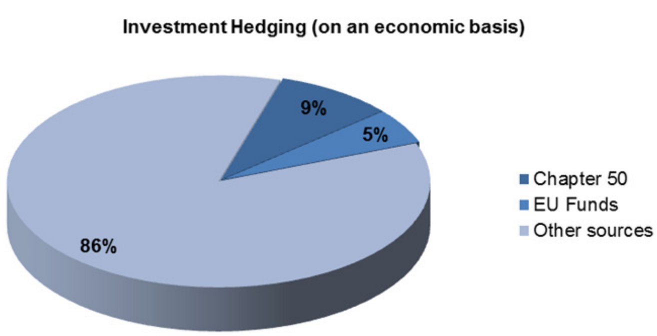
In 2014 the volume of investment in Long Duration Infrastructures (LDI) totalled EUR 110,265 thousand, of which EUR 62,760 thousand concerns the transfer of ownership of the railway freight terminals of CP, managed by CP CARGA pursuant to a concession contract entered with CP.

The transfer to Group was decided pursuant to joint order dated 23 April 2014 issued by the Secretary of State to the Treasury and the State-Secretary for Infrastructures, Transports and Communications.



Investment in LDI in 2014 included: automation of 23 and elimination of 7 level crossings across the National Network (€ 4,542 thousand), mainly on the Minho, Oeste and Algarve Lines; construction of Technical Station for train crossing with 750 metres in length at km 118+500 of the Southern Line (€ 3,954 thousand), entire renovation of Lines 5, 9 and 10 at Entroncamento (€ 1,107 thousand) and replacement of RNP fixings for NABLA and of defective rails - 1st Phase, on the Vendas Novas Line (€ 1,003 thousand).

2014 investment was hedged as follows:



Engineering in the Railway Sector

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

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 the engineering function within the Group, and is 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;
- Management, coordination, supervision and on-site safety coordination;
- Technical advisory to REFER in the different fields of railway engineering.

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.

Segment turnover

6 million euros

In 2014, as far as the internationalisation strategy is concerned, the company continued performing the contracts entered in 2013 and obtained new contracts, namely:

- Algeria - new Boughezoul – Djelfa (140 km) railway link for COSIDER/Algeria - contract dating from 2013;
- Mozambique - Modernisation of the Ressano Garcia line - client CFM (Portos e Caminhos de Ferro de Moçambique) - contract entered in 2014;
- Collaboration in the preparation and revision of studies and projects for VALE on the Nacala corridor, continuing the work started in 2013; REFER Engineering (RE) is a sub-contractor of PROFICO–ECM;
- South Africa - Verification and Simulation of *Headways on the Western Cape Re-signalling Project (WCRP)* - end client: PRASA (Passenger Rail Authority of South Africa; RE acts as sub-contractor of Thales.

Telecommunications

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

Segment turnover
10 million euros

Its mission consists of ensuring an efficient management of the telecommunications concession granted by the Shareholder, providing a wide range of state-of-the-art and high quality services in the field of Information Technology and Communications, viewing to obtain market gains.

This activity covers different segments, such as:

Railway telecommunications and systems

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

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

Telecommunications networks

The company's activity in 2014 was marked by sustained expansion in telecommunications networks and modernisation at technological level. Transmission capacity was increased and the optical fibre (OF) network was expanded, to meet the needs of new clients.

Infrastructures and Operations

Among the various activities developed in 2014 in this area, we point out the reinforcement of physical transmission supports in various tack sections, i.e. the deployment of optical fibre in and at the end sections of the network.

Information systems

During the year the project for the consolidation of the Group's IT infrastructure was completed. This consolidation allowed introducing flexibility in information systems and technologies and user mobility. Additionally it permitted to reduce expenses at both hardware and software levels.

The company started implementing a private Cloud platform to meet safety, resilience and availability requirements of Operational Control Centres. The implementation of these platforms will allow maintaining current safety criteria, improve flexibility and ensure an infrastructure capable of meeting IoT (*Internet of Things*) challenges and transforming huge volumes of data into information with value for the business.

In 2014 the Information Systems Division took an active part in the development of the Integrated Management Plan for the REFER Group, developing and integrating information applications to support decision-making at Group level.

Amongst the most relevant projects implemented in 2014, we point out the following:

- Support system to contracting activity

  This project was started in September 2013 and was finalised in May 2014, with the implementation of a single contract system.
- Water and electricity counters management system

  This project ended in June allows managing water and electricity consumption both in physical and financial terms.
- Support system to maintenance activity

  A new version of the eSwitches application (technical register of track switches and crossings) was developed in 2014, jointly with new versions of the eUltraSounds and eGeoTrack (track monitoring and diagnosis) applications;
- Development of Portal

  A "Knowledge Portal" was developed for the REFER Group, and new websites were created for Group companies.
- Logistics

  The company applied the laws requiring the certification of transport documents and subsequent information to the tax authorities, specifically decree-law no. 198/2012 and decree-law no. 161/2013.

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. Additionally, GIL manages the Lisbon intermodal platform (Gare do Oriente), serving rail, road and underground transports, providing services to users, including maintenance, surveillance and cleaning services.

Segment turnover
11 million euros

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

- Valuation, return and requalification of the real estate property not associated with 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. Although not all assets may be exploited for commercial purposes, at least one thousand are already subject to commercial concessions.

In 2014 the Group started implementing a new strategy and approach in relation to its vacant areas that can be leased for commercial exploitation.

The exposure of these commercially viable areas 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.

The National Ecotrack Plan exposed the opportunities of these assets with main decision-makers (municipal councils and local communities), as well as users, permitting to develop a valuation strategy of assets not allocated to railway operation. Guidelines were laid down to encourage the re-use of deactivated railway channels that will enable the implementation of ecotracks, in a low-cost version.

In the real estate area, the Group established a set of procedures viewing namely, the operation of car parks, seeing to the compliance with contractual obligations by concessionaires, tightening cost control, all of which depend to a large extent, from the performance of revenues, via for instance, higher occupancy tariffs and other factors, which this management model permitted to improve. In areas located near stations and other premises of the REFER Group not subject to concession contracts, the Group is studying the possibility of granting new parking concessions and the creation of management/use rules; this should benefit both its staff and clients.

Viewing to reduce the ecological footprint, the Group entered a concession contract for the installation of solar panels for energy production on its roof tops, having already 11 of such panels deployed and producing energy.

Old deteriorated buildings of no historical or commercial interest or value are being demolished to improve the surrounding areas and prevent vandalism.

In 2014 the department handled 1016 claims, i.e. 16% less than in 2013; average response time was 22 days.

Registration and Licensing Management

The company 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.

RAVE, Rede Ferroviária de Alta Velocidade, SA, was created 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. The merger of the company's activity into REFER started in 2011 was completed in 2013.

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

The last General Meeting held 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.

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. REFER was obliged to prepare consolidated accounts since 2010.

The consolidated financial statements of Group REFER are presented hereinbelow.

Results

In 2014 the Group posted **operating losses** of EUR 3,995 thousand, improving by EUR 32 thousand in relation to the previous year.

unit: thousand euro

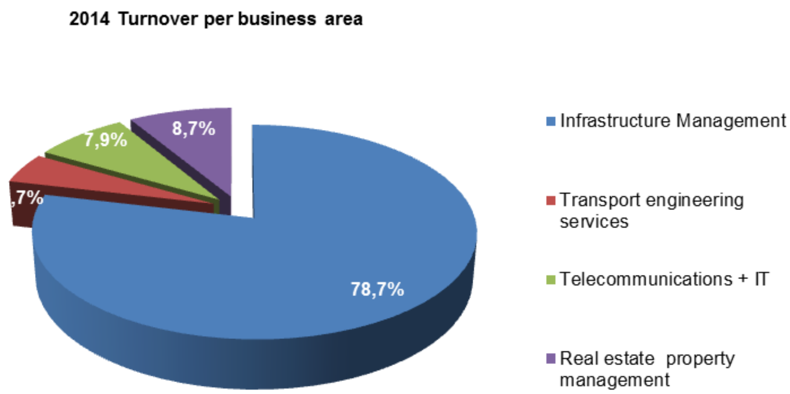
Operating profit	2013	2014	Change	
			Absolute	%
Operating Revenues	183 550	199 195	15 645	9%
Operating expenses	- 224 815	- 203 190	21 625	-10%
Operating profit/(loss)	**- 41 265**	**- 3 995**	**37 270**	**90%**

This performance resulted from a combined effect of an increase (+9%) in operating income and a decrease (-10%) in operating expenses.

unit: thousand euro

Operating Revenues	2013	2014	Change	
			Absolute	%
Sales and services	124 654	126 750	2 097	2%
Operating subsidies	43 700	40 493	- 3 207	-8%
Other income	15 196	31 953	16 756	52%
Total	**183 550**	**199 195**	**15 646**	**9%**

The Group's **business turnover** is distributed among the following segments:



In 2014 turnover totalled EUR 126,750 thousand, reflecting a positive change of 2%, on the back of improvements posted by segments that provide support to the management of the infrastructure, which recorded an increase by EUR 2,350 thousand (+10%), in overall terms.

Euro thousand

Turnover	2013	2014	Change	
			Absolute	%
Infrastructure Management	99 950	99 696	- 254	0%
Transport engineering services	5 424	5 945	521	10%
Telecommunications + IT	8 922	10 059	1 137	13%
Real estate/commercial areas	10 358	11 050	692	7%
Total	**124 654**	**126 750**	**2 096**	**2%**

Income recorded by the **Infrastructure Management** segment did not change in relation to the previous year.

This caption comprises income from services invoiced according to the Network Directory, including those deriving from the use of the infrastructure - fees - by railway operators (EUR 75,226 thousand in 2014, +5% in relation to the same period of 2013); Caption State Grantor - LDI revenues (which decreased by EUR 2,464 thousand (-12%), which is explained by the fact that there are less internal works charged to investment in LDI); and income from the re-invoicing of traction energy.

Income from fees accounted for 59% of the Group's overall operating results.

The **Telecommunications + IT** segment includes the provision of telecommunications services to the general market, rental services, maintenance and other services relating to optical fibre, private network rentals (netrail VPN) and carrier ethernet and gigabit ethernet), internet access and rental of digital circuits. This segment's turnover recorded an increase by EUR 1,137 thousand, reflecting the significant efforts made to expand the network and attract new clients, such as the Ministry of National Defence – the Navy, FCT, IP - Polo FCCN and the Army.

Turnover of segment **Management of Real estate/commercial areas** improved by EUR 692 thousand (+7% in relation to 2013), on the back of new partnerships and commercial leases, and the integration of GIL's activity in the Group.

This segment includes figures stemming from 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.

Segment **Transport Engineering Services** (+EUR 521 thousand as against 2013) comprises activities relating to the planning of transport systems; this performance reflects the segment's activity on the international market.

Expenses improved by EUR 21,625 thousand in relation to 2013.

unit: thousand euro

Operating expenses	2013	2014	Change	
			Absolute	%
Cost of consumption material and changes in inventories	6 646	5 406	- 1 241	-19%
Supplies and services	88 147	87 312	- 835	-1%
Personnel expenses	107 298	98 408	- 8 890	-8%
Depreciation and amortisation for the year	5 647	5 415	- 232	-4%
Provisions	8 116	3 012	- 5 104	-63%
Impairments	4 816	- 18 759	- 23 576	-489%
Other expenses	4 145	22 397	18 252	440%
	224 815	203 190	- 21 625	**-10%**

The combined effect of impairment reversal (which records a positive change by EUR 23,576 thousand) and increase in other expenses (+EUR 18,252 thousand) had a positive impact of EUR 5,323 thousand. This operation reflects the acquisition of the remaining share capital of GIL - Gare Intermodal de Lisboa, including loans owed to Parque Expo and Metropolitano de Lisboa, in the amount of EUR 25,634 thousand. The purchase price was EUR 2.

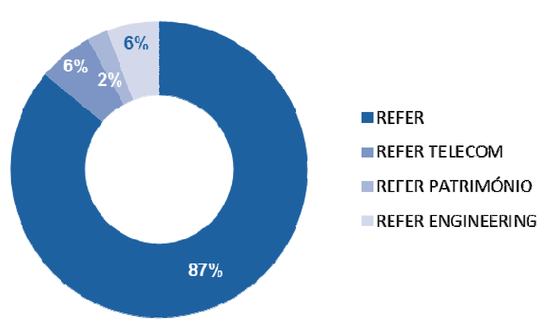
As of acquisition date, this investment was recorded under caption "Investments in associates and joint undertakings" according to the equity method, with no value (given the company's cumulative losses); the investment was remeasured at fair value on the date of acquisition, resulting in a difference of EUR 13,079 thousand, which was recorded as other expenses.

Personnel costs fell by EUR 8,890 thousand, on the back of a decrease in staff and decrease in redundancies (EUR 3,600 thousand in 2014 as against EUR 4,627 thousand in 2013).

At Group level, the number of employees fell by 48 (2,903 at 31 December 2014 as against 2,951 at 31 December 2013), distributed as follows:

Real	REFER	REFER TELECOM	REFER PATRIMÓNIO	REFER ENGINEERING
	2 512	169	65	157
Change	- 28	- 8	- 1	- 11

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



The operating expenses/operating income ratio improved from 82% in 2013 to 98% in 2014, thanks to an increase in operating income (+9%) combined with a decrease in expenses (-10%).

REFER GROUP

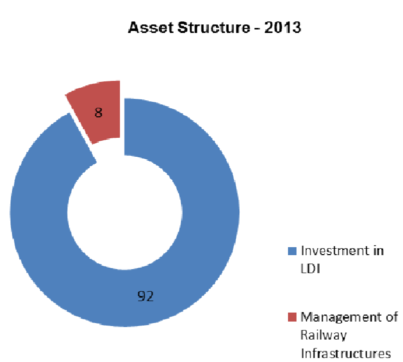
unit: thousand euro

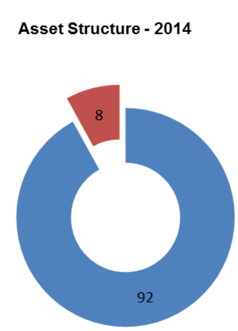
	2013	2014	Change	
			Absolute	%
Operating profit	- 41 265	- 3 995	37 270	90%
EBITDA	- 22 686	- 14 327	8 359	37%
Financial Results	- 55 745	- 72 052	- 16 307	-29%
Tax for the year	4 722	23 585	18 862	399%
Net Results	- 92 288	- 52 462	39 825	43%
Turnover	124 654	126 750	2 097	2%
Operating Revenues	183 550	199 195	15 645	9%
Operating expenses	- 224 815	- 203 190	- 21 625	-10%
Operating Income/Operating expenses	**82%**	**98%**		

The combined effect of better operating results (+EUR 37,270 thousand), worsening of financial results (EUR -16,302 thousand) and the positive effect of the recognition of deferred tax assets relating to deductible taxable differences (+ EUR 18,862 thousand) led to an improvement in the Group's net results, which amounted to -EUR 52,462 thousand in 2014 (as compared to -EUR 92,288 thousand in 2013).

Equity Structure

The Group's equity structure remained basically unchanged, in relative terms, in relation to 2013. Investment in LDI is the activity bearing the largest weight on total consolidated assets.





unit: thousand euro

Assets	31-dez-13	31-dez-14	Change	% Ch.
Management of Railway Infrastructure	**434 693**	**406 124**	**- 28 569**	**-7%**
Non current	71 828	170 275	98 448	137%
Current	362 865	235 849	- 127 016	-35%
Investment in Long Duration Infrastructure investments	**4 988 685**	**5 270 374**	**281 689**	**6%**
Grantor .- State - Account Receivable	4 973 985	5 253 070	279 085	6%
Inventories	13 993	16 600	2 607	19%
Clients and other accounts receivable	707	704	- 3	0%
Total assets	**5 423 378**	**5 676 498**	**253 120**	**5%**

The increase in consolidated assets (EUR 253,120 thousand) resulted of the combined effect of a rise in Investment in Long Duration Infrastructure (+EUR 281,689 thousand) and a decrease in Infrastructure Management activity (-EUR 28,569 thousand).

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".

unit: thousand euro

Management of Railway Infrastructure	31-dez-13	31-dez-14	Change	% Ch.
Non current	**71 828**	**170 275**	**98 447**	**137%**
Current	**362 866**	**235 849**	**- 127 017**	**-35%**
Clients and other accounts receivable	231 373	114 093	- 117 280	-51%
Cash and cash equivalents	103 103	93 948	- 9 155	-9%
Other	28 389	27 808	- 581	-2%
Total of Management of Railway Infrastructure Activity	**434 693**	**406 124**	**- 155 004**	**-36%**

The reduction recorded in Infrastructure Management activity results mainly from a decrease in Clients and other receivables (-EUR 117,280 thousand). This development is explained by the payment by CP of practically its entire debt, which stood at € 15,253 thousand at the end of 2014 (2013: € 146,161 thousand). A relevant part of this amount was received in December 2014, following the offsetting of balances, where each company made concessions to settle the disputed balances and sums, most of which dating from 2012.

unit: thousand euro

Liabilities	31-dez-13	31-dez-14	Change	% Ch.
Management of Railway Infrastructure	**2 337 076**	**2 691 922**	**354 846**	**15%**
Non current	1 518 026	1 207 818	- 310 208	-20%
Current	819 050	1 484 104	665 054	81%
Investment in Long Duration Infrastructure investments	**5 037 883**	**3 953 819**	**-1 084 064**	**-22%**
Non current	4 882 724	3 800 809	-1 081 915	-22%
Current	155 159	153 010	- 2 149	-1%
Total Liabilities	**7 374 959**	**6 645 741**	**- 729 218**	**-10%**

Total consolidated liabilities fell by EUR 729,218 thousand in relation to December 2013, following a decrease in non current liabilities allocated to in LDI resulting from the conversion of credit into statutory capital.

At equity level, it is worth noting the increase in statutory capital by EUR 1,034,800 thousand, of which EUR 795,056 thousand through conversion of the debt service associated with State Loans and EUR 239,744 through cash entries to meet the remaining debt service and part of the investment;

unit: thousand euro

Equity	31-dez-13	31-dez-14	Change	% Ch.
Share capital	451 200	1 486 000	1 034 800	229%
Reserves	- 99	- 99		0%
Other changes in equity - deferred taxes	- 26 260	0	26 260	-100%
Cumulative results	- 2 284 134	- 2 402 681	- 118 548	5%
Net profit/(loss) for the year attributable to sharehold	- 92 288	- 52 462	39 825	-43%
Total equity	**-1 951 581**	**- 969 243**	**982 338**	**-50%**

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 93.9 million, of which EUR 84.2 million were invested in special public debt certificates (CEDICs) with the IGCP, in line with provisions in the State's Treasury Unity Principle.

REFER

In 2014 REFER's financial management followed the directives of its shareholder, in line with the Company's budget and the State Budget for 2014, and its status of Reclassified Public Company.

In line with the previous year REFER managed its budget pursuant to Law 8/2013 (Law on Commitments and Overdue Payments), which requires that any expense must be subject to prior engagement, taking into account the appropriations allocated to the different budget lines recorded by REFER in the 2014 State Budget.

REFER's budget included in the 2014 State Budget as approved by Law 83-B/2013 of 31 December resulted from projected financial requirements in the amount of EUR 102,503 thousand.

These financing requirements - translated in State loans, were mainly meant to cover the deficit of infrastructure management activity (-€29,756 thousand)[1], working capital (-€58,958 thousand) and loans to GIL. Investment would be entirely financed by PIDDAC - Chapter 50, Community funds and capital increases in the amount of € 1,089,985 thousand, which would also allow covering the debt service.

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 in line with 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 determined 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 managed its activity bearing in mind the mitigation of fiscal implementation risks. The following events had a relevant impact in terms of expenses and revenues:

- Capital increase by € 1,034,800 thousand, of which € 795,056 thousand made through conversion of the debt service associated with State Loans and € 239,744 thousand through cash entries, to meet the remaining debt service and a portion of investment.

- Receivables in the amount of € 209,388 thousand from CP as settlement of its user fees.

- Payment to CP of € 40,451 thousand for the transfer of 14 railway freight terminals which were formerly operated by CP Carga.

- Payment to CP Carga of € 22,350 thousand, of which € 20,650 thousand concerned the assignment of the terminals' operation rights and € 1,700 thousand related to the acquisition of railway-related equipment.

- Return of Community funds in the amount of € 37,262 thousand relating to the refund of advance payments following financial corrections of expenses and financing deficits.

[1] Includes compensatory payments approved in the 2014 State Budget.

– Early settlement of the last existing swap, which had a notional value of €150,000 thousand. This settlement viewed to recover the market value of the swap, allowing for financial proceeds of € 3,417 thousand..

– User fees overdue by Fertagus at the end of 2014 totalled € 13,243 thousand.

While combining fiscal implementation with the materialisation of the events mentioned above, REFER revised its financial requirements over the year, reporting them to the Directorate-General for Treasury and Finance (DGTF) on a regular basis. Accordingly, on 27 May the company entered a loan with the Portuguese State in the amount of € 78,000 thousand, to be received in four tranches from May to September. REFER did not need to use the last tranche in the amount of € 14,000 thousand; accordingly, the amount owed for this loan totals EUR 64,000 thousand.

This resulted in a decrease in projected borrowing requirements via State loans, from €102,503 thousand to EUR 64,000 thousand.

EVOLUTION OF FINANCIAL DEBT

As mentioned above, in 2014 the company carried out increases in statutory capital by a total amount € 1.034.800 thousand. The operations consisted of conversion of credit and cash contributions and they aimed at covering the following financing needs:

- 2014 debt service associated with State Loans, in the amount of € 795,056 thousand (interest: € 79,282 thousand; principal: € 715,774 thousand) via conversion of credit;

- 2014 debt service associated with remaining financial debt in the amount of €234,830 thousand (interest:€ 143,569 thousand; principal: € 91,261 thousand) via cash contributions; and

- Investment in the amount of € 4,914 thousand, also through contribution in cash.

In May the Company contracted an additional loan with the State in the amount of € 64 million, to cover financing requirements associated with operational deficit.

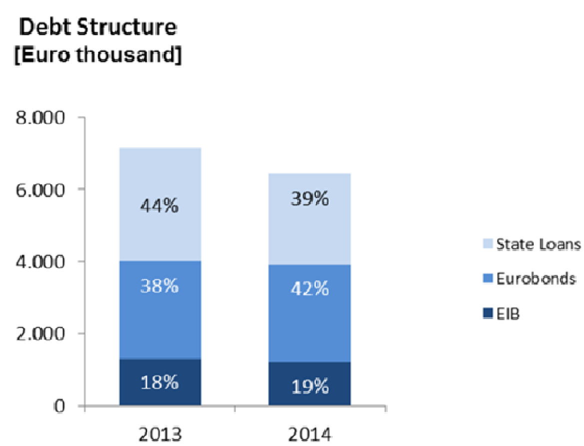
As result, REFER's debt stock improved by € 743,035 thousand, falling from € 7,160,943 million, in nominal terms, in 2013, to € 6,417,908 in 2014.

According to the formula to determine the increase in indebtedness as defined by DGTF[2], specifically taking into account the loans paid via the capital increases, as compared to 2013, REFER indebtedness rose by 4% meeting the threshold established in the State Budget for 2014.

In effective terms, REFER financial debt stock fell by 10% in relation to 2013.

In what concerns the evolution of the debt structure, it is worth noting a decrease in the relative weight of State loans from 44% in 2013 to 39% in 2014, and an increase in Eurobonds from 38% to 42%. This evolution is explained by the fact that bond loans are only repaid at maturity, whereas remaining loans were repaid, in part, through the increases in statutory capital.

At 31 December 2014 and 2013 REFER's debt structure was made up as follows:



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

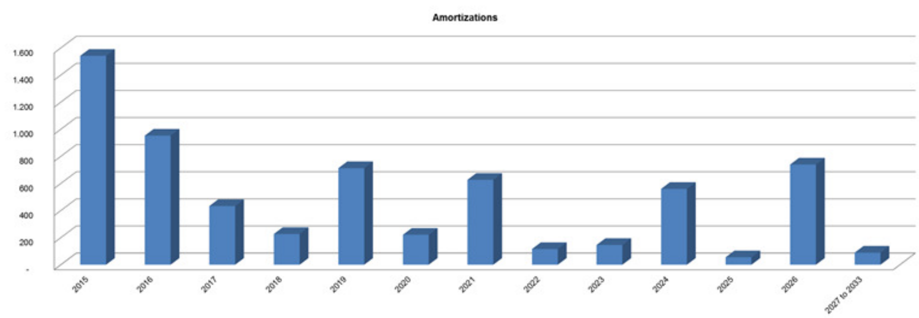
EIB loans entered for longer terms are subject to a repayment plan made up of equal or different but consecutive instalments, ensuring a smoother debt repayment profile.

The repayment of Eurobonds is made in a single principal instalment at maturity (bullet). As of the date of approval of this report REFER had already repaid the Eurobond 05/15 loan due in March 2015, in the amount of € 600 million; this

[2] According to notice nr. 7035 of 21 November, DGTF provides instructions to prepare provisional management tools for the 2014-2016 period, including the formula to calculate the increase in indebtedness and respective threshold for 2014 – 4%

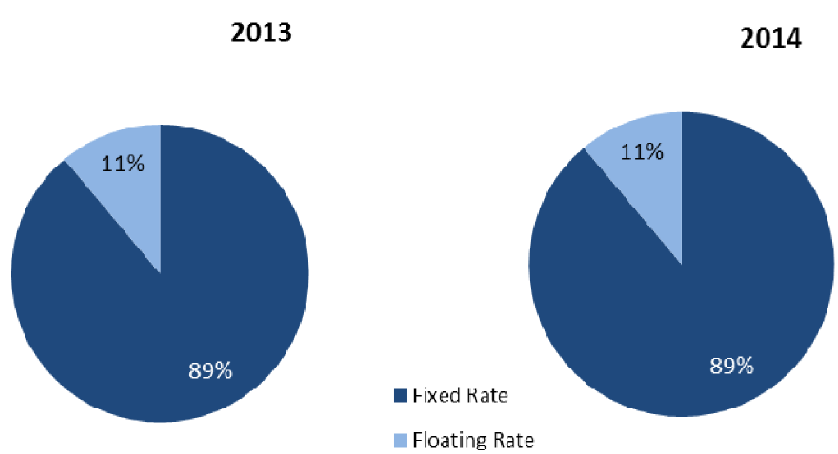
payment was financed by a capital increase in the amount of € 685,000 thousand carried out in March.

Repayment of the remaining 4 Eurobond loans will occur in 2019, 2021, 2024 and 2026, which will mean considerable refinancing risks, as illustrated in the following graph:



As mentioned above, the refinancing of debt has been insured by capital increase operations and the contracting of fixed rate loans with the State; this has enabled reinforcing the share of fixed rate debt as a % of overall debt and thus reduces interest rate risk.

At end of 2014 and 2013 the structure of the debt portfolio in terms of interest rate was as follows:



CASH AND LIQUID ASSETS

As mentioned above, the REFER Group ended the year with a cash balance of EUR 93.9 million, of which EUR 84.2 million were invested in special public debt certificates (CEDICs) with the IGCP, in line with provisions in the State's Treasury Unity Principle.

REFER ended the year with a balance of € 75,469 thousand, of which € 70,000 thousand were applied in CEDIC with IGCP, in compliance with the Principle of Unity of the State Treasury.

Since it is not possible to schedule with DGTF the financing operations and the capital increase provided for in the State Budget for 2015, it was deemed prudent to maintain sufficient liquidity to meet obligations due in the first months of the year, including total debt service for 2015.

Considering that at the end of 2013 the balance of cash and liquid assets amounted to € 73,612 thousand, REFER has adequately managed its financial resources, aimed at obtaining a desirable balance between fund raising and needs to face financial obligations throughout the year.

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 Duration Infrastructure reflected in the Statement of Financial Position. This approach gives a true view of the Group’s performance in terms of debt and risk management.

The following table illustrates the Group's financial performance in 2013 and 2014:

unit: thousand euro

	2013	2014	Ch.
Financial Results from Investment Activity	**-156.857**	**-148.231**	**8.626**
Financial gains			
Financial losses	-156.857	-148.231	8.626
Financial Results from Infrastructure Management Activity	**-69.782**	**-72.085**	**-2.304**
Financial gains	257	1.248	991
Financial losses	-70.039	-73.333	-3.294
Financial Results from Hedging Activity	**14.037**	**34**	**-14.003**
Interest earned on derivatives	36.708	5.440	-31.268
Interest paid on derivatives	-54.777	-2.023	52.754
Change in the fair value of derivatives - Gains	48.350		-48.350
Change in the fair value of derivatives - Losses	-16.244	-3.383	12.861
Overall Financial Result	**-212.602**	**-220.283**	**-7.681**
Allocated amount - State Grantor*	156.857	148.231	-8.626
Financial result (Income Statement)	**-55.745**	**-72.052**	**-16.307**

In 2014 Global Financial Results stood at -€220,318 thousand, which can be broken down as follows:

- Financial Results allocated to Infrastructure Management Activity (IM): - € 72,085 thousand;
- Financial Results allocated to Investment Activity (LDI): € 148,231 thousand;
- Financial Results from Hedging Activity: practically null.

As compared to 2013, Global Financial Results deteriorated by € 7,681 thousand.

This change resulted mainly of a decrease in results from hedging activity, by -€ 14,003 thousand, which was partly offset by the positive combined effect of financial results related to Investment and Infrastructure Management Activities (+ € 6,322 thousand).

As mentioned above in January 2014 REFER repaid the last swap it held, which had a notional value of € 150 million, having obtained financial proceeds of € 3,417 thousand.

The decrease in financial expenses by €5,284 thousand was driven by a reduction in financial debt, in nominal terms, a refinancing policy via State loans at average interest rates lower than the average rate of remaining debt, and revision on 15

September of the interest rate on the REFER VI loan, which moved from 2.976% to 2.271%; this operation had a favourable impact on financial expenses in the last quarter of the year.

At the end of 2014 financial debt, in nominal terms, amounted to € 6,417,908 thousand, which means a reduction by € 743,036 thousand in relation to December 2013.

As for the decrease in the amount chargeable to the Grantor in 2013 and 2014, the largest contribution stemmed from a decrease in the stock of financial debt to hedge investment in LDI, with consequent impact on financial expenses charged (debited) to this activity.

The following table shows the evolution of the annual average interest rate for the 2006-2014 period:

Annual average financing rate

	2014	2013	2012	2011	2010	2009	2008	2007	2006
Average rate except hedging	**3.23%**	**3.23%**	**3.99%**	**4.17%**	**3.39%**	**3.53%**	**4.84%**	**4.43%**	**3.53%**
MLT	3.23%	3.23%	3.92%	3.81%	3.54%	3.68%	4.79%	4.40%	3.53%
ST	0.00%	0.00%	9.97%	4.99%	2.58%	2.67%	5.03%	4.80%	3.54%
Average rate including hedging	**3.23%**	**3.43%**	**4.20%**	**4.14%**	**3.47%**	**3.33%**	**4.23%**	**4.10%**	**3.79%**
MLT	3.23%	3.43%	4.14%	3.78%	3.64%	3.45%	4.04%	4.04%	3.86%
ST	0.00%	0.00%	9.97%	4.99%	2.58%	2.67%	5.03%	4.80%	3.54%
Average 6-month Euribor	**#REF!**	**0.34%**	**0.33%**	**1.64%**	**1.08%**	**1.43%**	**4.73%**	**4.35%**	**3.28%**

Final Note

The ongoing merger operation will certainly give rise to added and important challenges in what concerns the financial management of the new company.

In order to achieve a sustainable financial model capable of relieving taxpayers and future generations, the "new" company will have to act promptly on a set of levers to reduce debt and boost revenues.

The important level of investment projected for the 2014-2024 period as established in the Strategic Infrastructures and Transport Plan (PETI3+) approved in April 2014 will require an ambitious fundraising effort directed to Community financing, combined with State aid, to help reining in the pace of indebtedness growth.

On the other hand, measures adopted in 2014 and projected for 2015 concerning the conversion of the stock of historical debt into capital should be maintained, in order ensure the adequacy of the capital structure of the "new" company to the assets which it will be managing.

Internal Control and Risk Management

Relevant measures viewing the strengthening of internal control and risk management mechanisms continued to be implemented in 2014, showing the importance paid by REFER to these areas.

Among these measures, two stand out: revision of the Group's Business Plan for 2014-16 which gave rise to the 2015-2015 Plan, and consolidation of the organisational model to support the strategic goals set forth.

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

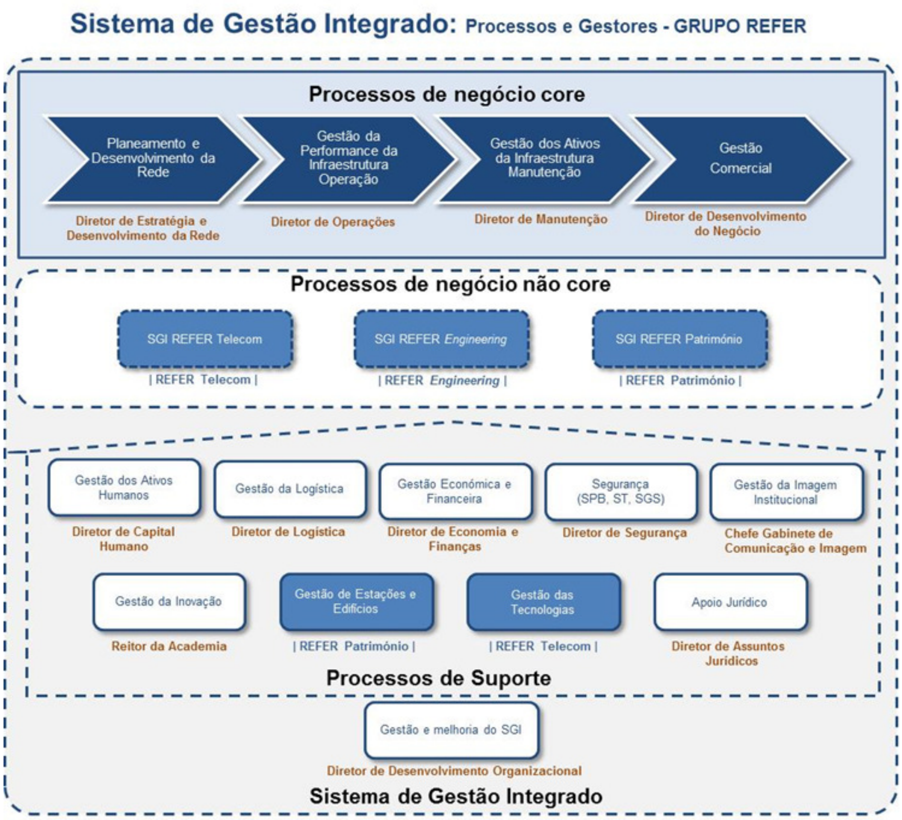
- Implementation of an integrated management system (IMS);
- Implementation of management control system;

Integrated management system

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

Internal audits were made to all macro processes (according to ISO 9001), leading to a systematic review of any deviation and respective causes, and the definition of corrective actions to improve performance.

Within the same spirit, an audit was carried by an independent body accredited by the Portuguese Certification Institute (IPAC), which confirmed that REFER's IMS complies with ISO 9001 as concerns Railway Management activities.



Performance control was carried out with the assistance of macro processing managers, IMS delegates and controllers during the process control meetings (PCM) held every four months throughout 2014.

At the same time, the company's internal portal was restructured to allow associating internal rules (manuals, procedures, instructions) to macro processes and thus facilitate the search of relevant documentation. Revision of this internal regulation is still under way.

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

This approach was strengthened 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 integrating a group of controllers.

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 joint collaboration contributed in a very positive way to the regular collection and analysis of indicators, which were subsequently discussed during control meetings.

This new model introduced and ensured a consistent practice for management control and performance.

Mechanisms were implemented for the disclosure of financial information, such as monthly sector and corporate reports, including the monitoring of the Business Plan and Budget, (quarterly) monitoring of indicators for subsequent reporting to the relevant Ministries, follow up of unusual transactions or transactions made outside normal market conditions.

Internal Audit is a management support-tool, providing analyses, assessments and recommendations concerning organisation activities.

In particular, in what concerns the type and scope of audits performed by the Internal Audit Division, the following are worth pointing out:

a) Management / operational audits, which view to:
    (i) verify the conformity of activities/processes developed by the different units with plans/standards; and
    (ii) assess processes, based on the 3 "E" (economy, efficiency, efficacy);

b) Audits requested directly by the Board of Directors, consisting mainly of examining facts / diagnosing.

The activity/reports of this Division thus contribute to the fulfilment of good governance practices and the strengthening of internal control and risk management.

Financial Risk

Group REFER'S activities are subject to risk factors of financial nature, namely credit risk, liquidity risk and interest rate risks.

Decree-law 133/2013 of 3 October introduced changes to the autonomy of reclassified public companies (EPR) in what concerns access to funding with the financial system and the use of derivative financial instruments for risk management purposes.

In fact, Article 29 of the said Decree-law determines that EPRs cannot access funding with financial institutions, unless it is a multilateral financial institution (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)).

Credit risk

Group REFER is subject to credit risk.

Credit risk is associated with another party defaulting on its contractual obligations thus giving rise to financial losses. 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: NOS, Onicomunications and Cogent Comunications Portugal.

- valuation of public railway property: EMEF - Empresa de Manutenção de Equipamento Ferroviário, Eurest Portugal, RED Portuguesa, Café e Companhias and Jardim das Tágides.

Credit risk associated with operational activity is mainly related to failure to comply with the commitments entered into for services rendered by the **REFER Group**. CP is the main counterparty, as exclusive passenger transport operator for the entire network, except for the 25 de Abril Bridge crossing, which is operated by Fertagus.. 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.

As for credit risk associated with financial activity, the **REFER Group** is exposed to the national banking sector where it holds demand deposit accounts and up to January 2014, to the foreign banks with which it contracted derivative financial instruments. So far the **REFER Group** did not record any impairment resulting from the non compliance with any contractual obligations with banks; in what concerns derivative financial instruments, as of the date of the financial statements, this risk was null as all such contracts were fully settled.

Liquidity Risk

The entire Group is subject to liquidity risk.

This type of risk is measured by the capacity to obtain financial resources to meet obligations to the different economic agents with whom the Group interacts, such as suppliers, banks, the capital market, etc. This risk is measured by the liquidity which the Group has available to meet such liabilities and its capacity to generate cash-flows from is operations.

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 became directly financed by the Portuguese State; as result, REFER's liquidity risk reduced significantly.

Interest rate risk

Within Group REFER, the only companies subject to interest rate risk are REFER and GIL.

In January 2014 REFER early terminated the only swap operation it still held in its portfolio. Formerly, REFER’s counterparties in derivative contracts were national and international financial institutions of high rating and credibility. Operations were covered by ISDA contracts according to international standards. The main objective of interest rate risk management is to ensure protection against increases in rates; insofar as REFER’s revenue was immune to this variable any natural hedging was prevented.

Capital risk

As for capital management, which is a broader concept than the capital shown on the Statement of Financial Position, REFER aims at safeguarding the continuity of the Group's operations.

Following analysis of financial requirements in terms of investment and operations translated in the projected volume of State contributions and EU aid, REFER establishes its financing plan; over the past few years, this financing plan has allowed strengthening its capital structure.

In 2014 the Group carried out capital increases in the amount of € 1,034.8 million, of which € 795 million via conversion of debt service relating to State loans and € 239.7 million via cash contributions; as of 31 December 2014 the statutory capital was of € 1,486 million.

Additionally, the company received from the State, via the State Budget, medium and long term loans totalling € 64 million to meet its operational deficit requirements.

Operational risk

Main associated risks are safety problems and disruptions to railway operations, which may result from:

- Failure to comply with operation regulation;
- Errors in the scheduling of service orders; equipment failures (signalling, tracks, overhead line, etc.) or failures in command and control equipment;
- Delays/Disturbances to schedules
- Failure in the supply of operating data.

Following the assessment of the risk level, mitigation measures were laid down, including, among others, personnel training and awareness raising actions, revision of data and indicators and development of software application eSGO (event management system)

Legal risk

This risk is associated with deficient committal proceedings, loss of documents, fragile evidence.

In this regard, risk sources are:

- Causes which may be external or internal to the legal division;
- Loss of documents;
- Problems in obtaining proof.

In order to mitigate the risks pointed out above, the following mitigation measures were established: creation of control mechanisms, such as check-lists, awareness-raising actions, creation of internal procedures to ensure immediate record and distribution of information, creation of internal procedure to fix and control deadlines, based on the SAP alert system.

Outlook

During 2014 the REFER Group consolidated its corporate reorganisation, and it is now ready to face forthcoming challenges.

Specifically, the Strategic Plan for Transports and Infrastructures (PETI) established a number of strategic objectives for the transport sector, comprising the following:

- 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.

In 2014 the Group continued its internationalisation efforts started in the previous year, which are already bearing fruit; at the same time it has banked on new markets and accepted new challenges viewing to diversify its business risk.

2015 will thus be a year of increased challenges. The merger of REFER, E.P.E and Estradas de Portugal - E.P. is now under way; it should permit a new approach to the management of road and railway infrastructures, and will certainly have impact on the activity of the REFER Group.

Lisbon 28th May 2015

THE BOARD OF DIRECTORS

Chairman	António Manuel Palma Ramalho
Vice-chairman	José Luís Ribeiro dos Santos
Member	José Saturnino Sul Serrano Gordo
Member	Alberto Manuel de Almeida Diogo
Member	Vanda Cristina Loureiro Soares Nogueira
Member	José Carlos de Abreu e Couto Osório
Member	Adriano Rafael de Sousa Moreira

MANAGEMENT REPORT
Notes to the Financial Statements

2014

PART II
NOTES TO THE FINANCIAL STATEMENTS

PART II

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

REFER reports are all available at **www.refer.pt**

Contents

STATEMENT OF COMPLIANCE

(as provided in Article 245 no. 1 sub-paragraph c) of the Securities Code)

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; moreover, the management report relating to the company activity in 2014 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	António Manuel Palma Ramalho
Vice-chairman	José Luís Ribeiro dos Santos
Member	José Saturnino Sul Serrano Gordo
Member	Alberto Manuel de Almeida Diogo
Member	Vanda Cristina Loureiro Soares Nogueira
Member	José Carlos de Abreu e Couto Osório
Member	Adriano Rafael de Sousa Moreira

(Amounts in € thousand)

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2014 AND 2013

Assets	Notes	31-Dec-2014	31-Dec-2013
Management of Railway Infrastructure		**406 124**	**434 693**
Non current			
Tangible fixed assets	7.1.	111 116	47 725
Investment properties	7.2.	6 316	6 001
Intangible assets	7.3.	28 417	2 222
Investments in associates and joint arrangements	7.4.	0	0
Available-for-sale financial assets	7.6.	32	32
Loans and other accounts receivable	7.7.	966	985
Deferred tax assets	7.11.	23 428	14 863
		170 275	71 828
Current			
Derivative financial instruments	7.9.	0	3 383
Inventories	7.8.	27 144	22 584
Clients and other accounts receivable	7.10.	114 094	231 373
Income tax refund	7.11.	663	2 422
Cash and cash equivalents	7.12.	93 948	103 103
		235 849	362 865
Activity in long term Infrastructure investments		**5 270 374**	**4 988 685**
Current			
Grantor .- State - Account Receivable	6.1.	5 253 070	4 973 985
Inventories	6.2.	16 600	13 993
Clients and other accounts receivable	6.3.	704	707
		5 270 374	4 988 685
Total assets		**5 676 498**	**5 423 378**

To be read jointly with the Notes to the Consolidated Financial Statements

(Amounts in € thousand)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2014 AND 2013 (Continued):

Equity and Liabilities	Notes	31-Dec-14	31-Dec-13
EQUITY			
Share capital	7.13.	1 486 000	451 200
Reserves		- 99	- 99
Other changes in equity - deferred taxes	7.11.	0	- 26 260
Cumulative results		- 2 402 682	- 2 284 134
		- 916 781	- 1 859 293
Net profit/(loss) for the year attributable to equity holders		- 52 462	- 92 288
Shareholders' Equity attributable to Equity Holders		**- 969 243**	**- 1 951 581**
Non controlling interests		0	0
Total equity		**- 969 243**	**- 1 951 581**
LIABILITIES			
Management of Railway Infrastructure		**2 691 922**	**2 337 076**
Non current			
Borrowings	7.14.	1 155 763	1 467 414
Suppliers and other accounts payable	7.15.	2 282	2 907
Subsidies	7.17.	25 336	0
Provisions	.7.16.	24 335	21 445
Deferred tax liabilities	7.11.	102	26 260
		1 207 818	1 518 026
Current			
Borrowings	7.14.	1 413 174	742 872
Suppliers and other accounts payable	7.15.	68 432	68 678
Subsidies	7.17.	371	0
Income tax payable	7.11.	2 127	7 500
		1 484 104	819 050
Activity in long duration infrastructure investments		**3 953 819**	**5 037 883**
Non current			
Borrowings	6.5.	3 800 809	4 882 724
		3 800 809	4 882 724
Current			
Borrowings	6.5.	91 261	91 261
Suppliers and other accounts payable	6.4.	61 749	63 898
		153 010	155 159
Total Liabilities		**6 645 741**	**7 374 959**
Total equity and liabilities		**5 676 498**	**5 423 378**

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

(Amounts in € thousand)

CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2014 AND 2013

Headings	Notes	31-Dec-14	31-Dec-13
Sales and services	8.	126 750	124 654
Changes in inventories of finished works		- 115	0
Operating subsidies	9.	40 493	43 700
Cost of materials consumed	7.8.	- 5 291	- 6 646
Supplies and services	10.	- 87 312	- 88 147
Personnel expenses	11.	- 98 408	- 107 298
Depreciation and amortisation for the year		- 5 415	- 5 647
Provisions	12.	- 3 012	- 8 116
Impairments	13.	18 759	- 4 816
Other expenses	14.	- 22 397	- 4 019
Other income	15.	31 953	15 196
Gains/Losses on associates/ Joint undertakings Controlled		0	- 126
Operating profit/(loss)		- 3 995	- 41 265
Financial losses	16.	- 226 970	- 297 917
Financial gains	16.	154 918	242 172
Results before income tax		- 76 047	- 97 010
Income tax for the year	7.11.	23 585	4 722
Net profit for the year		**- 52 462**	**- 92 288**
Attributable to non controlling interests		**0**	**0**
Attributable to equity holders		**- 52 462**	**- 92 288**

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

NOTE:

REFER does not present Earnings per Share, as it is excluded from the scope of application of the IAS; this stems from the fact of the company's share capital holding the form of "Statutory Capital" fully held by the Portuguese State, not represented by shares or any other type of securities.

(Amounts in € thousand)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AT 31 DECEMBER 2014 AND 2013

STATEMENT OF COMPREHENSIVE INCOME	Notes	2014	2013
Results recognised directly in the income statement		**- 52 462**	**- 92 288**
Other comprehensive income			
Non-recyclable items in results			
Transition differences - deferred taxes	7.11.		- 26 260
		0	**- 26 260**
Recyclable items in results			
		0	**0**
			0
Comprehensive income		**- 52 462**	**- 118 548**
			0
Attributable to equity holders		**- 52 462**	**- 118 548**
Attributable to non controlling interests		**0**	**0**

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

(Amounts in € thousand)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER 2014 AND 2013

	Share capital	Reserves	Other changes in equity	Cumulative results	Results recorded in the Income statement	non controlling interests	Total
Balance at 31 December 2012	**430 200**	**- 99**	**0**	**- 2 189 262**	**- 94 872**	**1 062**	**- 1 852 971**
Contribution from statutory capital	21 000						21 000
Appropriation of results for 2012:				**- 94 872**	**94 872**		0
Transition differences - deferred taxes			**- 26 260**				- 26 260
Changes in perimeter						**- 1 062**	- 1 062
2013 Comprehensive Results					**- 92 288**		- 92 288
Balance at 31 December 2013	**451 200**	**- 99**	**- 26 260**	**- 2 284 134**	**- 92 288**	**0**	**- 1 951 581**
Contribution from statutory capital	1 034 800						1 034 800
Appropriation of comprehensive results for 2013				- 92 288	92 288		0
Transition differences - deferred taxes			26 260	- 26 260			0
2014 Comprehensive Results					- 52 462		- 52 462
Balance at 31 December 2014	**1 486 000**	**- 99**	**0**	**- 2 402 682**	**- 52 462**	**0**	**- 969 243**

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

(Amounts in € thousand)

CONSOLIDATED CASH FLOW STATEMENT AT 31 DECEMBER 2014 AND 2013

Caption	Notes	31-Dec-2014	31-Dec-2013
Operating Activities			
Cash receipts from clients		237 037	30 685
Cash paid to suppliers		- 111 370	- 111 324
Cash paid to personnel		95 107	- 102 265
Flows generated by operations		30 560	- 182 904
CIT (paid)/received		- 10 453	- 1 905
Other receipts/payments relating to operating activities		36 555	54 738
Net cash from operating activities (1)		**56 662**	**- 130 071**
Investing activities			
Cash receipts relating to:			
Investment subsidies		11 747	87 246
Other financial assets		0	173
Financial investments	5	2 135	0
		13 882	87 419
Cash payments relating to:			
Financial investments		0	- 4 405
Tangible assets		- 141 933	- 72 581
		- 141 933	- 76 986
Net cash from investing activities (2)		**- 128 051**	**10 433**
Financing activities			
Cash receipts relating to:			
Borrowings		64 000	825 542
Capital contribution	7.13	1 034 800	21 000
Interest		6 898	36 830
		1 105 698	883 372
Cash payments relating to:			
Borrowings		- 807 206	- 609 913
Interest and similar costs		- 229 447	- 287 539
		- 1 036 653	- 897 452
Net cash from financing activities (3)		**69 045**	**- 14 080**
Variation in cash and cash equivalents (4) = (1) + (2) + (3)		**- 2 344**	**- 133 718**
Cash and cash equivalents at the end of the period	7.12	93 937	96 281
Cash and cash equivalents at the beginning of the year	7.12	96 281	229 999
Variation in cash and cash equivalents		**- 2 344**	**- 133 718**

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

Lisbon, 28th May 2015

The Board of Directors

Chairman António Manuel Palma Ramalho

Vice-chairman José Luís Ribeiro dos Santos

Member José Saturnino Sul Serrano Gordo

Member Alberto Manuel de Almeida Diogo

Member Vanda Cristina Loureiro Soares Nogueira

Member José Carlos de Abreu e Couto Osório

Member Adriano Rafael de Sousa Moreira

Financial Manager

Maria do Carmo Duarte Ferreira

The Official Accountant

Isabel Rasteiro Lopes

Notes to the Consolidated Financial Statements for the years ended at 31 December 2014 and 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 is subordinated to the Ministry of State and Finance and the Ministry of Economy. It was established pursuant to Decree-law 104/97 of 29 April.

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 and **GIL** – Gare Intermodal de Lisboa, S.A., connected to the management of Estação do Oriente.

The REFER Group also holds stakes in two joint undertakings, **AVEP** – Alta Velocidade de Espanha e Portugal A.E.I.E., in partnership with ADIF – Administrador de Infraestruturas Ferroviárias (Spanish company), to study the Madrid-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 Duration Investment (LDI)

This mission covers investments associated with:

- 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 the investments made is obtained by **REFER** and may be in the form of loans with financial institutions and the financial market, suppliers, capital contributions and subsidies.

- Infrastructure Management - Investment in Support and Management Structures (EAG)

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.

This covers operating investments bearing no implications on railway concessions and operation (e.g. furniture and information equipment).

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 to provide the public service of managing the overall national rail network and 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 5 December, by the IMTT.

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 railway emergency assistance under the terms provided in article 51 of Decree-Law 270/2003, re-published as Decree-law 231/2007 as amended by Decree-Law 151/2014.

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.
- Charges per channel suppressed due to the Operator are limited to thirty days as from the first day of suppression.

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 over 1 hour.

User Fees for Auxiliary Services

a) Supply of information of commercial nature

Messages disclosed via television circuit and voice advertising, according to the human resources made available

b) Availability of operational facilities in stations

Availability of operational facilities at stations is charged according to occupied areas and type of station, irrespective of the type of occupation.

c) Availability of areas for installing equipment in common areas in stations

The fee applicable for spaces available in common areas in stations is determined by **REFER** based on the estimated energy consumed by respective equipment.

d) Manpower for the supply of diesel or water

Services charged according to the manpower used

e) Remaining auxiliary services

Services involving the use of **REFER** workforce are invoiced according to the human resources used and the professional categories of the workers concerned.

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 hereinbelow 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 (via concession contracts with **REFER** and sub-concessions with CP CARGA and TRANSTEJO).

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, 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 deployed in mainland Portugal linking to its counterpart Spanish network. The merger of the company's activity into **REFER** started in 2011 was completed in 2013.

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

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.

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 Improvement of the Atlantic Corridor front

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 2014 and 2013, 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 28th May 2015, where it was decided to submit them to the approval of the relevant Ministers. 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, performance and cash flows.

All amounts are expressed in thousand Euros (€k), 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 2014.

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 2014 and 2013 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

Equity holdings in companies where the Group directly or indirectly holds over 50% of voting rights at the General Shareholders Meeting and/or has the power to influence their financial and operational policies (definition of control adopted by the Group), were included in these financial statements according to the full consolidation method. Companies consolidated according to the full consolidation method are described in Note 4.

Equity and net results corresponding to third parties' holdings in subsidiaries are presented separately in the consolidated statement of financial position and consolidated income statement under caption non controlling interests. Losses and gains of non controlled equity holdings, if any, are recognised by respective companies. 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 of cost over the fair value of the identifiable net assets and liabilities acquired is recorded as goodwill (notes 5 and 7.3). Any negative difference between acquisition cost and the fair value of acquired net assets and liabilities is recognised as gain for the year,

When as of the date of acquisition the Group already has a holding previously acquired, the fair value of such holding will be taken into account to determine the goodwill or negative goodwill.

Transition costs directly attributable to business combinations are recognised in the income statement.

Non-controlling interests include their proportion of the fair values of identifiable assets and liabilities recognised upon acquisition of subsidiaries.

The results of subsidiaries acquired or sold during the year are included in the consolidated income statement from the date of their acquisition to the date or of exercising of control until the date of disposal.

Subsequent disposal or acquisition transactions of holdings in non controlling interest that do not imply a change in control, will no longer result in the recognition of gains, losses or goodwill, and any difference between the transaction value and the book value of the transacted holding will be recognised in Equity.

Where necessary, the financial statements of subsidiaries will adjusted to incorporate the accounting policies used by the Group.

Transactions (including any gain or loss deriving from the disposal between Group companies), balances and dividends distributed between Group companies will be eliminated in the consolidation process.

Financial investments in joint arrangements

According to IFRS 11 - Joint arrangements, a joint arrangement is an arrangement where two parties or more have joint control.

A joint arrangement has the following characteristics:

i) The parties are bound by a contractual arrangement; and
ii) The contractual arrangement gives two or more of those parties joint control of the arrangement.

According to the said standard, a joint arrangement is a joint operation or a joint venture.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. These parties are known as joint operators.

A joint operator recognises in relation to its interest in a joint operation:

i) its assets, including its share of any assets held jointly;
ii) its liabilities, including its share of any liabilities incurred jointly;
iii) its revenue from the sale of its share of the output of the joint operation;
iv) its share of the revenue from the sale of the output by the joint operation; and
v) its expenses, including its share of any expenses incurred jointly.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets relating to the arrangement. These parties are known as joint venturers.

Investments in associated companies, jointly controlled companies and other subsidiaries

Investments in associated companies (companies where the Group exercises significant influence but does not establish financial and operational policies) usually corresponding to holdings between 20% and 50% in a company's share capital) are accounted for in accordance with the equity method.

Investments in affiliated companies (companies where the group does not exercise significant influence or control, usually when holding less than 20%) are accounted for at fair value or acquisition cost, in cases where it has no listed share capital and the fair value cannot be reliably measured.

Investments in affiliated companies are classified as assets available for sale, according to IAS and they are recognised as non current assets.

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).

Any excess of acquisition cost over the fair value of identifiable assets and liabilities as of acquisition date is recognised as goodwill and included in the amount of the investment in associates. 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.

Investments in associated companies and available-for-sale assets are described in Note 4.

Goodwill

Differences between the acquisition cost of investments 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 concerning 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 statement of financial position as deduction to the corresponding asset's carrying value and in the 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.

On disposal of a subsidiary, jointly controlled entity or associate, the goodwill allocated to that investment is included in the determination of the gain or loss,

2.2.2 Long Duration Investments Activity (LDIs) – 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, the majority of which are secured by the State, with **REFER** playing the role of "agent" in this activity.

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 Duration Investment Activity relies on the existence of a concession arrangement between the State (Public Entity) and **REFER** (considered as private entity although its sole shareholder is the State), 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 endorsement 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:

- **REFER** is a profit-making company subject to provisions in the Companies Code; notwithstanding its shareholder being the State, the company was incorporated based on a specific regime and holds equity independence in relation to its shareholder, and cannot therefore not be subject to IFRIC 12 according to its paragraph 4;
- The decree-law which created **REFER** may, in substance, be considered as 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; and
- 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:

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

- 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.

- "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 LDIs. 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** determined the value of the concession, based on the principle of substance over form and existing law, and on the following assumptions:

- The Base Law on the Land Transportation System and Infrastructure Maintenance and Supervision – Law 10/90 - which establishes in number 3 of article 11 the compensation due by the State for the full infrastructure construction, maintenance and supervision costs, 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 (...)

- PETI3+ - Strategic Plan for Transports and Infrastructures (2014-2020 horizon).

PETI3+ "…is a revision of PET 2011-2015, including a second phase of structural reforms to be made in this sector, as well as a set of investments in transport to be carried out until the end of this decade. It is estimated that 61% of priority railway projects can be financed through community funds and 39% through public funds. "Where any assets are withdrawn from the public railway domain, the profit or loss will be allocated to this activity, as established in each withdrawal order.

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

The financial asset is 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 of 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 relating to the loans contracted to finance the concession.

Long Duration Infrastructures ("LDIs")

Tangible fixed assets classified as long duration 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 duration infrastructures investment activity” in the statement of financial position, since they do not qualify as assets controlled by the company. In addition to the acquisitions and construction made subsequent to the split-off of CP, these assets also include the assets of extinguished departments and property transferred from CP, which is deemed as "public domain assets".

The use of LDIs 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 the Statement of Financial Position of the **REFER Group** concern equipment used for infrastructure management purposes and not allocated to long duration 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 are recognised in the statement of comprehensive income.

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 important annual depreciation rates (in %) are as follows:

Name	%
Land	Non depreciated
Buildings and other constructions	1 to 2
Basic equipment	3.33
Transport equipment	25
Tools and utensils	12.5
Administrative equipment	12.5
Other tangible assets	12.5

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

Leasing

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.

Operational Leases - Group REFER as lessee

Assets used under lease contracts relative to which the Group 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).

2.2.4 Intangible assets

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

Intangible assets recognised in the 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 properties

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.

The Group performs internal evaluations in order to: i) comply with IAS 40 disclosure requirements, and ii) verify any impairments resulting from the loss in the value of assets as against their book value.

Costs incurred with investment property, namely management and maintenance costs, insurance and property tax (IMI) are recognised in the comprehensive income statement for the year they concern. Improvements that are estimated to generate additional 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. In the specific case of buildings, they are amortised over 50 years (2%/year).

Impairments

Impairments are recognised in the income statement for the year they concern and are determined based on the discount of estimated future rents corrected of any maintenance expenses, taking into account expected risk rate.

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 will correspond to their market value, when available; where not available, it will be 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 2014 the **REFER Group** had no derivative financial instrument.

2.2.7 Financial assets

The **REFER Group** 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.

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 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 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:

- The **REFER Group** intends to keep 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 the **REFER Group** 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 the utilisation value and the fair value, 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 Duration Infrastructure Investment Activities. These inventories are shown in the consolidated statement of financial position in the “long duration infrastructure investment activities” item (Note 6.2).

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.

Products and works in progress further include expenses with projects concerning future contracts. Such expenses are recognised under this caption provided they are likely to be recovered in the future, as they correspond to an amount due by clients.

2.2.11 Cash and cash equivalents

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 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.

2.2.13 Non current loans

The **REFER Group** 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.

The **REFER Group** holds medium and long-term loans, in the form of bilateral loans and bonds, to finance the construction of long duration infrastructures (LDI) and the infrastructure management activity. Loans to finance the building of LDI are recognised on the statement of financial position in caption "Investment in Long Duration Infrastructure Activities" (Note 6.5)

2.2.14 Suppliers and other accounts payable

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

The balances of suppliers and other creditors refer to the balances of payables to suppliers of **REFER Group**'s operating activities. The balances of suppliers relating to the acquisition/construction of Long Duration Infrastructure activities are recorded in the consolidated statement of financial position, in the corresponding item (see note 6.4).

2.2.15 Impairments and Provisions

Impairments are recognised when losses in the assets are recorded in the 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 will be required to liquidate the obligation.

The **REFER Group** records provisions for legal processes in progress and for which it is highly probable that they may imply outflows from the company (notes 7.16 and 12). This is an estimated value of the liabilities.

2.2.16 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”.

REFER Group'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).

2.2.17 Income tax

Income tax for the period comprises current and deferred tax. Income tax is recognised in the income statement, except when it concerns gains or losses recognised directly in equity, in which case it is also recognised directly in equity The amount of current income tax payable is determined based on results before tax, adjusted to the tax criteria in force at reporting date.

Deferred tax is recognised when there are differences between the book value of assets and liabilities at a specific moment and their value for tax purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences, while deferred tax assets are only recognised for:

i) taxable temporary differences which are expected to be reversible in the future, or
ii) when there are deferred tax liabilities the reversal of which is estimated to occur at the same time as the deferred tax assets.

Tax Group

In March 2014 the **REFER Group** adopted the special taxation system for holding companies ("RETGS").

The tax group comprises all companies registered in Portugal in which **REFER** (parent company of the **REFER Group**) holds a stake of at least 75%, under the terms of provisions in article 69 and following of the Corporate Tax Code (IRC), specifically the following:

REFER, E.P.E.

REFER PATRIMÓNIO S.A.

REFER TELECOM, S.A.

REFER ENGINEERING, S.A.

2.2.18 Foreign currency transactions

Foreign currency transactions are translated into thousand 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.

(Amounts in € thousand)

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

(euros)

Currency	31-Dec-14	31-Dec-13
Swiss Franc (CHF)	1,20	1,23
Swedish Krone (SEK)	9,39	8,86

2.2.19 Subsidies

Investment subsidies assigned to **REFER Group** are initially recognised when it is reasonably certain that the respective subsidy will be received. The subsidy is subsequently amortised in the proportion of the depreciation of the subsidised tangible fixed assets in compliance with IAS 20 - State Subsidies.

Operation subsidies are recognised in the statement of comprehensive income 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.

2.2.20 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.

The **REFER Group** 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 should report the information concerning each identified business segment separately, which results from the aggregation of two or more segments with similar economic characteristics, or which exceeds the quantitative parameters stipulated in the IFRS 8 – Business Segments.

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

The **REFER Group** has four operating segments as described in Note 17.

2.2.21 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 the **REFER Group**, or under common control. Related entities also include those entities in which the **REFER Group** holds an interest that grants it significant influence.

In note 20 the **REFER Group** discloses the balances and transactions with related entities which it controls or over which it holds significant influence as of 31 December 2014. In relation to public entities with which the **REFER Group** 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 20.4).

2.3 Main estimates and judgements used for preparing the financial statements.

In the preparation of the consolidated financial statements according to IFRS, the Board of Directors uses judgements, estimates and assumptions which affect the application of policies and reported amounts. Estimates and judgements are continually evaluated based on the historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates used are based on the best information available during the preparation of consolidated financial statements, however, events may occur in subsequent periods that were not expectable as of the date of this statements and therefore, were not considered in such estimates. Changes to estimations after these financial statements date will be prospectively corrected through profit or loss in accordance with IAS 8.

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

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

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 such receivables, the seniority of the balances, cancellation of debts and other factors. There are other circumstances and facts that may alter estimated impairment losses of receivables in the face of considered assumptions, including changes in the economic climate and sector trends, the creditor position of main clients and significant defaults.

This evaluation process is subject to various estimates and judgements. Changes in these estimates may imply different levels of impairment; consequently, they may have different impacts on income.

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 statement of comprehensive income in the liabilities/receivables that pertain to the year concerned.

Provisions for ongoing lawsuits

Provisions are set up when the **REFER Group** has a legal or constructive obligation, resulting from past events where it is likely that resources will be disbursed and a reliable estimate can be made of that obligation. Where any of the above mentioned criteria does not exist, or is not accomplished, the **REFER Group** discloses the event as a contingent liability, unless the cash outflow is remote.The Board of Directors believes it is highly probable that some ongoing legal proceedings may imply economic outflows from the **REFER Group**. Therefore, an estimate is made of the liability, which is duly recorded as a provision.

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 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.

Deferred tax assets

Deferred tax assets were recorded in accordance with the estimate made by the Board of Directors, comprising tax losses likely to be recovered in future periods, in view of projected results and taxable profit in such years of the companies included in the RETGS, the effects stemming from the merger of **REFER** and EP – Estradas de Portugal, S.A., and restrictions imposed by the tax law (note 5.16).

3. Financial risk management policies

Financial Risks

REFER Group's activities are subject to risk factors of financial nature, namely credit risk, liquidity risk and interest rate risks associated to cash flows arising from loans obtained.

Decree-law 133/2013 of 3 October introduced changes to the autonomy of reclassified public companies (EPR) in what concerns access to funding with the financial system and the use of derivative financial instruments for risk management purposes.

In fact, Article 29 of the said Decree-law determines that EPRs cannot access funding with financial institutions, unless it is a multilateral financial institution (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).

Management of exchange risk

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

Credit risk management

The **REFER Group** 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 the **REFER Group** are the following:

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

- operation of railway telecommunications: NOS, Onicomunications and Cogent Comunications Portugal.

- valuation of public railway property: EMEF – Empresa de Manutenção de Equipamento Ferroviário, S.A.,Eurest Portugal – Sociedade Europeia de Restaurantes, Lda, RED Portuguesa – Publicidade de exteriores, S.A., Café e Companhias, Lda. and Jardim das Tágides, Lda

Credit risk stemming from operational activity is mainly related to non compliance with the payment of liabilities assumed by the said entities for services rendered by the **REFER Group**. CP is the main counterparty as exclusive passenger transport operator for the entire network, except for the 25 de Abril Bridge crossing, which is operated by Fertagus. 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, the **REFER Group** is exposed to the national banking sector through its demand deposits balances and, until January 2014 to the international banking sector with which it contracted derivative financial instruments. So far the **REFER Group** did not record any impairment resulting of the non compliance with any contractual obligations with banks, and in what concerns derivative financial instruments, as of the date of the financial statements, this risk was null as all such contracts were fully settled.

(Amounts in € thousand)

The following table provides a summary, as of 31 December 2014 and 2013, of the credit quality of deposits, applications and derivative financial instruments with positive fair value:

Financial institutions

Rating	31-Dec-2014	31-Dec-2013
>=A-	0	3 383
< =BBB+	47	93
< =BB+	88 481	102 981
No rating	5 386	0
	93 914	**106 457**

Note: Caption **Cash** is not included.

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

Liquidity risk management

The **REFER Group** is subject to liquidity risk.

This type of risk is measured by the capacity to obtain financial resources to meet obligations to the different economic agents with whom the Group interacts, such as suppliers, banks, the capital market, etc. This risk is measured by the liquidity which the Group has available to meet such liabilities and its capacity to generate cash-flows from is operations.

Given the legal nature of the **REFER Group**, the ability to act on such risk is limited. However, the **REFER 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 became directly financed by the Portuguese State; as result, the **Group**'s liquidity risk reduced significantly.

(Amounts in € thousand)

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

31 December 2014

	Notes	Less than 1 year	1 to 5 years	+ than 5 years
Loans obtained				
- Loans for LDIs		1 541 520	2 545 843	2 330 545
- Other loans		197 884	596 995	318 219
		1 739 404	**3 142 838**	**2 648 764**
Suppliers and other accounts payable	**7.5.**	**83 568**		
Guarantee		**5 065**	**22 236**	**14 735**
		1 828 037	**3 165 074**	**2 663 499**

31 December 2013

	Notes	Less than 1 year	1 to 5 years	+ than 5 years
Loans obtained				
- Loans for LDIs		822 059	2 023 537	2 948 215
- Other loans		211 778	1 703 056	839 074
		1 033 837	**3 726 593**	**3 787 289**
Suppliers and other accounts payable	**7.5.**	**88 138**		
Guarantee		**5 193**	**19 422**	**22 503**
		1 127 168	**3 746 015**	**3 809 792**

Interest rate risk management

Within the **REFER Group**, the only companies subject to interest rate risk are **REFER** and GIL.

In January 2014 **REFER** early terminated the only swap operation it still held in its portfolio. Formerly, **REFER**'s counterparties in derivative contracts were national and international financial institutions of high rating and credibility. Operations were covered by ISDA contracts according to international standards. The main objective of interest rate risk management is to ensure protection against increases in interest rates; insofar as **REFER**'s revenue is immune to this variable any natural hedging is thus prevented.

Interest rate sensitivity test

REFER uses sensitivity analysis on a regular basis to measure the extent to which results would be influenced by the impact of interest rate variations on the fair value of its loans. These analyses has helped decision-making in interest rate risk management. The sensitivity test is based on the following assumptions:

i. At 31 December 2014 **REFER** had not recognised any loan obtained at a fair value;
ii. Changes to the fair value of loans and financial liabilities are estimated by discounting future cash flows, using market rates at the time of reporting;
iii. Based on these assumptions, at 31 December 2014 an increase or decrease by 0.5% in euro interest rate curves would result in the following variations in the fair value of the loans, with consequent direct impact on results:

(Amounts in € thousand)

31 December 2014

	Increase/(decrease) in the fair value of loans	
	Change in the Interest rate curve	
	-0.50%	0.50%
EUR	131 262	- 125 525

	Net effect on results			
	Change in the Interest rate curve		Change in the volatility curve	
	-0.50%	0.50%	-5%	5%
EUR	- 131 262	125 525		

31 December 2013

	Increase/(decrease) in the fair value of derivative instruments			
	Change in the Interest rate curve		Change in the volatility curve	
	-0.50%	0.50%	-5%	5%
EUR	439	- 2 452	89	- 131
GBP	- 2 148	382	45	- 132

	Increase/(decrease) in the fair value of loans	
	Change in the Interest rate curve	
	-0.50%	0.50%
EUR	115 031	- 178 431

	Net effect on results			
	Change in the Interest rate curve		Change in the volatility curve	
	-0.50%	0.50%	-5%	5%
EUR	- 114 592	175 979	89	- 131
GBP	- 2 148	382	45	- 132

Capital risk management

As for capital management, which is a broader concept than the capital shown on the Statement of Financial Position, **REFER** aims at safeguarding the continuity of the company's operations.

Following analysis of financial requirements in terms of investment and operations translated in the projected volume of State contributions and EU aid, **REFER** establishes its financing plan; over the past few years, this financing plan has allowed strengthening its capital structure.

In 2014 the Company carried capital increases in the amount of € 1,034.8 million, of which € 795 million via conversion of debt service relating to State loans and € 239.7 million via cash contributions; the statutory capital was of € 1,486 million at 31 December 2014.

Additionally, the State granted the Company via the State Budget, medium and long term loans totalling € 64 million, to meet the operational deficit financing needs.

(Amounts in € thousand)

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 2014 and 2013 are as follows:

Company	Registered office	% capital held		Object
		31Dec2014	31Dec2013	
Parent company	-	-	-	
REFER - Rede Ferroviária Nacional, E.P.E.	Lisbon	-	-	Management of the Railway Infrastructure and Long Duration Investments in the railway infrastructure on behalf of the State.
Subsidiaries				
REFER TELECOM, Serviços de Telecomunicações, S.A.	Lisbon	100.00%	100.00%	Build, manage and operate the telecommunications infrastructure included in the national railway infrastructure.
REFER PATRIMÓNIO - Administração e Gestão imobiliária, S.A.	Lisbon	100.00%	100.00%	Rendering of services viewing enhancing the value of REFER's property not allocated to railway activity.
REFER ENGINEERING , S.A.	Lisbon	100.00%	100.00%	Engineering and transportation services.
GIL - Gare Intermodal de Lisboa, S.A.		100.00%		Management, maintenance and repair and cleaning of Complexo Intermodal de Transportes, known as Oriente Station.
ASSOCIATED COMPANIES				
GIL - Gare Intermodal de Lisboa, S.A.	Lisbon		33.65%	Management, maintenance and repair and cleaning of Complexo Intermodal de Transportes, known as Oriente Station.
JOINT OPERATIONS				
AVEP - Alta Velocidade de Espanha e Portugal, A.E.I.E. **(a)**	Madrid	50.00%	50.00%	Development of the projects required for the Madrid-Lisbon - Porto-Vigo railway connections .
AEIE - CMF4 **(b)**	Paris	33.33%	33.33%	Promotion of measures viewing to improve competitiveness in rail freight transport on the Sines - Lisboa/ Leixões | Sines - Elvas/Algeciras - Madrid - Medina del Campo - Bilbao - Irun/ Bordeaux - Paris-Le Havre - Metz corridor.

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

b) 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).

(Amounts in € thousand)

5. Business Combinations

On 23 December 2014, the **REFER Group**, through **REFER**, acquired the non-held share capital in GIL - GARE INTERMODAL DE LISBOA, S.A. (GIL) (until this date **REFER**'s stake in this company was of 33.65%) and the loans due by the latter to PARQUE EXPO and METROPOLITANO DE LISBOA, in the amount of € 25,634 thousand. The acquisition of this equity holding was made for € 2.

This operation was required under Order of the State-Secretary for the Treasury dated 17 October 2014, Order of the State-Secretary for Infrastructures, Transport and Communications dated 27 November 2014 and Order of the Minister for Environment, Land Management and Energy dated 3 December 2014.

Details of the business combination, following harmonisation of the accounting policies used in the preparation of GIL's financial statements in line with the Group's policies are shown below:

	Notes	Figures
Amount of the sum transferred		0.002
equity interests of the acquirer		38 867
Fair value of the previously held investment (33.65%)		13 079
Total		**25 788**
Tangible fixed assets **(i)**		68 191
Investment properties		45
Intangible assets		2
Deferred tax assets		88
Clients		2 317
Other current assets		105
Cash and cash equivalent		2 135
Subsidies **(ii)**	7.17	- 25 707
Non-current loans:		- 74 964
Current loans **(iii)**		- 10 359
Other current liabilities		- 720
Net assets acquired		**- 38 867**
Goodwill	**7.3**	**25 788**
Fair value of the previously held investment (33.65%)	**14.**	**- 13 079**

i) It mainly includes investment in Gare Intermodal da Estação do Oriente.

ii) Subsidies received via the ERDF programme to finance the construction of Gare Intermodal da Estação do Oriente.

iii) It includes the various loans contracted by GIL, including partner's loans and the non held investment acquired to Parque Expo and Metropolitano de Lisboa, in the total amount of € 25,634 (note 15).

(Amounts in € thousand)

Investment previously held in GIL

As of the date of acquisition of 66.35% in GIL, this investment was recorded under caption "**Investments in associates and joint undertakings**" according to the equity method, with no value (given the company's cumulative losses); the investment was remeasured at fair value on the date of acquisition, resulting in a difference of EUR 13,079 thousand, which was recorded as **other expenses** (Note 14)

Identifiable Net assets

Taking into account the effective date of the said acquisition – 23 December 2014, it was not possible to obtain the fair value of identifiable assets and liabilities; therefore, the accounting policies of this subsidiary were made in line with those adopted by the Group. In the forthcoming 12 months we will evaluate identifiable assets and liabilities and contingencies, in order to determine final values of net assets. Any difference arising out of this evaluation will be accounted for against previously recorded **Goodwill**.

Goodwill

As mentioned above, recorded **Goodwill** corresponds to the provisional difference between the amounts acquired and the identifiable assets of GIL. **Goodwill** will be subject annually to impairment tests and any losses arising therefrom will be recognised in the income statement for the period.

Contribution to the Group's results

As the acquisition occurred close to the end of the year (23 December 2014), the financial statements of GIL as of 31 December 2014 were taken into account for recognition purposes.

Although GIL results comprise all **Goodwill**, the said operation had the following impacts on the results for the period:

	Notes	Value
Partner's loans acquired from former shareholders (Parque Expo and Metropolitano Lisboa)	15.	25 634
Adjustment of previously held stake - 33.65%	14.	- 13 079
Reversal of impairments in partners' loans previously granted	13.	19 148
		31 703

6. Investment in Long Duration Infrastructure (LDI)

(Amounts in € thousand)

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

Activity in long duration infrastructure investments	Notes	31-Dec-2014	31-Dec-2013
Assets		**5 270 374**	**4 988 685**
Current		**5 270 374**	**4 988 685**
Grantor .- State - Account Receivable	6.1.	5 253 070	4 973 985
Inventories	6.2.	16 600	13 993
Clients and other accounts receivable	6.3.	704	707
Liabilities		**3 953 819**	**5 037 883**
Non current		**3 800 809**	**4 882 724**
Loans obtained	6.5.	3 800 809	4 882 724
Current		**153 010**	**155 159**
Loans obtained	6.5.	91 261	91 261
Suppliers and other accounts payable	6.4.	61 749	63 898

6.1 Grantor - State - Accounts Receivable

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

Description	Notes	31-Dec-2014	31-Dec-2013
Assets under Concession (LDI)	6.1.1.	8 668 084	8 563 091
Subsidies	6.1.2.	- 4 320 514	- 4 346 375
Return on assets	6.1.3.	- 3 089	- 3 089
Charged Interest	6.1.4.	1 213 789	1 065 558
Impairments	6.1.5.	- 305 200	- 305 200
	6. / 7.5.	**5 253 070**	**4 973 985**

6.1.1 Assets under Concession (LDI)

As of 31 December 2014, increases recorded in assets under concession derived mainly from the transfer of ownership of CP railway terminals formerly managed by CP CARGA under a concession agreement with CP.

The transfer to the Group was decided pursuant to joint order dated 23 April 2014 issued by the State-Secretary for the Treasury and the State-Secretary for Infrastructures, Transport and Communications.

(Amounts in € thousand)

31 December 2014

Gross assets	Opening balance	Transfers	Increases	Write-offs/ corrections	Closing Balance
Assets under Concession - Active LDI					
Land and natural resources	237 230	- 160			237 070
Buildings and other constructions	6 231 504	- 145	283	- 49	6 231 593
Basic equipment	30 269				30 269
Work in progress	2 056 001	- 714	109 977		2 165 264
Advances on account of ongoing assets - LDI's	3 963		5		3 968
	8 558 967	**- 1 019**	**110 265**	**- 49**	**8 668 164**
Assets under Concession - Discontinued LDI					
Land and natural resources	- 2 050	- 3 651		- 478	- 6 179
Buildings and other constructions	6 174			- 75	6 099
	4 124	**- 3 651**		**- 553**	**- 80**
Total assets under concession - LDI (Note 5.1)	**8 563 091**	**- 4 671**	**110 265**	**- 602**	**8 668 084**

(Amounts in € thousand)

31 December 2013

Gross assets	Opening balance	Transfers	Increases	Write-offs/corrections	Closing Balance
Assets under Concession - Active LDI					
Land and natural resources	236 640	590			237 230
Buildings and other constructions	6 050 745	180 614	179	- 34	6 231 504
Basic equipment	30 269				30 269
Work in progress	2 047 262	- 181 011	69 256		1 935 507
Advances on account of ongoing assets - LDI	5 013	- 1 093	43		3 963
	8 369 929	**- 900**	**69 478**	**- 34**	**8 438 473**
Assets under Concession - Discontinued LDI					
Land and natural resources	- 2 525			475	- 2 050
Buildings and other constructions	6 151			23	6 174
	3 626			**498**	**4 124**
Assets under concession - High Speed					
Assets in progress - High Speed	121 387			- 893	120 494
	121 387			**- 893**	**120 494**
Total assets under concession - LDI (Note 5.1)	**8 494 942**	**- 899**	**69 478**	**- 429**	**8 563 091**

(Amounts in € thousand)

Assets under concession (discontinued LDI)

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

The change occurred in 2014 corresponds to the disposal of assets in the Municipality of Fafe, the transfer of dominium to the Municipality of Monção of two plots of land located adjacent to the old railway station and a land swap in Lugar de Quebrantões (parish of Oliveira do Douro) made with CUF – Químicos Industriais, SA.

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

Description	31-Dec-14	31-Dec-13
Terreiro do Paço	129	129
	129	**129**

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-Dec-1999, which were still not transferred to the parent company.

6.1.2 Subsidies

Note 02/02/2019 describes the subsidies recognition policy.

Changes occurred in subsidies were as follows:

31 December 2014

Description	Note	Opening balance	Increases	Repayments	Closing Balance
PIDDAC		1 100 585	9 283		1 109 868
Cohesion Fund		1 554 465	2 103	- 36 888	1 519 679
ERDF		635 869			635 869
RTE-T		80 049		- 359	79 690
Other		975 407			975 407
Subsidies - Invest.	**6.1**	**4 346 375**	**11 386**	**- 37 247**	**4 320 514**

(Amounts in € thousand)

31 December 2013

Description	Note	Opening balance	Increases	Repayments	Closing Balance
PIDDAC		1 013 921	86 664		1 100 585
Cohesion Fund		1 469 861	84 657	- 53	1 554 465
ERDF		635 869			635 869
RTE-T		64 680	36 185	- 20 816	80 049
Other		975 407			975 407
Subsidies - Invest.	**6.1**	**4 159 738**	**207 506**	**- 20 869**	**4 346 375**

The increases recorded during 2014 correspond to € 9,283 thousand relating to PIDDAC funds and € 2,103 thousand relating to the Cohesion Fund (POVT/QREN).

Reimbursements made in the amount of € 36,888 thousand concern the partial return of advances granted pursuant to POVT/QREN funding, following adjustments required by the POVT management authority concerning submitted expenses.

Additionally, the company reimbursed € 359 thousand concerning a partial return of a pre-funding received relating to the RTE-T, as the relevant authority (Agência para a Execução da Inovação e das Redes (AEIR)) did not consider part of submitted expenses to be eligible.

6.1.3 Return on assets

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

Description	Notes	31-Dec-2014	31-Dec-2013
Return on assets	6.1.	- 3 089	- 3 089

This caption translates revenues from public railway domain assets, specifically the concession contract for a plot of land adjacent to the railway station of Viana do Castelo for a period of 75 years, started in 19 March 2004. The sum corresponds to the entire remuneration of the contract.

(Amounts in € thousand)

6.1.4 Charged Interest

Charged interest derive from the situation explained in note 2.2.2.

The change occurred in this caption amounts to € 148,231 thousand (2013: € 156,857 thousand), and it is recorded under caption Financial gains - interest earned - grantor - State (Nota 16).

Description	Notes	31-Dec-2014	31-Dec-2013
Charged Interest	6.1.	1 213 789	1 065 558

6.1.5 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 € 62,350 thousand. From 1998 to 2001 the Portuguese Government increased the statutory capital of **REFER** by € 242,850 thousand, 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 were recorded as repayment made in due time of investments in long duration infrastructure made by concessionaire **REFER**, totalling € 305,200 thousand.

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

(Amounts in € thousand)

6.2 Inventories

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

Description	Notes	31-Dec-2014	31-Dec-2013
Inventories	7.8.	16 782	14 309
Impairment in inventories	13.	- 182	- 316
	6.	**16 600**	**13 993**

6.3 Clients and other accounts receivable

This caption consists of receivables from the Municipality of Espinho in the amount of € 620 thousand (2013: € 620 thousand), corresponding to 88% of the total other accounts receivables

Description	Notes	31-Dec-2014	31-Dec-2013
Other debtors		704	707
	6. / 7.5.	**704**	**707**

6.4 Suppliers and other accounts payable

Description	Notes	31-Dec-2014	31-Dec-2013
Suppliers of investment		13 473	13 348
Accrued expenses		48 276	50 550
	6. / 7.5.	**61 749**	**63 898**

Caption "Suppliers of other accounts payable" comprises mainly liabilities undertaken within the scope of the railway's modernisation, renovation and construction works.

This balance further includes the liability for the handing over of a Urban Park to the Municipal Council of Sines valued at € 1,298 thousand (2013: € 1,298 thousand);

Caption Accrued Expenses corresponds interest accrued on loans associated with LDI activity.

(Amounts in € thousand)

6.5 Loans obtained

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

Description	Notes	31-Dec-2014	31-Dec-2013
Non current loans			
Amounts owed to credit institutions		1 126 476	1 217 736
Bond loans		1 596 535	1 599 769
State Loan		1 077 798	2 065 219
	6. / 7.5.	**3 800 809**	**4 882 724**
Current loans			
Amounts owed to credit institutions		91 261	91 261
	6. / 7.5.	**91 261**	**91 261**
Loans		**3 892 070**	**4 973 985**

Loans allocated to investment activity result from the direct need to finance investment in LDI, to be received from the Grantor.They comprise mainly bond loans and loans granted or secured directly by the State.

6.5.1 Amounts owed to credit institutions

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

(Amounts in € thousand)

Repayment terms and conditions of the loans to finance investments projects
31 December 2014

	Designação	Montante	Capital em dívida	Amortização Data inicial	Data final	Periodicidade	Pagamento de Juros	Taxa de Juro	Última Taxa de Juro
Financing secured by EIB	CP II North Line-B	49 880	26 603	15-06-2008	15-06-2022	Anual	15-mar 15-jun 15-Sep 12-jan	EIB Variable can't exceed Euribor 3M+0,15%	0,212%
	Douro Line	43 894	8 779	15-09-2007	15-09-2016	Anual	15-mar 15-jun 15-set 15-dez	EIB Variable can't exceed Euribor 3M+0,15%	0,212%
	Tagus railway crossing	99 760	19 952	15-09-2007	15-09-2016	Anual	15-mar 15-jun 15-set 15-dez	EIB Variable can't exceed Euribor 3M+0,15%	0,212%
	Tagus - B railway crossing	99 760	19 952	15-09-2003	15-09-2017	Anual	15-mar 15-jun 15-set 15-dez	EIB Variable can't exceed Euribor 3M+0,15%	0,212%
	Tagus - C railway crossing	25 000 25 000 49 760	8 418 8 840 13 269	15-09-2004	15-09-2018	Anual	15-mar 15-jun 15-set 15-dez	1st fixed Instalment 2nd fixed Instalment 3rd variable Instalment	4,670% 5,800% 0,212%
	Minho Line - A	25 000 25 000 24 820	8 418 8 840 6 619	15-09-2004	15-09-2018	Anual	15-mar 15-jun 15-set 15-dez	1st fixed Instalment 2nd fixed Instalment 3rd variable Instalment	4,670% 5,800% 0,212%
	CP II North Line-D	25 937	19 021	15-09-2011	15-09-2020	Anual	15-mar 15-jun 15-set 15-dez	EIB Variable can't exceed Euribor 3M+0,15%	0,212%
	Algarve Line - A	90 000	72 000	15-09-2012	15-09-2021	Anual	15-mar 15-jun 15-set 15-dez	EIB Variable can't exceed Euribor 3M+0,12%	0,202%
	Minho Line - B	59 856	47 885	15-09-2012	15-09-2021	Anual	15-mar 15-jun 15-set 15-dez	EIB Variable can't exceed Euribor 3M+0,12%	0,202%
	CPII/2 North Line-A	100 000	90 000	15-03-2013	15-03-2022	Anual	15-mar 15-jun 15-set 15-dez	EIB Variable can't exceed Euribor 3M+0,12%	0,202%
	CPII/2 North Line-B	200 000	190 000	15-12-2014	15-12-2023	Anual	15-mar 15-jun 15-set 15-dez	EIB Variable can't exceed Euribor 3M+0,15%	0,212%
	Suburban	100 000	71 429	15-06-2009	15-06-2024	Anual	15-mar 15-jun 15-set 15-dez	EIB Variable can't exceed Euribor 3M+0,15%	0,212%
	Suburban B	100 000	76 190	15-09-2010	15-09-2025	Anual	15-set	Revisible Rate	3,615%
	Suburban C	55 000	44 524	15-03-2011	15-03-2026	Anual	15-mar	Revisible Rate	4,247%
	Connection to Algarve-B	30 000	26 000	15-03-2013	15-03-2022	Anual	15-mar 15-jun 15-set 15-dez	EIB Variable can't exceed Euribor 3M+0,12%	0,202%
	CP II 2 North Line-C	100 000	100 000	15-06-2017	15-06-2026	Anual	15-jun	Revisible Rate	1,887%
	CP II 2 North Line-D	100 000	100 000	15-12-2017	15-12-2026	Anual	15-mar 15-jun 15-set 15-dez	Euribor 3M+0,435%	0,517%
EIB with no guarantee	Refer V	160 000	152 000	15-03-2014	15-03-2033	Anual	15-mar	Revisible Rate	2,653%
	Refer VI	110 000	99 000	15-09-2013	15-09-2032	Anual	15-set	Revisible Rate	2,976%
Eurobond w/ guarantee	Eurobond 06/26 (1)	600 000	600 000	16-11-2026		Bullet	16-nov	Rate	4,047%
	Eurobond 09/19 (1)	500 000	500 000	18-02-2019		Bullet	18-fev	Rate	5,875%
	Eurobond 09/24 (1)	500 000	500 000	18-10-2024		Bullet	18-out	Rate	4,675%
Borrowings non guara	Empréstimo Estado Português	2 062 772	1 030 409	31-05-2013	30-11-2016	Semestral	31-mai 30-nov	Rate	2,770%
	Empréstimo Estado Português	75 000	47 390	31-05-2014	30-11-2017	Semestral	31-mai 30-nov	Rate	3,420%
	Total		3.895.535						
	(1) Total considering effetive cost		3.892.070						

(Amounts in € thousand)

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

	Name	Amount (€)	Principal due	Repayment			Interes payment	Interest rate	Final Interest rate
				Opening date	Closing date	Priodicity			
Financing secured by EIB	CP III North Line-B	49 880	29 928	15-06-2008	15-06-2022	Anual	15-mar 15-jun 15-sep 12-jan	EIB Variable can't exceed Euribor 3M+0,15%	0,313%
	Douro Line	43 894	13 168	15-09-2007	15-09-2016	Anual	15-mar 15-jun 15-sep 15-dec	EIB Variable can't exceed Euribor 3M+0,15%	0,313%
	Tagus railw ay crossing	99 760	29 928	15-09-2007	15-09-2016	Anual	15-mar 15-jun 15-sep 15-dec	EIB Variable can't exceed Euribor Euribor 3M+0,15%	0,313%
	Tagus - B railw ay crossing	99 760	26 603	15-09-2003	15-09-2017	Anual	15-mar 15-jun 15-sep 15-dez	EIB Variable can't exceed Euribor 3M+0,15%	0,313%
	Tagus - C railw ay crossing	25 000 25 000 49 760	10 293 10 758 16 587	15-09-2004	15-09-2018	Anual	15-mar 15-jun 15-sep 15-dec	1st fixed Instalment 2nd fixed Instalment 3rd variable Instalment	4,670% 5,800% 0,313%
	Minho Line - A	25 000 25 000 24 820	10 293 10 758 8 273	15-09-2004	15-09-2018	Anual	15-mar 15-jun 15-sep 15-dec	1st fixed Instalment 2nd fixed Instalment 3rd variable Instalment	4,670% 5,800% 0,313%
	CP III North Line-D	25 937	20 750	15-09-2011	15-09-2020	Anual	15-mar 15-jun 15-sep 15-dec	EIB Variable can't exceed Euribor 3M+0,15%	0,313%
	Algarve Line - A	90 000	78 000	15-09-2012	15-09-2021	Anual	15-mar 15-jun 15-sep 15-dec	EIB Variable can't exceed Euribor 3M+0,12%	0,303%
	Minho Line-B	59 856	51 875	15-09-2012	15-09-2021	Anual	15-mar 15-jun 15-sep 15-dec	EIB Variable can't exceed Euribor 3M+0,12%	0,303%
	CPIII/2 North Line-A	100 000	95 000	15-03-2013	15-03-2022	Anual	15-mar 15-jun 15-sep 15-dec	EIB Variable can't exceed Euribor 3M+0,12%	0,303%
	CPIII/2 North Line-B	200 000	200 000	15-12-2014	15-12-2023	Anual	15-mar 15-jun 15-sep 15-dec	EIB Variable can't exceed Euribor 3M+0,15%	0,313%
	Suburban	100 000	76 190	15-06-2009	15-06-2024	Anual	15-mar 15-jun 15-sep 15-dec	EIB Variable can't exceed Euribor 3M+0,15%	0,313%
	Suburban B	100 000	80 952	15-09-2010	15-09-2025	Anual	15-sep	Revisible Rate	3,615%
	Suburban C	55 000	47 143	15-03-2011	15-03-2026	Anual	15-mar	Revisible Rate	4,247%
	Connection to Algarve-B	30 000	28 000	15-03-2013	15-03-2022	Anual	15-mar 15-jun 15-sep 15-dec	EIB Variable can't exceed Euribor 3M+0,12%	0,303%
	CP III 2 North Line-C	100 000	100 000	15-06-2017	15-06-2026	Anual	15-mar 15-jun 15-sep 15-dec	Euribor 3M+0,054%	0,237%
	CP III 2 North Line-D	100 000	100 000	15-12-2017	15-12-2026	Anual	15-mar 15-jun 15-sep 15-dec	Euribor 3M+0,056%	0,239%
EIB with no guarant	Refer V	160 000	160 000	15-03-2014	15-03-2033	Anual	15-mar	Fixed Revisible Rate	4,786%
	Refer VI	110 000	104 500	15-09-2013	15-09-2032	Anual	15-sep	Fixed Revisible Rate	2,976%
Eurobond w/ guarantee	Eurobond 06/26 (1)	600 000	600 000	16-11-2026		Bullet	16-nov	Rate	4,047%
	Eurobond 09/19 (1)	500 000	500 000	18-02-2019		Bullet	18-feb	Rate	5,875%
	Eurobond 09/24 (1)	500 000	500 000	18-10-2024		Bullet	18-out	Rate	4,675%
Borrowings non guaranteed	State Loan	2 062 772	1 550 684	31-05-2013	30-11-2016	Half-year	31-may 30-nov	Rate	2,770%
	State Loan	75 000	75 000	31-05-2014	30-11-2017	Half-year	31-may 30-nov	Rate	3,420%
	State Loan	198 400	198 400	31-05-2014	30-11-2017	Half-year	31-may 30-nov	Rate	3,250%
	State Loan	118 284	118 284	31-05-2014	30-11-2017	Half-year	31-may 30-nov	Rate	2,740%
	State Loan	152 436	126 456	31-05-2014	30-11-2017	Half-year	31-may 30-nov	Rate	1,830%
	Total		**4.977.821**						
	(1) Total considering effetive cost		**4.973.985**						

(Amounts in € thousand)

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 following the grace period. Remaining loans will be fully repaid at maturity (bullet).

In 2014 the funding allocated to the hedging of the investment activity fell by € 1,082 million, in nominal net terms. This increase results from the following breakdown per type of loan:

- EIB loans fell by € 91 million over 2013;

- State loans fell by € 986.4 million over 2013.

As of 31 December 2014 the fair value of the fixed rate debt was as follows:

Financing at fixed rate - fair value
31 December 2014

Name	Nominal Value	Principal due	Fair value	Interest rate
EIB- Minho A	25 000	8 418	9 266	4,67% Fixed
EIB - Minho A	25 000	8 840	9 952	5,80% Fixed
EIB - Tejo C	25 000	8 418	9 262	4,67% Fixed
EIB - Tejo C	25 000	8 840	9 952	5,80% Fixed
EIB - Suburbans B	100 000	76 190	91 969	3,615% Fixed
EIB - Suburbans C	55 000	44 524	55 541	4,247% Fixed
EIB - REFER V	160 000	152 000	175 215	4,786% Fixed
EIB - REFER VI	110 000	99 000	117 130	2,976% Fixed
Eurobond 06/26	600 000	600 000	627 933	4,047% Fixed
Eurobond 09/19	500 000	500 000	570 578	5,875% Fixed
Eurobond 09/24	500 000	500 000	550 270	4,675% Fixed
Borrowings Portuguese State Loan 11/16	2 062 772	1 030 409	1 059 127	2,77% Fixed
Borrowings Portuguese State Loan 12/17	75 000	47 390	49 312	3,42% Fixed
		3 084 029	**3 335 507**	

7. Infrastructure Management Activity

7.1 Tangible fixed assets

The amount recorded under Disposals and Write-offs related to Basic Equipment results from the transfer of the optical fibre infrastructure and GSM-R infrastructure from Tangible Fixed Assets to Assets under Concession, as these assets support the telecommunications systems used throughout the railway infrastructure.

Movements in tangible fixed assets are as follows:

(Amounts in € thousand)

31 December 2014

Impairment of tangible fixed assets	Opening balance	Change in perimeter	Transfers	Increases	Write-offs/Adj.	Closing Balance
Land and natural resources	6 050		210		- 210	6 050
Buildings and other constructions	41 547	83 528	1 919		- 238	126 755
Basic equipment	46 519	102	645	1 260	- 4 436	44 091
Transport equipment	6 450	30		94	- 17	6 557
Tools and utensils	564			27		591
Administrative equipment	12 760	86		741	- 351	13 236
Other tangible fixed assets	1 434	247	17	32	- 1	1 730
Work in progress	2 959		- 1 771	108		1 296
Total gross tangible fixed assets	**118 285**	**83 993**	**1 020**	**2 262**	**- 5 253**	**200 307**

Tangible fixed assets	Opening balance	Change in perimeter	Transfers	Increases	Write-offs/Adj.	Closing Balance
Buildings and other constructions	17 524			16 855	- 21	34 359
Basic equipment	33 365			2 288	- 1 056	34 598
Transport equipment	6 099			131	- 17	6 213
Tools and utensils	563			78		642
Administrative equipment	11 999			452	- 351	12 099
Other tangible fixed assets	1 008			273	- 1	1 280
Total Depreciation	**70 560**			**20 077**	**- 1 446**	**89 191**
Total net tangible fixed assets	**47 725**	**83 993**	**1 020**	**- 17 815**	**- 3 807**	**111 116**

(Amounts in € thousand)

31 December 2013

Impairment of tangible fixed assets	Opening balance	Transfers	Increases	Write-offs/Adj.	Closing Balance
Land and natural resources	5 972	431		- 353	6 050
Buildings and other constructions	41 380	189		- 23	41 547
Basic equipment	56 957	- 11 197	1 591	- 832	46 519
Transport equipment	6 301	13	287	- 150	6 450
Tools and utensils	560	- 1	5		564
Administrative equipment	12 922		85	- 246	12 760
Other tangible fixed assets	1 094	350	10	- 20	1 434
Work in progress	3 009	- 257	208		2 959
Total gross tangible fixed assets	**128 195**	**- 10 472**	**2 186**	**- 1 624**	**118 285**

Depreciation - Tangible fixed assets	Opening balance	Transfers	Increases	Write-offs/Adj.	Closing Balance
Tangible fixed assets					
Buildings and other constructions	16 067		1 458		17 524
Basic equipment	33 243	- 1 808	2 753	- 822	33 365
Transport equipment	6 150		87	- 138	6 099
Tools and utensils	559		5		563
Administrative equipment	11 903		341	- 245	11 999
Other tangible fixed assets	957		70	- 20	1 008
Total Depreciation	**68 879**	**- 1 808**	**4 714**	**- 1 224**	**70 560**
Total net tangible fixed assets	**59 316**	**- 8 664**	**- 2 528**	**- 399**	**47 725**

(Amounts in € thousand)

7.2 Investment property

Investment property evolved as follows:

Investment properties	Notes	31-Dec-2014	31-Dec-2013
Gross assets			
Opening balance		7 056	4 353
Adjustments		589	- 4
Increases / transfers		45	2 707
Disposals		- 222	
Closing Balance		7 468	7 056
Cumulative Depreciation			
Opening balance		275	173
Increase		102	102
Disposals		- 20	
Closing Balance		357	275
Cumulative impairments	13.	795	780
Net value		**6 316**	**6 001**

Investment properties comprise 37 units for lease purposes located in Sines (2013: 39 units) and 3 units located in Viana do Castelo (2013: 3 units).

In relation to the Sines units, 22 of them (2013:19 units) are subject to lease, amongst which 10 were leased to a public institute, which is negotiating a possible lease of the Viana do Castelo units.

In 2014 two of the Sines units were sold.

In overall terms, the fair value of investment property amounted to € 7,740 thousand at 31 December 2014 (2013: € 7,998 thousand);

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%.

7.3 Intangible assets

The most relevant increases in **Intangible Assets** concern the deployment of information applications to support the Group's activities, among which the EAS (Entreprise Agreement Subscription) entered with Microsoft, permitting a significant decrease in expenses as result of the buy-out option subscribed for the licences.

Increase in **Goodwill** was addressed to in note 5.

In 2014 and 2013, changes occurred in **intangible fixed assets** and respective depreciation captions were as follows:

(Amounts in € thousand)

31 December 2014

Gross value - Intangible fixed assets	Opening balance	Increases	Write-offs	Closing Balance
Development expenses	1 220			1 220
Software	21 232	2 780	- 1 722	22 290
Goodwill (Note 5)		25 788		25 788
Industrial property and other rights	30			30
Intangible assets in progress	11			11
Total gross intangible assets	**22 493**	**28 568**	**- 1 722**	**49 339**

Amortisation - Intangible assets	Opening balance	Increases	Write-offs	Closing Balance
Development expenses	884	186		1 070
Software	19 357	1 017	- 552	19 822
Industrial property and other rights	30			30
Total Amortisation	**20 271**	**1 203**	**- 552**	**20 922**
Total net intangible fixed assets	**2 222**	**27 365**	**- 1 170**	**28 417**

(Amounts in € thousand)

31 December 2013

Gross value - Intangible fixed assets	Opening balance	Transfers	Increases	Write-offs	Closing Balance
Development expenses	926		294		1 220
Software	20 685	973	74	- 500	21 232
Industrial property and other rights	30				30
Intangible assets in progress	1 751	- 1 133		- 607	11
Total gross intangible assets	**23 392**	**- 160**	**74**	**- 1 107**	**22 493**

Amortisation - Intangible assets	Opening balance	Transfers	Increases	Write-offs	Closing Balance
Development expenses	706		178		884
Software	18 966		655	- 264	19 357
Industrial property and other rights	30				30
Total Amortisation	**19 702**	**0**	**833**	**- 264**	**20 271**
Total net intangible fixed assets	**3 690**	**- 160**	**- 465**	**- 843**	**2 222**

(Amounts in € thousand)

7.4 Investments in associated companies and joint undertakings

Investments in associated companies and joint undertakings at 31 December 2014 and 2013 evolved as follows:

Investments in joint undertakings and associates	Notes	31-Dec-2014	31-Dec-2013
(Gross) Opening balance		**0**	**1 463**
Other increases		167	50
Transfers		- 167	
Gains/Losses on associates			- 1 513
(Gross) Closing balance		**0**	**0**
Cumulative impairments		**0**	**0**
Investments in joint undertakings and associates		**0**	**0**

The balances of this caption as of 31 December 2014 includes equity holdings in GIL and AVEP – ALTA VELOCIDADE DE ESPANHA E PORTUGAL, AEIE (AVEP).

In 2014 as result of the acquisition of the non held capital in GIL (note 4 and 5) the consolidation perimeter changed, as GIL started being considered a subsidiary of the **REFER Group**.

During the year an amount of € 167 thousand (2013: €50 thousand) was transferred to AVEP to cover for operating expenses of this entity.

In accordance with IFRS 11 **REFER** identified two joint operations in which it participates as operator in European economic interest groupings: investments in AVEP and AEIE CORREDOR FERROVIÁRIO DE MERCADORIAS N.º4 (CFM4).

AVEP was set up on 25 January 2001 for the purpose of carrying out the preliminary studies for the Porto-Vigo and Madrid-Lisbon-Porto corridors by respective partners, specifically Administrador de Infraestructuras Ferroviarias (ADIF) (50 shares) and the wound-up company RAVE (50 shares) assigned to **REFER** following the wind-up of RAVE.

CFM4 was set up in November 2013 by the Portuguese, Spanish and French railway companies, respectively **REFER**, ADIF and RFF, with the purpose of developing the internal railway market of freight transport, via the creation of dedicated corridors. In 2014 the German DB Netz joined the Grouping.

Investment in AVEP is recognised as joint undertaking because:

i. According to respective by-laws, the partners have unlimited and several liability, which makes them liable for claims made by third parties;
ii. In the event of losses, according to the by-laws, the General Meeting has the right to require AVEP's partners to contribute pro rata to their holding in the settlement of the Grouping's debts;
iii. In relation to assets, the agreement establishes that the projects will be deemed as undivided assets of members; and
iv. because the parties hold rights over assets and obligations for liabilities related to the agreement.

In what concerns CFM4 this vehicle is similar to AVEP, except for the fact that it was set up without share capital.

Assets, liabilities and results are integrated in **REFER** as concerns the investment in AVEP, according to respective nature; Until 2013 this investment was recorded at cost, net of impairment losses, added of a provision in the amount of € 122 thousand (note 7.16).

As the impact of this accounting change is not materially relevant it was not restated for comparative purposes. If such reinstatement had been made, assets and liabilities for 2013 would be added of € 64 thousand and € 185 thousand, respectively.

As of the date of approval of this report AVEP's financial statements used as basis to integrate assets, liabilities and results were not yet audited. In what concerns CFM4, as of the date of this report no financial statements were made available. We estimate that the impact on the Group's financial statements that may arise from not having obtained this financial information is irrelevant.

Note 20.2 describes the balances and transactions with the two groupings above.

Description of equity holdings in associates and joint undertakings as of 31 December 2013 cab be found below; as of 31 December 2014 associates ceased to exist and joint undertakings were recognised as mentioned above.

(Amounts in € thousand)

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
ASSOCIATED COMPANIES							
GIL - Gare Intermodal de Lisboa, S.A. Av.D. João II, Estação do Oriente, lote1.15 1990-233 Lisboa	33.65	- 11 351	60	75 806	87 156	4 866	0
JOINT OPERATIONS							
AVEP - Alta Velocidade de Espanha e Portugal, A.E.I.E. Rua Sor Angela de la Cruz, n.º3, Planta 8 / Madrid	50.00	- 243	- 470	127	370		0
AEIE CMF4 92 Avenue de France 75013 Paris	33.33	n.a.	(a)	(a)	(a)	(a)	
Total							**0**

a) EEIG CMF4 (AEIE Corredor Ferroviário 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 € 391 thousand (notes 7.10 and 20.2) relating to transfers made to the EEIG. (2013: € 98 thousand).

(Amounts in € thousand)

7.5 Categories according to IAS 39

31 December 2014

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								
GI Assets		**199 068**		**32**			**9 939**	**209 039**
Non current								
AFDV	7.6.			32				32
Loans and accounts receivable	7.7.						966	966
				32			**966**	**998**
Current								
Cash and cash equivalents	7.12.	93 948						93 948
Clients and other accounts receivable	7.10.	105 120					8 973	114 093
		199 068					**8 973**	**208 041**
Assets in LDI		**5 253 690**					**84**	**5 253 774**
Current								
Grantor .- State - Account Receivable	6.1.	5 253 070						5 253 070
Clients and other accounts receivable	6.3.	620					84	704
		5 253 690					**84**	**5 253 774**
Total financial assets		**5 452 758**		**32**			**10 023**	**5 462 813**

(Amounts in € thousand)

31 December 2014

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 GI						**2 596 313**	**43 337**	**2 639 650**
Non current								
Borrowings	7.14.1.					1 155 763		1 155 763
Suppliers and other accounts payable	7.15.						2 281	2 281
						1 155 763	**2 281**	**1 158 044**
Current								
Borrowings	7.14.1.					1 413 174		1 413 174
Derivative financial instruments	7.9.							
Suppliers and other accounts payable	7.15.					27 376	41 056	68 432
						1 440 550	**41 056**	**1 481 606**
Liabilities in LDIs		**3 892 070**				**56 192**	**5 557**	**3 953 819**
Non current								
Borrowings	6.5.	3 800 809						3 800 809
		3 800 809						**3 800 809**
Current								
Borrowings	6.5.	91 261						91 261
Suppliers and other accounts payable	6.4.					56 192	5 557	61 749
		91 261				**56 192**	**5 557**	**153 010**
Total financial liabilities		**3 892 070**				**2 652 505**	**48 894**	**6 593 469**

(Amounts in € thousand)

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								
Assets in GI		**323 672**	**3 383**	**32**			**11 789**	**338 876**
Non current								
AFDV	7.6.			32				32
Loans and accounts receivable	7.7.						985	985
				32			**985**	**1 017**
Current								
Cash and cash equivalents	7.12.	103 103						103 103
Clients and other accounts receivable	7.10.	220 569					10 804	231 373
Derivative financial instruments	7.9.		3 383					3 383
		323 672	**3 383**				**10 804**	**337 859**
Assets in LDI		**4 974 605**					**87**	**4 974 692**
Current								
Grantor .- State - Account Receivable	6.1.	4 973 985						4 973 985
Clients and other accounts receivable	6.3.	620					87	707
		4 974 605					**87**	**4 974 692**
Total financial assets		**5 298 277**	**3 383**	**32**			**11 876**	**5 313 568**

(Amounts in € thousand)

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 GI						**2 240 831**	**41 039**	**2 281 870**
Non current								
Borrowings	7.14.1.					1 467 414		1 467 414
Suppliers and other accounts payable	7.15.						2 906	2 906
						1 467 414	**2 906**	**1 470 320**
Current								
Borrowings	7.14.1.					742 872		742 872
Suppliers and other accounts payable	7.15.					30 545	38 133	68 678
						773 417	**38 133**	**811 550**
Liabilities in LDIs		**4 973 985**				**57 593**	**6 306**	**5 037 884**
Non current								
Borrowings	6.5.	4 882 724						4 882 724
		4 882 724						**4 882 724**
Current								
Borrowings	6.5.	91 261						91 261
Suppliers and other accounts payable	6.4.					57 593	6 306	63 899
		91 261				**57 593**	**6 306**	**155 160**
Total financial liabilities		**4 973 985**				**2 298 425**	**47 344**	**7 319 754**

(Amounts in € thousand)

As of 31 December 2013 the separation of financial assets and liabilities at fair value through results, according to levels established in IFRS 7 was as follows (there were no assets nor liabilities of this nature in 2014):

31 December 2013

Categories according to IAS 39	Level 1	Level 2	Level 3	Total
Financial assets				
Other financial assets				
Financial assets at fair value through results		3 383		3 383
		3 383		**3 383**

7.6 Available-for-sale financial assets

Available-for-sale financial assets at 31 December 2014 and 2013 were made up as follows:

Available-for-sale financial assets	Notes	31-Dec-2014	31-Dec-2013
Acquisition cost			
Metro Mondego		27	27
CVR		5	5
Pirites Alentejanas		1	1
		33	**33**
Cumulative impairments			
Pirites Alentejanas		1	1
	13.	**1**	**1**
Net value of equity holding			
Metro Mondego		27	27
CVR		5	5
Pirites Alentejanas		0	0
	7.5.	**32**	**32**

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.

(Amounts in € thousand)

7.7 Loans and other accounts receivable – non current

Loans and non current accounts receivable were as follows:

Loans and other accounts receivable	Notes	31-Dec-2014	31-Dec-2013
Expenses to recognise		966	985
Loans to associates			19 148
Cumulative impairments	13.		- 19 148
	7.5.	**966**	**985**

Expenses to recognise concern mainly two contracts for the use of road channels, one for 9 years in the amount of € 700 thousand (2013: € 779 thousand) and the other for the following 20 years, in the amount of € 246 thousand (2013:. € 253 thousand);

The change occurred in Loans to associates and respective impairment derives from the change in the consolidation perimeter (notes 4 and 5).

7.8 Inventories

The breakdown of inventories is as follows:

Description	Notes	31-Dec-2014	31-Dec-2013
Raw materials, subsidiary materials and consumables.	7.8 1	21 898	20 203
Goods		296	305
Finished products	7.8 2	7 282	2 467
Products and work in progress	7.8 3	57	
Cumulative impairment on inventories	13.	**- 2 389**	**- 391**
INFRASTRUCTURE MANAGEMENT		**27 144**	**22 584**

(Amounts in € thousand)

7.8.1 Raw materials, subsidiary materials and consumables

This caption concerns various types of materials included in infrastructure maintenance.

As of reporting date, a physical inventorying was carried out viewing to quantify the adjustment in losses on inventories. Therefore, impairments relate to:

- materials that are obsolete and technically depreciated and cannot be used for the purposes of the **REFER Group**'s activities, and which might be sold should an interested buyer emerge;

- reduction in the recoverable value from the sale, using as for comparative purposes the variation in respective market price and the amount for which they are recognised;

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 the adjustment for impairment of inventories in the amount of € 47 thousand (2013: € 62 thousand);

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

Description	Notes	31-Dec-14	31-Dec-13
Opening inventories			
IM Activity		20 509	20 741
LDI activity	6.2.	14 309	14 750
		34 818	**35 491**
Purchases		9 451	5 848
Adjustments		- 2	124
Closing inventories			
IM Activity		22 194	20 508
LDI activity	6.2.	16 782	14 309
		38 976	**34 817**
Cost of materials consumed		**5 291**	**6 646**

7.8.2 Finished Products

Caption **finished products** concerns land and dwellings for housing and commercial purposes located in Sines.

Changes occurred in the year concerned the sale of unit AO, in "Lote 13" in Sines (note 8) and the adjustment between caption Grantor and caption Finished Products.

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.

The assessment made as of the date of the financial report did not detect any impairment in inventories; therefore, there was no need to estimate again the respective recoverable amount.

7.8.3 Products and work in progress

The balance of caption **Products and work in progress** concern expenses with the preparation of engineering projects, which at the date of these financial statements were already subject of services contract.

7.9 Derivative financial instruments

REFER used derivative financial instruments to manage its exposure to manage its financial risks until January 2014.

In line with its financial policies, the **REFER Group** did not use derivative financial instruments 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.

According to IAS 39, 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 Statement of Financial Position at respective fair value and respective changes are recognised as financial results.

In January 2014, within the scope of the renegotiation of the derivative instruments portfolios of the State corporate sector led by IGCP, the **REFER Group** settled in advance its last swap, contracted with Bank of America Merril Lynch. The cancellation of this operation resulted in a net inflow of € 3,417 thousand.

The fair value of existing derivative instruments at the end of 2014 and 2013 was as follows:

(Amounts in € thousand)

31 December 2014

Hedged instrument	% hedging	Description	Fair value (€)		Change in fair value Dec 14/ Dec 13 (€)		Nominal amount	Maturity
			Assets	Liabilities	<0	>0	27/01/2014	
Eurobond 05/15	100%	Dual Range [(10Y GBP-10Y EUR Spread) and (10Y-2Y EUR Spread)]				3 417	150	16/03/2015
		Note 7.5 Note 16.				**3 417**	**150**	

31 December 2013

Hedged instrument	% hedging	Description	Fair value (€)		Change in fair value Dec 13/ Dec 12 (€)		Nominal amount	Maturity
			Assets	Liabilities	<0	>0	Dec-13	
Schuldshein West LB	100%	Digital Cap (Stibor 12k <6,25%;Euribor 12k < 6,25%; Eur 6k < 6.00%)					200	08/10/2012
Schuldshein West LB		Cap KO (Eur 6k < 6%)					200	08/10/2012
Eurobond 05/15	100%	Dual Range [(10Y GBP-10Y EUR Spread) and (10Y-2Y EUR Spread)]	3 383			5 834	150	16/03/2015
Eurobond 05/15		Plain vanilla			- 15 824		150	16/03/2015
Eurobond 05/15		Plain vanilla				15 873	150	16/03/2015
Eurobond 05/15		10Y-2Y EUR Spread Rib				25 266	300	16/03/2015
Eurobond 06/21	100%	Cap KO (Eur 6k < 7%)				1 377	500	13-Dec-2021
Eurobond 06/26	50%	Cap KO (Eur 6k < 6.50%)			- 420		200	16/11/2026
		Note 7.5 Note 16.	**3 383**		**- 16 244**	**48 350**	**1 850**	

(Amounts in € thousand)

7.10 Suppliers and other accounts payable

Description	Notes	31-Dec-2014	31-Dec-2013
Clients	7.10 1	71 198	183 063
Other accounts receivable	7.10 2	35 217	37 235
Government and other public bodies	7.10 3	4 455	5 635
Accrued income	7.10 4	2 804	4 688
Expenses to recognise		420	752
	7.5.	**114 094**	**231 373**

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

7.10.1 Clients

Caption Clients is made up as follows:

Clients	Notes	31-Dec-2014	31-Dec-2013
Other related parties	20.3.	43 202	166 871
Miscellaneous		29 891	17 760
Associates or jointly controlled companies	20.2.		13
Cumulative impairments	13.	- 1 895	- 1 581
		71 198	**183 063**

Debits to **clients-other related entities** (CP and CP Carga) and **sundry suppliers** (Fertagus and Takargo) include, mainly, user fees charged to entities that use the infrastructures, and 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 decrease in 2013 to 2014 in the amount of clients - other related parties derived from the payment by CP of practically its entire debt, which stood at € 15,253 thousand at the end of 2014 (2013: € 146,161 thousand). A significant part of the sum received from CP occurred in December 2014, following the offsetting of balances, where each company made concessions to settle the disputed balances and sums, most of which dating from 2012 (Note 20.3).

(Amounts in € thousand)

7.10.2 Other Trade Receivables

The balance of other accounts receivable is made up as follows:

Other accounts receivable	Notes	31-Dec-2014	31-Dec-2013
Miscellaneous		36 706	38 831
Associates or jointly controlled companies	20.2.	391	98
Other related parties	20.3.	103	168
Cumulative impairments	13.	- 1 983	- 1 862
		35 217	**37 235**

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

- € 13,712 thousand (€ 13,672 thousand in 2013) to be received from the Municipal Council of Aveiro, of which € 13,350 thousand correspond to the Construction of the new Railway Station – Road/railway interface and renovation of surrounding environment and € 362 thousand relating to the renovation of 2 LC on the Vouga Line; related sums from 2007 to 2014 are yet to be received;

- € 11,275 thousand (€ 12,159 thousand concerning protocols with various municipalities (Viana do Castelo, Sintra, Cascais, Fundão and Coimbra) viewing construction and renovation of infrastructures.

- € 2,680 thousand concern payment to the Tax Authorities, resulting from a VAT inspection relating to 2006 (2013: € 2,816 thousand); The change recorded in 2014 from 2013 in the amount of € 137 thousand is the result of final appeal occurred in June 2014. Following the non acceptance by the tax authorities of the remaining amount, the Group, still convinced that it acted in accordance with the law at the date of the operations concerned, filed an appeal in September 2014, which was still pending as of the date of these financial statements;

- this caption further includes expropriation amounts (totalling € 427 thousand in 2014) required by Courts until a final decision on the said proceedings is issued.

- pursuant to Regulation 473/2010 of 6 May 2010 concerning Performance Improvement, REFER recognised the amount of € 80 thousand (€ 68 thousand in 2013) relating to the bonuses determined in the current year, to be distributed among operators.

Cumulative impairments from other debtors totalled € 1,983 thousand, which, after testing the probability of recovery, was strengthened by € 121 thousand (Note 13). In relation to the likelihood of balance collection, it is considered that the sums due by Municipalities, Local Councils and other public entities or entities benefiting from direct of indirect participation of the State are likely to be fully recovered. Amounts in this situation totalled € 27,393 thousand, of which € 27,036 thousand are over 720 days overdue.

(Amounts in € thousand)

Likewise, existing overdue balances in dispute are deemed to be full recoverable as they are based on valid contracts and are legally reimbursable. These balances totalled € 787 thousand at 31 December 2014. The only exception to the above concerned lawsuits with three entities - with a total overdue balance of € 1,392 thousand recognised as impairment, as follows: € 1,363 thousand due by company O2, € 22 thousand due by Aetur and € 7 thousand due by Benaterras.

In terms of nature of overdue balances, the breakdown of impairments as of 31 December 2014 is as follows:

i. Pending lawsuits € 1,393 thousand
ii. Insolvency or liquidation situations € 126 thousand
iii. Situations where overdue debt is over 720 days € 464 thousand
Total cumulative impairments: € 1,983 thousand

7.10.3 Government and Other Public Bodies

This caption is made up of:

- **VAT to be recovered** in the amount of € 4 thousand, relating to the month of December 2014 and already used in the tax returns for January 2015;

- **Social Security** contribution in the amount of € 153 thousand, since **REFER** as centralising company temporarily replaces Social Security, advancing payments for sick leaves/leaves;

7.10.4 Accrued Income

Caption **accrued income** relates to operating income which as of 31 December 2014 had not been invoiced; these include energy traction in the amount of € 1,712 thousand (€ 3,868 thousand in 2013). Part of this amount was already invoiced in 2015.

7.11 Income tax

As of 31 December 2014 and 2013 amounts receivable/(payable) relating to income tax are as follows:

CORPORATE INCOME TAX	31-Dec-14	31-Dec-13
To be recovered	663	2 422
Payable	- 2 127	- 7 500

(Amounts in € thousand)

Tax on results recognised in the Income Statement:

Tax for the year	31-Dec-14	31-Dec-13
Current	- 11 050	- 8 668
Deferred	34 635	13 390
	23 585	**4 722**

Tax on results recognised in the Statement of Comprehensive Income:

Tax for the year	31-Dec-14	31-Dec-13
Transition differences		- 26 260
		- 26 260

The transition difference recorded in 2013 concerned the tax payable in 2014, deriving from the positive equity change to be considered following changes in accounting rules in 2010, which established that taxation on these changes had to be charged over 5 years (from 2010 to 2014).

Conciliation of effective tax rate

	Rate	31-Dec-2014	Rate	31-Dec-2013
Results before tax		**118 373**		**96,325**
Nominal tax rate	**24.5%**	**29 001**	**26.5%**	**25 526**
Positive equity changes	-17.8%	- 21 116	-23.7%	- 22 840
Impairment and provisions to add	-7.7%	- 9 116	-1.7%	- 1 603
Undercapitalisation	-14.9%	- 17 694	-18.4%	- 17 712
Other taxable differences	-0.5%	- 612	-0.4%	- 413
Impairment and provisions to deduct	0.2%	203	1.6%	1 550
Other deductible differences	0.2%	272	0.9%	859
Tax losses	10.6%	12 550	11.8%	11 342
State surcharge	-3.7%	- 4 327	-3.0%	- 2 879
Autonomous taxation	-0.2%	- 211	-0.3%	- 262
Tax rate difference	0.0%		-0.1%	- 127
Other temporary differences which did not give rise to deferred taxes	0.0%		-2.2%	- 2 109
Deferred taxes	29.3%	34 635	13.9%	13 390
Income tax for the year:	**19.9%**	**23 585**	**4.9%**	**4 722**
Current tax		**- 11 050**		**- 8 668**
Deferred tax		**34 635**		**13 390**

(Amounts in € thousand)

Changes occurred in deferred tax assets and liabilities captions:

31 December 2014

	Opening balance	Effect on results	Effect on equity	Closing Balance	Net impact of deferred tax	
					Assets	Liabilities
Temporary differences						
Adjustments in accounts receivable	48	17		65	65	
Employment benefits		346		346	346	
Transition adjustments	- 26 257	26 257				
Investment property	111	20		131	131	
Inventories	1	425		426	426	
Tax losses (*)	14 700	7 632		22 332	22 420	
Other Adjustments		40		40	40	
Internal gains		- 102		- 102		102
	- 11 397	**34 635**		**23 238**	**23 428**	**102**

(*) The difference between effect on results and the deferred tax base (€ 88 thousand resulted from the allocation of the said amount to **Goodwill**, following GIL's acquisition.

31 December 2013

	Opening balance	Effect on results	Effect on equity	Closing Balance	Net impact of deferred tax	
					Assets	Liabilities
Temporary differences						
Adjustments in accounts receivable	78	- 30		48	48	
Other	144	- 144				
Transition adjustments	9	- 6	- 26 260	- 26 257	3	26 260
ANCDV	700	- 700				
Investment property	25	86		111	111	
Inventories		1		1	1	
Tax losses	516	14 184		14 700	14 700	
	1 472	**13 391**	**- 26 260**	**- 11 397**	**14 863**	**26 260**

(Amounts in € thousand)

Other temporary differences which did not give rise to deferred taxes

At 31 December 2014 there existed other deductible temporary differences which are not expected to be reversed in future years, and will not, therefore, give rise to deferred tax assets. Note should be made of existing impairments on other account receivable and inventories (Note 9)

According to the tax law in force, tax losses likely to be deducted to taxable profit of future years are as follows:

Year	Last reporting date	Amount	Base of deferred tax	unlikely to be recovered
2009	2015	238 059	99 372	138 687
2011	2015	80 104	420	79 684
2012	2017	3 481	2 911	570
2013	2018	8 434	4 063	4 371
		330 078	**106 766**	**223 312**

7.12 Cash and cash equivalents

Cash and Cash Equivalents shown in the **consolidated cash flow statement** for the year ending 31 December 2014 are reconciled with the amounts shown in the captions of the **statement of financial position**.

Description	Notes	31-Dec-2014	31-Dec-2013
Other loans and advances		65 392	98 630
Bank deposits		28 521	4 444
Cash		35	29
Cash and cash equivalent in the Statement of Financial Position	6.5	**93 948**	**103 103**
Cheques in transit		**- 11**	**- 6 822**
Cash and cash equivalent in the Cash Flow Statement		**93 937**	**96 281**

Caption **Other applications** includes mainly various applications with IGCP, in line with the State's Treasury Unity Principle.

(Amounts in € thousand)

7.13 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 2014 the statutory capital of **REFER** was increased by € 1,034,800 thousand, as shown below (2013: increase by € 21,000 thousand to € 1,486,000 thousand).

Description	Amount
Capital increases in cash (mar / jun / jul / aug / sep / oct)	239 744
Capital increase through conversion of credit /may / nov)	795 056
	1 034 800

Capital increases are made to finance investment in long duration infrastructure; this resulted in a reduction in loans to this end and consequent drop in interest paid in the period.

(Amounts in € thousand)

7.14 Loans obtained

7.14.1 Amounts owed to Credit Institutions and other entities

Current and non current loans to finance the infrastructure management are as follows::

Loans	Notes	31-Dec-2014	31-Dec-2013
Non current			
Bond loans		497 375	1 096 461
State Loans		639 554	370 954
Bank loans		18 834	
	7.5.	**1 155 763**	**1 467 414**
Current			
State Loans		802 908	736 051
Bond loans		599 896	
Bank loans		10 370	6 822
	7.5.	**1 413 174**	**742 872**
		2 568 937	**2 210 286**

In 2014 caption **current loans** included the amount of € 20 million (2013: € 23.7 million) relating to accrued interest and expenses to be recognised in loans allocated to Infrastructure Management, via recognition of amortised cost.

(Amounts in € thousand)

7.14.2 Loans maturities and terms

Repayment terms and conditions of the loans to finance the infrastructure management as of 31 December 2014

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	600 000	16/03/2005	16/03/2015	Bullet	16-mar	4.00%
REFER Eurobond 2006/2021 (1)	30/11/2006	500 000	500 000	13-Dec-2006	13-Dec-2021	Bullet	13-jan	4.25%
State Loan	15/02/2012	75 000	8 860	31/05/2013	30/11/2016	Half-year	31-May	1.83%
State Loan	06/03/2012	198 400	148 800	31/05/2013	30/11/2016	Half-year	31-May	3.25%
State Loan	26/06/2012	118 284	88 713	31/05/2013	30/11/2016	Half-year	31-May	2.74%
State Loan	26/06/2012	152 436	114 327	31/05/2013	30/11/2016	Half-year	31-May	1.83%
State Loan	03/10/2012	206 246	154 684	31/05/2014	30/11/2017	Half-year	31-May	1.76%
State Loan	03/10/2012	49 960	37 470	31/05/2014	30/11/2017	Half-year	31-May	1.59%
State Loan	24/05/2013	282 937	282 937	31/05/2015	30/11/2020	Half-year	31-May	2.10%
State Loan	06/06/2013	21 723	21 723	31/05/2015	30/11/2020	Half-year	31-May	2.27%
State Loan	03/09/2013	23 394	23 394	31/05/2015	30/11/2020	Half-year	31-May	2.35%
State Loan	06/09/2013	102 488	102 488	31/05/2015	30/11/2020	Half-year	31-May	2.44%
State Loan	30/09/2013	20 000	20 000	31/05/2015	30/11/2020	Half-year	31-May	2.15%
State Loan	14/11/2013	37 000	37 000	31/05/2015	30/11/2020	Half-year	31-May	1.86%
State Loan	27/11/2013	293 000	293 000	31/05/2015	30/11/2020	Half-year	31-May	1.88%
State Loan	09-Dec-2013	24 000	24 000	31/05/2015	30/11/2020	Half-year	31-May	1.96%
State Loan	05/05/2014	15 000	15 000	31/05/2015	30/11/2020	Half-year	31-May	2.43%
State Loan	28/05/2014	15 000	15 000	31/05/2015	30/11/2020	Half-year	31-May	2.33%
State Loan	30/06/2014	20 000	20 000	31/05/2015	30/11/2020	Half-year	31-May	2.22%
State Loan	29/08/2014	14 000	14 000	31/05/2015	30/11/2020	Half-year	31-May	2.010%
EIB 1 T	17/11/1997	9 976	2 328	15-Dec-2002	30/06/2017	Half-year	15 Jun 15 Dec	5.970%
EIB 2 T	02/03/1998	8 978	2 008	15-Dec-2002	30/06/2017	Half-year	15 Jun 15 Dec	5.130%
EIB 3 T	17/11/1997	9 976	1 663	15-Dec-2002	30/06/2017	Half-year	15 Jun 15 Dec	1.827%
EIB 4 T	02/03/1998	8 480	1 413	15-Dec-2002	30/06/2017	Half-year	15 Jun 15 Dec	1.827%
EIB 5 T	17/11/1997	9 976	1 663	15-Dec-2002	30/06/2017	Half-year	15 Jun 15 Dec	0.212%
EIB 6 T	02/03/1998	8 480	1 413	15-Dec-2002	30/06/2017	Half-year	15 Jun 15 Dec	0.212%
CBI	30-Dec-1999	81 055	18 705	15-Dec-2002	30/06/2017	Half-year	15 Jun 15 Dec	0.273%
Total			**2 550 589**					
(1) Total at effective cost			**2 548 837**					

(Amounts in € thousand)

Repayment terms and conditions of the loans to finance the infrastructure management as of 31 December 2014

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	600 000	16/03/2015		Bullet	16-mar	4.00%
REFER Eurobond 2006/2021 (1)	30/11/2006	500 000	500 000	13-Dec-2021		Bullet	13-jan	4.25%
State Loan	26/06/2012	149 719	25 981	31/05/2013	30/11/2016	Half-year	31-May 30-Nov	1.83%
State Loan	03/10/2012	202 641	202 641	31/05/2014	30/11/2017	Half-year	31-May 30-Nov	1.76%
State Loan	03/10/2012	49 960	49 960	31/05/2014	30/11/2017	Half-year	31-May 30-Nov	1.59%
State Loan	24/05/2013	282 937	282 937	31/05/2015	30/11/2020	Half-year	31-May 30-Nov	2.10%
State Loan	06/06/2013	21 723	21 723	31/05/2015	30/11/2020	Half-year	31-May 30-Nov	2.27%
State Loan	03/09/2013	23 394	23 394	31/05/2015	30/11/2020	Half-year	31-May 30-Nov	2.35%
State Loan	06/09/2013	102 488	102 488	31/05/2015	30/11/2020	Half-year	31-May 30-Nov	2.44%
State Loan	30/09/2013	20 000	20 000	31/05/2015	30/11/2020	Half-year	31-May 30-Nov	2.15%
State Loan	14/11/2013	37 000	37 000	31/05/2015	30/11/2020	Half-year	31-May 30-Nov	1.86%
State Loan	27/11/2013	293 000	293 000	31/05/2015	30/11/2020	Half-year	31-May 30-Nov	1.88%
State Loan	09-Dec-2013	24 000	24 000	31/05/2015	30/11/2020	Half-year	31-May 30-Nov	1.96%
BCP/Millenium	17/02/1999	4 240	171	Aug -12	Feb 14	Half-year	feb / aug	Eur 6M+0.875%
Total			**2 183 295**					
(1) Total considering effective cost			**2 179 755**					

(Amounts in € thousand)

7.14.3 Flat-rate financing

As of 31 December 2013 the fair value of the fixed rate debt was as follows:

Financing at fixed rate - fair value
31 December 2014

Name	Nominal Value	Principal due	Fair value	Interest rate
Eurobond 05/15	600 000	600 000	600 796	4% Fixed
Eurobond 06/21	500 000	500 000	410 256	4,25% Fixed
Portuguese State Loan 12/17	118 359	118 359	112 747	1.83% Fixed
Portuguese State Loan 12/17	202 641	202 641	192 741	1.76% Fixed
Portuguese State Loan 12/17	49 960	49 960	47 344	1.59% Fixed
Portuguese State Loan 13/20	282 937	282 937	181 862	2.10% Fixed
Portuguese State Loan 13/20	21 723	21 723	14 088	2,27% Fixed
Portuguese State Loan 13/20	23 394	23 394	13 587	2.35% Fixed
Portuguese State Loan 13/20	102 488	102 488	59 813	2.44% Fixed
Portuguese State Loan 13/20	20 000	20 000	11 491	2,15% Fixed
Portuguese State Loan 13/20	37 000	37 000	20 922	1,86% Fixed
Portuguese State Loan 13/20	293 000	293 000	165 866	1.88 % Fixed
Portuguese State Loan 13/20	24 000	24 000	13 646	1.96 % Fixed
EIB 1 T	9 976	2 328	2 502	5.97% Fixed
EIB 2 T	8 978	2 008	2 157	5.13 % Fixed
EIB 3 T	9 976	1 663	1 703	1.827% Fixed
EIB 4 T	8 480	1 413	1 440	1.827% Fixed
		2 282 914	**1 852 961**	

(Amounts in € thousand)

7.15 Suppliers and other accounts payable

This caption comprises the following amounts:

Description	Notes	31-Dec-2014	31-Dec-2013
Non current			
Income to recognise	7.15 1	2 282	2 907
	7.5.	**2 282**	**2 907**
Current			
Accrued expenses	7.15 2	18 374	16 176
Trade payables	7.15 3	18 312	21 355
Advances to be forwarded to Sales	7.15 4	17 252	17 281
Government and other public bodies	7.15 5	8 831	7 780
Other accounts payable	7.15 6	3 387	3 874
Income to recognise	7.15 1	2 276	2 212
	7.5.	**68 432**	**68 678**
		70 714	**71 585**

7.15.1 Income to recognise

Caption **Income to recognise** includes the amounts invoiced at the beginning of respective periods, according to the contracts entered with telecommunications operators and other entities, the object of which is as follows:

- - assignment, lease and maintenance of optical fibre;
- - lease and management of transmission circuits.

Income to recognise includes amounts invoiced and received from:

- € 377 thousand (2013: € 641 thousand) to be integrated in proportion to respective depreciation of industrial creosoting of wood cross-ties, included in tangible fixed assets in 2007.
- € 103 thousand (€ 136 thousand in 2013) relating to concession contracts for land, buildings and commercial areas.
- € 13 thousand (€ 8 thousand in 2013) in advertising;
- € 30 thousand (€ 28 thousand in 2013) in leases of commercial areas.

(Amounts in € thousand)

7.15.2 Accrued Expenses

Caption **Accrued Expenses** includes liabilities with holiday pay and holiday bonus for 2014 payable in 2015, accounting for 51% of the balance of 2014 (60% of the balance in 2013). It also comprises the consideration payable to the regulator (IMT – Instituto da Mobilidade e dos Transportes, I.P.,) relating to 2013 and 2014, in the amount of € 2,933 thousand (€ 1,466 thousand in 2013) and other expenses made in 2014 and not yet invoiced by respective suppliers as of the date of the financial statements.

7.15 Trade payables

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

Trade payables	Notes	31-Dec-2014	31-Dec-2013
General		10 910	13 829
Other related parties	20.3.	3 539	3 505
Invoices being checked		3 189	3 555
Third Party withholdings		674	465
Associates or jointly controlled companies	20.2.		1
		18 312	**21 355**

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

The amounts of invoices pending reception and checking concern services and goods provided until the end of the current year, awaiting reception or allocation.

7.15.4 Advances to be forwarded to Sales

Advances to be forwarded to sales is made up by approximately 93% (89% in 2013) of the amount relating to a promissory contract of purchase and sale entered on 28/07/2000 for the surface right of a plot of land belonging to the public railway domain located in Gaia, Porto the final contract of which is still pending. The promissory contract has been subject to various addenda and is still in force. In 2014 pursuant to the said contract and respective addenda, REFER received an additional downpayment of € 649 thousand.

(Amounts in € thousand)

7.15.5 Government and Other Public Bodies

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

State and other government bodies	Notes	31-12-2014	31-12-2013
VAT		5 782	4 587
Payments to social security and pension fund		1 849	1 906
Personal Income tax		1 195	1 282
Other taxes		5	5
		8 831	**7 780**

Personal Income Tax and Social Security balances correspond to the December 2014 wages processed that year but settled in January 2015. The increase in this caption is mostly explained by the VAT assessment for November 2014. At the date of the financial statements, the **VAT** amount was already settled (paid in January 2015).

7.15 Other accounts payable

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

Other accounts payable	Notes	31-Dec-2014	31-Dec-2013
Miscellaneous		3 378	3 873
Associates or joint undertakings	20.2.	9	
Other related parties	20.3.		1
		3 387	**3 874**

Other accounts payable - sundry include the following:

- accounts payable to investment suppliers in the amount of € 155 thousand (€ 1,042 thousand in 2013);

- Amount payable to courts resulting from expropriation proceedings, totalling approximately € 314 thousand (€ 307 thousand in 2013).

- Amounts owed to consultants in the amount of € 20 thousand (2013: € 35 thousand);

- Amounts relating to surety bonds for subleased areas in the amount of € 727 thousand (2013: € 674 thousand).

(Amounts in € thousand)

7.16 Provisions

Changes in the provisions in the years ended 31 December 2014 and 2013 were made up as follows:

Provisions	Notes	Lawsuits	Other	Total
01-01-2014		**21 323**	**122**	**21 445**
Increases	12.	5 445		5 445
Used			- 122	- 122
Reversal	12.	- 2 433		- 2 433
31-12-2014		**24 335**		**24 335**
01-01-2013		**15 249**	**1 302**	**16 551**
Increases	12.	15 495	122	15 617
Used		- 2 077	- 1 145	- 3 222
Reversal	12.	- 7 344	- 157	- 7 501
31-12-2013		**21 323**	**122**	**21 445**

Changes occurred in **legal proceedings** i reflect the estimate of losses incurred by the **REFER Group** relating to civil and labour lawsuits, where future losses may occur that can be reasonably estimated. The payment or not of this liability will depend on the final outcome of each lawsuit.

The change in caption **Other provisions** results from application of IFRS 11, whereby the Group identified AVEP's investment as joint arrangement; accordingly, REFER holds an unlimited and several liability for the loans contracted by the Grouping.

As of 31 December 2013 the sum of € 122 thousand concerned the share of potential losses to be borne by the Group, in the event of AVEP not meeting its obligations with other entities (notes 7.4 and 12).

7.17 Subsidies

Subsidies recorded under this caption correspond to amounts received from ERDF by GIL, to finance the construction of Gare Intermodal da Estação do Oriente. They are allocated on an annual basis, based in the estimated useful life of Gare Intermodal da Estação do Oriente.

(Amounts in € thousand)

8. Sales and services

Sales and Services rendered are as follows:

Description	Notes	31-Dec-2014	31-Dec-2013
Utilisation of slots (fees)		75 226	71 930
State Grantor - Revenue LDI	18.	18 306	20 770
Real estate property management		10 856	10 366
Telecommunications		9 142	8 155
Traction Power		5 074	5 302
Shunting/Parking Rolling stock		3 095	2 934
Transport engineering services		1 494	1 844
Capacity requested and not used		1 337	1 999
Information systems		541	421
Rental of space		329	326
Terminals		285	
Sale of finished products	7.8 2	143	
Crossings		124	89
Performance improvement		114	78
Maintenance of private railway lines		65	64
Goods		6	7
Other services		613	369
		126 750	**124 654**

The amounts recorded under **State Grantor – LDI revenue** correspond to internal works debited to long duration investment activity (Note 18).

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 151/2014 of 13 October.

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 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 ancillary services rendered is issued on a monthly basis to operators CP, CP Carga, Fertagus, Takargo and Comsa.

The increase by 4.6% occurred in caption **Use of Channels** was due to the combined effect of an increase in use and an increase by 2% in the base fee.

The freight segment recorded the largest growth in use of the network (13.5%) (2014: € 8.594 thousand, 2013: € 7,568 thousand), whilst the passenger segment increased by 3.4% (2014: € 65,102 thousand, 2013: € 62,939 thousand);

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.

Caption **Terminals** comprises € 281 thousand relating to the rendering of expedition and reception services in terminals, invoiced to CP CARGA. This sum concerns the invoicing started on 1 December 2014, following the integration of freight terminals (note 6.1.1.).

Sale of finished products concern the sale of a unit located in Sines (unit AO of "Lote 13"), as explained in note 7.8.2

9. Operating subsidies

Pursuant to the Council of Ministers Resolution 52/2014 of 29 May, the company received € 40,493 thousand (2013: € 43,700 thousand), by way of compensatory payments recorded under this caption..

(Amounts in € thousand)

10. Supplies and Services

Supplies and services at 31 December 2014 and 2013 are made up as follows:

Description	31-Dec-2014	31-Dec-2013
Sub-contracts	56 791	55 958
Electricity	11 262	11 763
Surveillance and Safety	5 173	4 857
Cleaning, Hygiene and comfort	2 182	2 259
Specialised works	2 002	1 919
Rents and rentals	1 877	2 750
Maintenance and repair	1 167	1 996
Fuel	1 136	1 212
Communications	915	268
Software licences	866	925
Insurance	793	836
Water	651	692
Transport of personnel	572	661
Travelling and accommodation	440	342
Tolls	328	279
Other below € 300 thousand	1 157	1 430
Supplies and Services	**87 312**	**88 147**

Caption **supplies and services** decrease by € 835 thousand in relation to the same period of the previous year.

Subcontracts concern mainly sub-contracted services relating to track maintenance, signalling and overhead lines, which account for 65% of overall **external supplies and services.**

The change **expenses with surveillance** derives from the revision of respective contracts.

Specialised works comprises expenses with:

- Consultancy services (research in national and European railway development, digital cartography, reports issued by Instituto Superior Técnico): € 213 thousand;
- waste management, biodiversity protocols and consultancy services relating to noise - € 183 thousand.
- Information applications - € 175 thousand;
- Attorney fees: € 152 thousand;
- cohesion fund reports, management and monitoring of the car fleet, clipping and monitoring, digitalisation and filing of third party invoicing – € 133 thousand.

Caption **rents and rentals** includes € 1,506 thousand (€ 1,691 thousand 2013) relating to expenses with car leasing and € 141 thousand (€ 141 thousand in 2013) with administrative equipment leases.

(Amounts in € thousand)

Future minimum payments of non cancellable operational leases are as follows:

31 December 2014

Description	Up to 1 year	1 to 5 years	Total
According to leases			
Vehicles	629 203	196 874	826 077
Equipment	37 641		37 641

As of the date of this report the **REFER Group** has 307 vehicles (2013: 355 vehicles) and 191 equipment (2013: 125 equipment).

The decrease in expenses in caption Software licences was possible thanks to an EAS (Entreprise Agreement Subscription) with Microsoft, comprising the buy-out of licences, as mentioned in Note 7.3.

Change in tolls is explained by harmonisation of classes covering the whole group, rather than an effective increase in expenses in 2014.

11. Personnel expenses

Personnel expenses for the years ended as of 31 December 2014 and 2013 were made up as follows:

Description	31-Dec-14	31-Dec-13
Wages	72 565	78 998
Wage expenses	16 588	18 122
Indemnities	3 600	4 627
Other personnel costs	2 989	3 096
Occupational insurance policies	1 657	1 625
Remuneration of the members of governing bodies	512	453
Social security expenses	497	377
	98 408	**107 298**

In 2014 personnel expenses fell by € 8.9 thousand (8.2%) as the average staff was reduced by 128 people. Additionally, the amount of redundancies paid also dropped following the mutual rescission agreed (€ 3,600 thousand in 2014 against € 4,627 thousand in 2013); moreover, expenses with holiday bonuses for the year were recognised in the year, conversely to 2012, following the Constitutional Court's decision against the suspension of Christmas and holiday bonuses provided in the State Budgets for 2012 and 2013.

(Amounts in € thousand)

The change in remuneration comprises the remuneration of the three members of the Audit Board of **REFER** appointed on 13 May 2013, by joint order of the State-Secretary for the Treasury and the State-Secretary for Infrastructures, Transport and Communications, resulting in a 12.9% rise in the remuneration of corporate bodies.

It is also worth noting the Group's expenses with employee representation structures (information referred to by the Dispatch from the State-Secretary for the Treasury, of 25 June 1980). For workers involved full time in these activities (Union Leaders and Employee Committee), expenses determined for the representation structure for the years of 2014 and 2013 totalled € 89 thousand and € 93 thousand, respectively.

Respective breakdown is as follows:

Description	31-Dec-14	31-Dec-13
Monthly wages	53	55
Long-service wage rises	5	6
Holiday and Christmas bonus	10	10
Employer's contribution	17	18
Other	3	4
Expenses with Workers' Representation Structures	**88**	**93**

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

Description	31-Dec-2014	31-Dec-2013
Part-time (average no.)		
Union Leaders	137	137
Committees and sub-committees	20	28
Full time		
Union Leaders	5	5
No. of employees involved in workers' representation structures	**162**	**170**

(Amounts in € thousand)

12. Provisions

Figures relating to 2014 and 2013 were as follows:

Description	Notes	31-Dec-14	31-Dec-13
Lawsuits	7.16	3 012	8 151
Loans and interest payable to IFERVISA			- 31
Other provisions - AVEP	7.4.		122
Losses on works			- 126
Provisions for the year	7.16.	**3 012**	**8 116**

13. Impairments

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

(Amounts in € thousand)

31 December 2014

Impairments	Notes	Opening balance	Increase	Write back for the year	Transfers	Use	Closing Balance
Management of Railway Infrastructure							
Non current assets							
Investment properties	7.2.	780			15		795
Available-for-sale financial assets	7.6.	1					1
Loans and other accounts receivable	7.7	19 148		- 19 148			
Current assets							
Inventories	7.8.	391	87		1 911		2 389
Clients	7.10 1	1 581	314				1 895
Other accounts receivable	7.10.2.	1 862	121				1 983
Activity in long term Infrastructure investments							
Grantor	6.1.5.	305 200					305 200
Inventories	6.2.	316		- 134			182
		329 279	**522**	**- 19 282**	**1 926**		**312 446**

(Amounts in € thousand)

31 December 2013

Impairments	Notes	Opening balance	Increase	Write back for the year	Transfers	Use	Closing Balance
Management of Railway Infrastructure							
Non current assets							
Investment properties	7.2.	128	656		- 4		780
Available-for-sale financial assets	7.6.	134				- 133	1
Loans and other accounts receivable	7.7.	14 055	5 093				19 148
Current assets							
Inventories	7.8.	447		- 912	856		391
Clients	7.10 1	1 395	301			- 115	1 581
Other debtors	7.10 2	3 868	130	- 452		- 1 684	1 862
Non current assets held for sale		1 198				- 1 198	
Activity in long term Infrastructure investments							
Grantor	6.1.5.	305 200					305 200
Inventories	6.2.	275			41		316
		326 700	**6 180**	**- 1 364**	**893**	**- 3 130**	**329 279**

(Amounts in € thousand)

14. Other expenses

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

Description	Notes	31-Dec-2014	31-Dec-2013
Expenses with concentrations	5.	13 079	
Irrecoverable debt		5 415	200
IMT		1 466	972
Direct and indirect taxes		1 000	544
Indemnities		366	126
Losses on non financial instruments		344	853
Contributions		240	256
Donations		166	139
Losses on inventories		150	97
Operating expenses < 20000 euros		171	832
Other expenses		**22 397**	**4 019**

Caption **Expenses with business combinations** comprises the remeasurement of investment previously held in GIL, as mentioned in Note 5.

Caption **Irrecoverable debt** concerns mainly expenses with renegotiation of contracts with CP (note 7.10.1).

The amount recorded under IMT – Instituto da Mobilidade e dos Transportes, I.P., corresponds to the amount of the fee due by **REFER** to this Regulatory Authority. This fee is as provided in sub-paragraph 2 of Ministerial Order 12.596/2013, of 1 October (note 7.15). Changes derive from the correction of estimates recognised in 2013.

Direct and indirect taxes comprise mainly € 420 thousand relating to PEC (Special On Account Payment) settled in 2003 to 2008; the reimbursement of this sum was already applied for, however, the Tax Authority has required an inspection to the accounts for the overall period (6 tax/accounting years), the cost of which to be borne by REFER. Following an analysis of the cost/benefit of such inspection, it was decided to waive the said reimbursement. This caption further comprises stamp duty and other duties paid in 2014.

Caption **indemnities** comprises payments deriving from court decisions concerning property and other damages caused by the Group's operations.

Caption **Donations** comprises the sum given to the National Railway Museum Foundation, specifically of € 129 thousand (€ 129 thousand in 2013) pursuant to a sponsorship protocol benefiting from the EBF (Statute of Tax Benefits), which gave rise to a tax benefit of € 25,740 thousand.

(Amounts in € thousand)

15. Other income

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

Description	Notes	31-Dec-2014	31-Dec-2013
Gains on loans	5.	25 634	
Sundry sales		2 981	10 414
Concessions and licences		866	813
Sale/assignment of energy and water		573	827
Subsidies		357	233
Telecommunications		139	139
Home Conservation Fund		76	91
Gains on inventories		73	43
Contract specifications		54	19
Assignment of equipment and personnel		51	70
Other below € 30,000		1 149	2 547
Other operating revenues		**31 953**	**15 196**

Gains on loans relate to the acquisition of the loans granted to GIL by PARQUE EXPO 98, S.A. and METROPOLITANO DE LISBOA, S.A (Note 5)

Following termination in July 2014 of the contract entered with Siderurgia Nacional (steel industry), sales of carriageway and other iron material waste recorded a significant fall in 2014, standing at € 1,713 thousand (2013: € 9,742 thousand), which explains the change in **sundry sales**.

Caption **concessions and use of licences** includes mainly the concession for the use of the infrastructure, specifically buildings and land, accounting for approximately 46% (48% in 2013), licences and leases of commercial areas. approximately 27% (22% in 2013) and parking, nearly 18% (18% in 2013).

(Amounts in € thousand)

16. Financial losses and gains

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

Description	Notes	31-Dec-2014	31-Dec-2013
Financial losses			
Interest paid:			
Loans		- 215 082	- 220 285
Derivative financial instruments		- 2 023	- 54 777
Other interest paid		- 19	- 59
Changes in fair value:			
Derivative financial instruments	7.9.	- 3 383	- 16 244
Other financial losses		- 6 463	- 6 552
		- 226 970	**- 297 917**
Financial gains			
Interest earned			
Derivative financial instruments		5 440	36 708
Other interest earned		1 247	257
Interest earned - State Grantor	6.1.4.	148 231	156 857
Changes in fair value:			
Derivative financial instruments	7.9.		48 350
Other operating gains			
		154 918	**242 172**
Financial results		**- 72 052**	**- 55 745**

Interest paid concern interest on debt allocated to Investment and Infrastructures Management Activities. It also includes interest relating to the paying leg and premium paid of the only outstanding interest rate swap, which was early liquidated on 22 January 2014 (note 7.9).

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 financial instruments, specifically the interest rate swap outstanding until 22 January 2014 (receiving leg and premiums), other interest on financial applications made with IGCP and interest paid by the State grantor (Note 6.1.4). 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 € 3.4 million in 2014 (2013: €32.1 million).

17. Segment reporting

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

- Management of the railway infrastructure (include the high-speed train project);

- Railway telecommunications;

- Management of real estate property and commercial areas;

- Engineering and transport services.

The financial information relating to identified segments at 31 December 2014 and 2013 is as follows:

(Amounts in € thousand)

2014	Management of the railway infrastructure	Telecommunications	Real estate property management	Engineering and transportation services	Total
Revenue from sales and services	**99 696**	**10 059**	**11 050**	**5 945**	**126 750**
Subsidies	40 493				40 493
Supplies and services	- 85 120	- 72	- 1 309	- 812	- 87 313
Personnel expenses	- 92 232	- 281	- 1 808	- 4 627	- 98 948
Other income / (gains)	3 463	- 9	838	399	4 691
Amortisation and depreciation	- 4 885	- 289	- 150	- 91	- 5 415
Impairments	18 523	286	- 50		18 759
Provisions	- 3 012				- 3 012
EBIT	**- 23 074**	**9 694**	**8 571**	**814**	**- 3 995**
Amortisation and depreciation	4 885	289	150	91	5 415
Impairments	- 18 523	- 286	50		- 18 759
Provisions	3 012				3 012
EBITDA	**- 33 700**	**9 697**	**8 771**	**905**	**- 14 327**
Other financial gains / (losses)	- 72 050		2	- 4	- 72 052
Income tax	25 008	- 961	54	- 516	23 585
Non controlling interests					
Net profit	**- 70 116**	**8 733**	**8 627**	**294**	**- 52 462**
Other information:					
Segment assets					
Investments in associates					
Grantor .- State - Account Receivable	5 253 070				5 253 070
Other financial assets	302 821	18 511	95 994	6 102	423 428
Consolidated total assets	**5 555 891**	**18 511**	**95 994**	**6 102**	**5 676 498**
Segment liabilities					
Borrowings	6 431 804		29 202		6 461 006
Other liabilities	138 934	10 169	33 005	2 627	184 735
Consolidated total liabilities	**6 570 738**	**10 169**	**62 207**	**2 627**	**6 645 741**

(Amounts in € thousand)

Operations with segments (reconciliations)	31-Dec-2014
Revenue from reportable segments	151 028
Intra segment revenue	- 19 824
Other Adjustments	- 4 454
Consolidated revenue	**126 750**
Aggregate results	- 84 812
Intragroup revenues/expenses	- 8 555
Other Adjustments	40 905
Non controlling interests	
Segment results	**- 52 462**
Segment assets	5 694 069
Elimination of intragroup balances	- 85 219
Other Adjustments	67 648
Total consolidated liabilities	**5 676 498**
Segment liabilities	6 730 650
Elimination of intragroup balances	- 85 219
Other Adjustments	310
Total consolidated liabilities	**6 645 741**

(Amounts in € thousand)

2013	Management of Railway Infrastructures	Telecommunications	Real estate property management	Engineering and transportation services	Total
Revenue from sales and services	**99 950**	**8 922**	**10 358**	**5 424**	**124 654**
Subsidies	43 700				43 700
Supplies and services	- 86 092	- 42	- 1 160	- 853	- 88 147
Personnel expenses	- 101 556	- 326	- 1 404	- 4 012	- 107 298
Other income / (gains)	5 462		- 89	- 842	4 531
Amortisation and depreciation	- 5 070	- 183	- 143	- 251	- 5 647
Impairments	- 4 727		- 93	3	- 4 817
Provisions	- 8 272		31	126	- 8 115
Gains/ (Losses) on associates	- 126				- 126
EBIT	**- 56 733**	**8 371**	**7 500**	**- 404**	**- 41 265**
Amortisation and depreciation	5 070	183	143	251	5 647
Impairments	4 727		93	- 3	4 817
Provisions	8 272		- 31	- 126	8 115
EBITDA	**- 38 664**	**8 555**	**7 705**	**- 282**	**- 22 686**
Other financial gains / (losses)	- 55 841		- 11	107	- 55 745
Income tax	6 223	- 1 073	- 301	- 127	4 722
Non controlling interests					
Net profit	**- 106 349**	**7 298**	**7 188**	**- 425**	**- 92 288**
Other information:					
Segment assets					
Investments in associates Grantor .- State - Account Receivable	4 973 985				4 973 985
Other financial assets	398 567	25 598	17 950	7 278	449 393
Consolidated total assets	**5 372 552**	**25 598**	**17 950**	**7 278**	**5 423 378**
Segment liabilities					
Borrowings	7 184 100			171	7 184 272
Other liabilities	169 879	11 862	6 109	2 838	190 688
Consolidated total liabilities	**7 353 979**	**11 862**	**6 109**	**3 009**	**7 374 959**

(Amounts in € thousand)

Operations with segments (reconciliations)	31-Dec-2013
Revenue from reportable segments	142 145
Intra segment revenue	- 17 500
Other Adjustments	9
Consolidated revenue	**124 654**
	-
Aggregate results	- 89 853
Intragroup revenues/expenses	- 2 200
Other Adjustments	- 235
Segment results	**- 92 288**
	-
Segment assets	5 458 801
Elimination of intragroup balances	- 22 651
Other Adjustments	- 12 772
Total consolidated liabilities	**5 423 378**
	-
Segment liabilities	7 397 718
Elimination of intragroup balances	- 22 651
Other Adjustments	- 108
Total consolidated liabilities	**7 374 959**

(Amounts in € thousand)

18. Statement of internal results for the long term infrastructure investment activity

Internal works developed for the investment activity in LDI which were recognised in the **Statement of Comprehensive Income** are as follows (see Note 8).

Description	Notes	31-Dec-2014	31-Dec-2013
Activity in long term Infrastructure investments			
Material for investment		1 984	3 288
Equipment		4	10
Manpower		377	353
Overhead costs		15 941	17 118
Total of long duration Infrastructure investments activity	8.	**18 306**	**20 769**

The decrease by € 2,464 thousand in 2014, as compared to 2013, reflects a reduction in activity stemming from the economic situation and the Grantor's investment policy; on the other hand, the decrease in expenses occurred in 2014 (namely in Personnel and Supplies and Services) reflects the continuous effort made by REFER to implement streamlining measures, following the guidelines of the relevant ministerial authorities.

(Amounts in € thousand)

19. Remuneration of the members of governing bodies

The remuneration of the members of the Board of Directors of the **REFER Group** 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 Council of Ministers Resolution 36/2012 of 26 March, which approves the ranks of public officers under the responsibility of each Ministry.

REFER, E.P.E.

BOARD OF DIRECTORS

		31 December 2014		
The Board of Directors	**Position**	**Main Remuneration**	**Additional remuneration**	**Employer's cont. Social Security**
Rui Lopes Loureiro	Chairman	86	5	20
José Luís Ribeiro dos Santos	Vice-chairman	80	3	19
José Rui Roque	Member	74	4	18
Amílcar Álvaro de Oliveira Ferreira Monteiro	Member	74	4	18
Alberto Manuel de Almeida Diogo	Member	74	2	18
Remuneration paid		**388**	**18**	**93**

Pursuant to the legal framework referred to above, the Ministry of Finance and the Ministry for Economy and Employment issued a joint order dated 29 May 2013, fixing the remuneration of the members of **REFER**'s corporate bodies for the 2012-2014 period.

Provisions in paragraph 3 of the said joint order were also complied with; it provided as follows "under the terms of provisions in nr. 21 of Council of Ministers Resolution nr. 16/2012 of 14 February and nr. 3 of Council of Ministers Resolution nr. 36/2012 of 26 de March, during the term of the Economic and Financial Assistance Programme, the remuneration of the members of the corporate bodies cannot exceed the amounts paid as of 1 March 2012, date of the entry into force of Council of Ministers Resolution nr. 16/2012, dated 14 February; notwithstanding, members can opt for their original salary in new appointments.".

In 2014 the remuneration of the Board of Directors fixed as described above was subject to a 5% reduction in the gross monthly fixed remuneration, according to provisions in article 12, nr. 1 of Law 12-A/2010 of 30 June and article 256 nr. 2 of Law nr. 83-C/2013 of 31 December.

Additionally, a remuneration reduction as provided in article 33 of Law nr. 83-C/2013 of 31 December was applied to the total gross remuneration determined following the reduction established pursuant to article 12 of Law 12-A/2010 of 30 June.

(Amounts in € thousand)

Under the terms of Order 413/2014 of the Constitutional Court, which declared the unconstitutionality with binding force of the rules established in article 33 of Law 83-C/2013 of 31 December, the remuneration reduction referred to above was lifted at the end of May 2014; according to paragraph f) the decision would only be effective as of the date of the said Order.

As from 13 September 2014 a remuneration reduction as provided in article 2 of Law nr. 75-C/2014 of 12 December was applied to the total gross remuneration determined following the reduction established pursuant to article 12 of Law 12-A/2010 of 30 June.

Provisions in article 35 of Law 83-C/2013 of 31 December were complied with, i.e. payment o the Christmas bonus was paid in twelve instalments to the members of the Board of Directors of **REFER, E.P.E**.; respective amount was determined under the terms of nr. 2 of the said law.

Likewise, directors of **REFER, EPE** were not paid any bonus, pursuant to provisions in article 41 of Law 83-C/2013 of 31 December.

Supplementary remuneration shown correspond to travel allowances.

AUDIT BOARD

	2014	
Audit Board	**Main Remuneration**	**Employer's Cont. Social Security**
Dr. Pedro Manuel Mota Carecho Grilo	25	
Dr. Pedro Miguel do Nascimento Ventura	25	5
Dr. José Emílio Coutinho Garrido Castel-Branco	9	
Remuneration paid	**59**	**5**

The remuneration regime of the members of the audit board of **REFER, E.P.E**. for the 2012-2014 period was fixed by joint order of the Ministry of Finance and Ministry of Economy and Employment dated 29 May 2013 (which also fixed the remuneration regime for the board of directors).

Remuneration was subject to the reduction provided in article 33 of Law 83/2013 of 31 December.

Under the terms of Order 413/2014 of the Constitutional Court, which declared the unconstitutionality with binding force of the rules established in article 33 of Law 83-C/2013 of 31 December, the remuneration reduction referred to above was lifted at the end of May 2014; according to paragraph f) the decision would only be effective as of the date of the said Order.

As from 13 September 2014 remuneration was subject to the reduction provided in article 2 of Law 75/2014 of 12 September.

(Amounts in € thousand)

The percentage of reduction was determined based on cumulative remuneration, in compliance with provisions in article 33 paragraphs 2 and 3 of Law 83-C/2013 of 31 December (until the end of May 2014) and provisions in article 2 paragraphs 2 and 3 of Law 75/2014 of 12 September (as from 13 September 2014).

STATUTORY AUDITOR

31 December 2014

Entity	Total
Pedro Matos, Garcia Jr., P. Caiado & Associados, SROC	20

31 December 2013

Entity	Total
Barbas, Martins, Mendonça & Associados, SROC	74

Under the terms of provisions in joint order issued by the Ministry of Finance and the Ministry of Economy and Employment dated 29 May 2013 the gross annual remuneration of the Statutory Auditor is as provided in the services contract entered with the Board of Directors, i.e. up to 22.5% of the corresponding amount to 12 months of the global gross monthly remuneration of the Chairman of the Board of Directors, as provided in articles 59 and 60 of the Statutes of the Association of Official Auditors, subject to the remuneration deductions required under the State Budget Law.

(Amounts in € thousand)

REFER TELECOM, S.A.

BOARD OF DIRECTORS

- Chairman – Rui Lopes Loureiro
- Member - José Luís Ribeiro dos Santos
- Member - José Rui Roque

In 2014 the members of the Board of Directors of REFER TELECOM were 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 the company are not entitled to remuneration for holding this office.

SOLE AUDITOR

	31-Dec-2014	31-Dec-2013
Barbas, Martins, Mendonça & Associados, SROC	11	13

Remuneration deductions required under the State Budget Law for 2014 were applied.

(Amounts in € thousand)

REFER PATRIMÓNIO S.A.

BOARD OF DIRECTORS

- Chairman – Rui Lopes Loureiro
- Member - José Luís Ribeiro dos Santos
- Member - José Rui Roque

In 2014 the members of the Board of Directors of the company were 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 the company are not entitled to remuneration for holding this office.

SOLE AUDITOR

	31-Dec-2014	31-Dec-2013
Barbas, Martins, Mendonça & Associados, SROC	12	13

Remuneration deductions required under the State Budget Law for 2014 were applied.

(Amounts in € thousand)

REFER ENGINEERING , S.A.

BOARD OF DIRECTORS

- Chairman – Rui Lopes Loureiro
- Member Eng. Amílcar Álvaro de Oliveira Ferreira Monteiro
- Member - Alberto Manuel de Almeida Diogo

In 2014 the members of the Board of Directors of the company were 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 the company are not entitled to remuneration for holding this office.

SOLE AUDITOR

	31-Dec-2014	31-Dec-2013
Barbas, Martins, Mendonça & Associados, SROC	9	10
Colaço, Rosa, Carrilho & Associados		

Remuneration deductions required under the State Budget Law for 2014 were applied.

(Amounts in € thousand)

20. Balances/transactions with related entities

20.1 Summary of related entities

The following entities are identified as related entities of the **REFER Group**:

31 December 2014

	Relationship
Joint Operations	
AVEP	REFER holds 50% of the share capital
AEIE CFM4	REFER has a stake of 33.33%
Other related parties	
ESTRADAS DE PORTUGAL	Joint administration with REFER – since Jan/2015
ST	Controlling relationship - State
CP Carga	Controlling relationship - State

EP – Estradas de Portugal, S.A. (EP) is included in **Other Related Parties** as of 31 December 2014 taking into account the ongoing merger of this company into **REFER**; as from 1 January 2015 the companies share the same board of directors, made up of seven directors, as provided in Decree-law 160/2014 of 29 October and appointment by Resolution of the council of ministers nr. 2/2015 of 31 December 2014 in REFER's case and unanimous resolution of the general meeting of EP, both effective as of 1 January 2015.

31 December 2013

	Relationship
Associates companies and jointly controlled company	
GIL	REFER holds 33.65% of the share capital
AVEP	REFER holds 50% of the share capital
AEIE CFM4	REFER has a stake of 33.33%
Other related parties	
RAVE - ONGOING LIQUIDATION	REFER holds 40% of the share capital
ST	Controlling relationship - State
CP Carga	Controlling relationship - State

(Amounts in € thousand)

20.2 Balances and transactions with associated and jointly controlled operations

Balances with **associated companies and jointly controlled operations** were made up as follows:

Company	Notes	2014	2013
ACCOUNTS RECEIVABLE			
AVEP		44	0
Cash Resources		**44**	**0**
GIL		13	13
Clients	7.10 1	**13**	**13**
AEIE CFM4		391	98
Other accounts receivable	7.10 2	**391**	**98**
GIL		0	207
Deferred assets		**0**	**207**
		448	**318**
ACCOUNTS PAYABLE			
GIL		0	1
Trade payables	7.15 3	**0**	**1**
AVEP	7.15 6	9	0
Other accounts payable		**9**	**0**
		9	**1**

Transactions with associated companies and jointly controlled operations carried out in the period under review were as follows:

Company	2014	2013
Investments and Suppliers & Services		
AVEP	10	
GIL		841
	10	**841**
Rendered Services		
GIL	0	41
	0	**41**

(Amounts in € thousand)

20.3 Balances and transactions with other related entities

Balances with **other related entities** were made up as follows:

Company	Notes	2014	2013
ACCOUNTS RECEIVABLE			
ST		15 377	146 603
CP Carga		27 823	20 268
ESTRADAS DE PORTUGAL		2	0
Clients	7.10 1	**43 202**	**166 871**
ESTRADAS DE PORTUGAL		103	0
RAVE - WOUND UP		0	168
Other accounts receivable	7.10 2	**103**	**168**
		43 305	**167 039**
ACCOUNTS PAYABLE			
CP Carga		- 41	0
LDI - Suppliers and other accounts payable		**- 41**	**0**
CP		3 426	2 919
CP Carga		101	587
ESTRADAS DE PORTUGAL		12	0
Trade payables	7.15 3	**3,539**	**3 506**
RAVE - WOUND UP			1
Other accounts payable	7.15 6		**1**
		3,580	**3 507**

(Amounts in € thousand)

Transactions with other related entities occurred in the period under review were as follows:

Company	2014	2013
Investments, supplies and services and other expenses		
CP (a)	51 508	6 375
CP CARGA (b)	22 392	504
	73 900	**6 879**
Services rendered and other income		
ST	67 241	67 983
CP CARGA	10 474	9 631
ESTRADAS DE PORTUGAL	98	
	77 813	**77 614**

a) a) The increase occurred concerns the acquisition of Fergráfica Building, for € 2,358 thousand and the freight terminals, for € 40,451 thousand.

b) b) The increase reflects the evaluation of the railway terminals operation and respective equipment, in the amount of € 22,309 thousand.

(Amounts in € thousand)

20.4 Balances and invoicing with public entities

As of 31 December 2014, protocols of significant amount in force are as follows:

Municipality	Description of Protocol/ Related entity	Transactions in 2014	Balances at 31.12.2014
Balances receivable			
Espinho	Intervention in Espinho Urban regeneration and levelling of track		620
Aveiro	Construction of the New Station of Aveiro - Road Interface, Urban Regeneration of Surrounding Area, Financing of the Undertaking		13 351
Viana do Castelo	Closure of railway crossings in the Municipality of Viana do Castelo	21	1 783
Sintra	Technical and financial collaboration of REFER and the Municipality of Sintra for the construction of the "Túnel de Agualva"		393
Cascais	Regeneration and Improvement of the Cascais railway line - Carcavelos/Estoril stretch (Revision)		2 801
Funds	Road and rail infrastructures in the urban area of Fundão - 2nd addenda		2 950
Coimbra	Final closure of 21 railway crossings and respective access roads in the Municipality of Coimbra	22	2 746
Ovar	Closure of 6 railway crossings and respective access roads in the Municipality of Ovar	9	1
		52	**24 645**

(Amounts in € thousand)

21. Recently issued accounting standards and interpretations

Standards applicable as from 01 January 2014

Standards	Description of standards	Impact on the Group
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.
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.	Note 7.4
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 2.2.1
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).	Note 7.4
IFRS 12 - Disclosure of interests in other entities (*)	Standard establishes disclosure requirements for all types of interests in other entities.	Note 7.4
IFRIC 21 - Rates	Establishes the accounting for rates/payments imposed by governments, clarifying the moment when the liabilities must be recognised.	Not applicable.

(*) These changes, where applicable, are made jointly.

(Amounts in € thousand)

Amendments effective as from 01 January 2014

Standards	Description of standards	Impact on REFER
IFRS 10 - Consolidated financial statements (*1)	IFRS10 was amended to better reflect the business model of investment entities. It requires that these entities are measured at fair value against profit and loss instead of being consolidated.	n.a.
IFRS 12 - Disclosure of interests in other entities (*1)	IFRS 12 was amended to require a specific disclosure on investment entities.	n.a.
IAS 27 - Separate financial statements (*1)	IAS27 was amended to eliminate the option given to investment companies to measure investment in specific subsidiaries at cost or fair value in respective separate financial statements	n.a.
IAS 32 - Offsetting between financial assets and liabilities	Clarifies the right to offset financial assets (FA) with financial liabilities (FL).	n.a.
IAS 36 - Impairment of assets	This standard clarifies that the scope of disclosures in information concerning the recoverable amount of assets where based on fair value minus disposal costs is restricted to depreciated assets.	n.a.
IAS 39 - Financial Instruments Recognition and measurement	The purpose of the amendments is to solve situations where a derivative designated as hedging instrument is the object of novation between a counterparty and a central counterparty, for legal or regulatory reasons. The solution found enables continuing the accounting irrespective of novation, which was not possible before the amendment.	n.a.

(*) These amendments, where applicable, are made jointly.

(Amounts in € thousand)

22. Investment commitments

The estimated value of investments to be made in 2015 in Long Duration Infrastructures (LDI) within the framework of the public railway domain and other investments that are not considered as LDI (EAG – Support and Management Structures including the investment in operation, studies and other fixed assets) required for the development of planned activities totals € 93,3 million.

Ninety six per cent (€ 90.4 million) of this total correspond to investments in LDI; the remaining 3% (€ 2.8 million) correspond to investments in Support and Management Structures. The sum assigned by the 2015 State Budget under the investment plan known as PIDDAC totals € 3.9 million; the sum is intended to cover part of the minimum projected investment in the National Railway Network.

Programmes/Projects	2015 Estimate
Investment in LDI	
included in PIDDAC	**90 445**
Minimum investment programme in National Railway Network	90 445
Not included in PIDDAC	**0**
Investment in LDI	**90 445**
Investment in IEAG	**7 229**
Total Investment of the Group	**97 674**

Note: investment at technical costs

23. Guarantees and sureties

REFER, E.P.E.

Loans benefiting from State guarantees as of 31 December 2014 totalled € 2,566,736 thousand (2013: € 2,644,497 thousand);

Total bank guarantees received from suppliers came to € 106,107 thousand (2013: € 134,797 thousand); These guarantees aim at ensuring an adequate fulfilment of construction contracts entered with **REFER**, in compliance with specific law relating to public works contracts.

Total **bank guarantees received from clients/debtors** amounted to € 9,560 thousand (2013: € 10,464 thousand);

At 31 December 2014 liabilities for guarantees taken totalled € 5,045 thousand (2013: € 2,925 thousand). From the total sum referred to above, € 2,622 thousand concern **guarantees given to state entities**, deriving from construction contracts performed or to be performed by **REFER** and € 2,136 thousand are **guarantees provided to courts** within the scope of lawsuits. In 2014 following the integration of the freight terminals (note 6.1.1.) guarantees in the amount of € 280 thousand were provided to the **Tax Customs Authority** to secure goods stored temporarily and for export.

REFER PATRIMÓNIO S.A.

As of 31 December 2014, total **bank guarantees provided by suppliers** amounted to € 1,826 thousand (2013: € 2,026 thousand); These guarantees were provided pursuant to the Code of Public Contracts, concerning contracts for investments made mainly in Braga and Campanhã.

As of 31 December 2014, **total bank guarantees received from clients/debtors** amounted to € 1,245 thousand (2013: € 1,475 thousand); These guarantees view to ensure the full compliance with the sub-concession contract in favour of REFER PATRIMÓNIO.

As of 31 December 2014 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 € 2.6 thousand (the same as in 2013)

REFER ENGINEERING , S.A.

Liabilities for **bank guarantees** as of 31 December 2014 totalled € 554 thousand (2013: € 676 thousand), of which € 549 thousand (2013: € 423 thousand concern Cosider – Algeria, within the scope of the Boughzoul / Djelfa project.

REFER TELECOM, S.A.

At 31 December 2014 REFER TELECOM had liabilities for **guarantees given to courts** valued at € 24 thousand (2013: € 24 thousand) and **other guarantees provided to third parties** in the amount of € 377 thousand (2013: € 377 thousand).

As of 31 December 2014, total **bank guarantees provided by suppliers** amounted to € 606 thousand (2013: € 656 thousand).

24. Contingencies

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 Boards of Directors of the Group companies, based on the opinion of their tax advisers, deed that any tax contingencies will not have a significant impact on the financial statements at 31 December 2014, taking into account provisions set up and expectations as of this date, including the judicial claim relating to the VAT conflict mentioned in paragraph concerning **REFER PATRIMÓNIO** (note 7.10.2)

REFER, E.P.E.

Pending lawsuits

In the year ended at 31 December 2014 pending lawsuits concerning expropriation proceedings totalled € 8,357 thousand (2013: €7,419 thousand). This amount has no impact on the Statement of Financial Position. In these cases, deposits are made with Caixa Geral de Depósitos in the name of the courts judging the lawsuits, in an amount equivalent to the arbitrated amount; the settlement of these proceedings does not represent an expense of the Company but of the Grantor of the railway infrastructures.

The Company has pending lawsuits relating to railway accidents occurred on the infrastructure under management and for damages caused to third-party property. These lawsuits are covered by REFER's activity insurance. Contingencies that may arise from lawsuits ongoing at the Labour Court were duly provisioned, as described in Notes 7.16 and 12.

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.

REFER PATRIMÓNIO S.A.

REFER PATRIMÓNIO appealed from the final decision issued by the Tax Administration concerning the VAT correction for 2006 involving the amount of € 2,816 thousand (see note 7.10.2). Although the claim was not accepted by the tax authority, legal expert opinions 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. Ultimately, if the appeal is rejected, the company will have to recognise as expense the amount already deposited with the tax authority, added of default interest.

REFER TELECOM, S.A.

As of the date of its financial statements the company recorded the following contingent liabilities:

- 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 lawsuit is presently suspended (for as long as the claim will be pending), as the company provided a bank guarantee in the amount of € 24 thousand (corresponding to the outstanding amount, respective interest and expenses, added of 25%).

REFER ENGINEERING , S.A.

No contingencies were identified, notwithstanding comments in the first paragraph of this note.

25. Subsequent events

The merger process of **REFER** and **EP – Estradas de Portugal, S.A**. (EP) is under way, as provided in the Strategic Infrastructures and Transport Plan (PETI3+) approved at the council of ministers meeting of 3 April 2014; the process views the creation of a transport management company in Portugal, called Infraestruturas de Portugal.

Pursuant to provisions in Decree-Law 160/2014 of 29 October, **REFER** and **EP** have now the same board of directors made up of 7 directors, appointed by Resolution of the council of ministers nr. 2/2015 of 31 December 2014 in **REFER**'s case and by resolution of **EP**'s general meeting, both effective as of 1 January 2015.

REFER, E.P.E.

Under the terms of Joint Order of the Minister for Finance and the Ministry of Economy dated 2 March 2015, in compliance with paragraph 2 of article 59 of Decree-Law 133/2013 of 4 October and nr. 2 of article 17 of **REFER**'s by-laws, as approved by Decree-Law 141/2008 of 22 July, it was decided to increase **REFER**'s statutory capital through subscription in cash, by the amount of € 700,000 thousand as follows:

a. Until 9 March 2015 the amount of € 685,000 thousand; and
b. Until 15 April 2015 the amount of € 15,000 thousand.

As of the date of these financial statements these increases in statutory capital were already carried out.

REFER PATRIMÓNIO S.A.

As of the date of presentation of the 2014 financial statements it is not possible to determine the impact which the merger operation will have on the activity of **REFER PATRIMÓNIO** in 2015.

REFER TELECOM, S.A.

As of the date of presentation of the 2014 financial statements it is not possible to determine the impact which the merger operation will have on the activity of **REFER TELECOM** in 2015.

REFER ENGINEERING , S.A.

The engineering projects comprised in caption inventories were finally contracted on 22 January 2015.

As of the date of presentation of the 2014 financial statements it is not possible to determine the impact which the merger operation will have on the activity of **REFER ENGINEERING** in 2015.

Lisbon, xx May 2015

The Board of Directors

Chairman António Manuel Palma Ramalho

Vice-chairman José Luís Ribeiro dos Santos

Member José Saturnino Sul Serrano Gordo

Member Alberto Manuel de Almeida Diogo

Member Vanda Cristina Loureiro Soares Nogueira

Member José Carlos de Abreu e Couto Osório

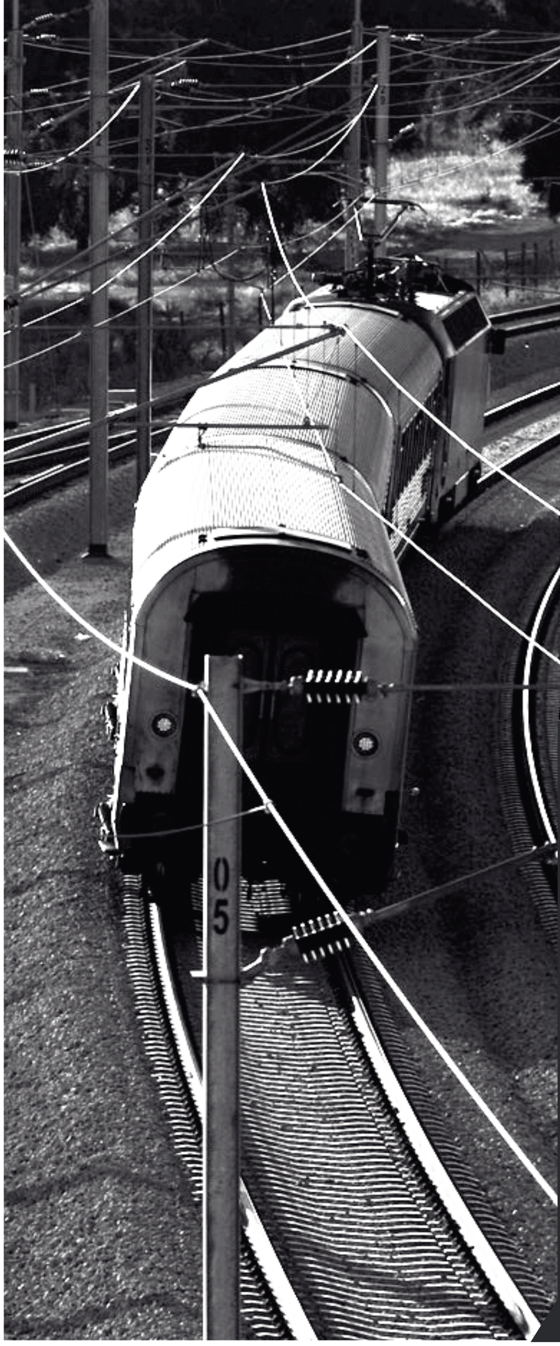
Member Adriano Rafael de Sousa Moreira

Financial Manager

Maria do Carmo Duarte Ferreira

The Official Accountant

Isabel Rasteiro Lopes



MANAGEMENT REPORT
Notes to the Financial Statements

2014

PART III

Report and Opinion of the Audit Board On the Consolidated Financial Statements

REFER

ANNUAL REPORT AND OPINION OF THE

AUDIT BOARD

ON THE

CONSOLIDATED MANAGEMENT REPORT AND

FINANCIAL STATEMENTS

FOR 2014

of the

REFER GROUP

AUDIT BOARD

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 Consolidated Management Report and accounting documents of the REFER Group, relating to the year ended at 31 December 2014, which are the responsibility of the Board of Directors (BoD).

II - ADOPTED METHODOLOGY

The method adopted consisted of a close, direct and loyal collaboration between the Board of Directors (BoD), the Audit Board and the Official Auditor of REFER, evidenced in the prompt availability of information and answers to any clarification requested.

According to the supervision model provided in article 413 of the Commercial Companies Code (CCC) and the by-laws of Rede Ferroviária Nacional – REFER, EPE (REFER), comprising Audit Board (AB) and Statutory Auditor (SA), these bodies maintained and developed an understanding of mutual cooperation, respecting each other's independence and duties, exchanging information and technical opinions.

II - ACTIVITY OF THE AUDIT BOARD

Under the terms of article 10, paragraph 2 of REFER, EPE by-laws, as approved by Decree-law no. 104/97 of 29 April, as amended by Decree-law 141/08 of 22 July, the Audit Board currently in office was appointed pursuant to Order issued by the Government members responsible for Finance and for Transport on 29 May 2013.

The former Chairman of the Audit Board, Mr. Carlos António Lopes Pereira submitted his resignation on 17 January 2014, effective as of 28 February 2014 and was replaced by Mr. José Emílio Castel-Branco by appointment of the Government members responsible for the Finance and Transport areas on 21 July 2014.

Taking into account the organisation model of REFER, the AB reviewed the minutes of meeting of the BdD, the Company's periodical reporting documents, specifically, the (quarterly) budget implementation report and the financial and statistics reports; met with the internal audit body; and, followed the evolution of key business and economic indicators, namely in what concerns their coherence with the strategic guidelines issued by the State, as shareholder. The AB, jointly with the SA, prepared the quarterly reports on the BdD reports for the same periods and submitted them to the financial authorities and the BdD, under the terms of the law and regulations in force.

AUDIT BOARD

In view of the closure of the annual accounts, the Audit Board examined the consolidated financial statements of REFER and corresponding notes relating to 2014.

The Audit Board also reviewed the Legal Certification of Accounts and the audit report on the consolidated financial statement issued by the official auditor of REFER, specifically P. Matos Silva, Garcia Jr. P. Caiado & Associados, SROC Lda, SROC nr. 44, represented by associate João Paulo Raimundo Henriques Ferreira, on 29 May 2015. 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 Official Auditor expressed the following emphases:

- *"As at 31 December 2014 the Group has negative shareholders' equity of 949,243 thousand euros. Despite the fact that the Group has improved its operating income since 2011, as result of the costs reduction measures imposed by the Portuguese State Budget and by the sole shareholder, the financing of the Group's future operating and investing activities depends on the continued financial support of the sole shareholder – the Portuguese State."*
- *"As mentioned in Note 25 of the Notes to the Consolidated Financial Statements, and as publicly disclosed, the initial procedures viewing the merger of REFER and EP - Estradas de Portugal, S.A. ("EP") through the incorporation of EP into REFER, according to the Strategic Plan of Transports and Infrastructures (PETI3), following which REFER will become known as Infraestruturas de Portugal , S.A. ("IP") are still under way.*
- *As mentioned in Note 5 of the Notes to the consolidated financial statements, in December 2014, the REFER Group, through its parent-company, acquired the non-held share capital of GIL - Gare Intermodal de Lisboa, S.A ("GIL"). Following this acquisition the Group has made a preliminary assessment of the fair value of the assets and liabilities acquired through this business combination, so the price purchase allocation may still be subject to changes until one year after the date of the acquisition, as required by IFRS 3 Business Combinations. The goodwill, calculated on a preliminary basis, related to this acquisition, amounts to approximately 25.8 million euros and the loss recorded on the remeasurement of the previous share capital held by the Group in GIL amounts to approximately 13.1 million euros.*

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. This Audit Board deems that this situation must be reassessed following the merger of REFER and EP, which was not completed as of 31 December 2014; we point out that a joint Board of Directors for both companies was appointed on the said date.

Furthermore, the Audit Board of REFER made a similar analysis to that made by the Official Auditor as described in the third emphasis above, in relation to the acquisition of the holdings in GIL from Metro de Lisboa and Parque Expo, carried out at the end of 2014, which included a comparison between the net results in the consolidated financial statements for 2014 with the net results in the separate financial statements for the said year.

III – THE REFER GROUP

Group REFER comprises 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, in both financial and personnel management terms.

- 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.
  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 development 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. GIL – Gare Intermodal de Lisboa, S.A., ("GIL") was at the end of 2014 100% 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. Until 23 December 2014 GIL was not yet held 100% by REFER, however, debt requirements were met by REFER loans alone, as decided by the State, as shareholder;

- RAVE, Rede Ferroviária de Alta Velocidade, SA, was created 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. Following decision dated 17 January 2014 approved at the latest General Meeting, the company shareholders decided to share respective assets, according to project submitted by the liquidator, and they approved the liquidation accounts. On 12 February 2014 the liquidation of the company was definitively closed as registered in the Commercial Registry.

- NON CONTROLLING INTERESTS

  REFER holds a 2.5% stake in Metro Mondego, S.A.

- JOINTLY CONTROLLED COMPANIES

  European Economic Interest Grouping Alta Velocidade Espanha-Portugal ("AVEP"), is 50% held by REFER; its object is the development of studies for the Madrid-Lisboa-Porto and Porto-Vigo railway links;

  European Economic Interest Grouping Corredor Ferroviário de Mercadorias n.º4, 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); This European economic interest grouping is made up of the managers of railway infrastructures from Portugal, Spain, France and Germany;

- REFER in partnership with other entities, holds a stake in "Acordo de Associadas da PSAT- Associação para a Promoção da Segurança de Ativos Técnicos".

III - REVIEW OF THE MANAGEMENT REPORT

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 95 million);
- The Engineering arm of the Group posted a business turnover of EUR 6 million, and it is banking on international expansion.
- The Group's telecommunications activities recorded total turnover of EUR 10 million.
- Real estate and commercial areas management recorded a turnover of EUR 11 million.

The Group's turnover increased from EUR 124.7 million in 2013 to EUR 126.8 million in 2014. Operating income rose from approximately EUR 183.6 million in 2013 to EUR 199.2 million in 2014, corresponding to a decrease in operating losses from minus EUR 41.3 million to minus EUR 4 million.

The global volume of investment stood at € 110.3 million; however, a significant part of this investment is associated with the transfer of ownership of the freight terminals of CP, managed by CP Carga, totalling EUR 62.8 million.

The Group's workforce was reduced by 48 people, falling from 2,951 in 2013 to 2,903 in 2014 (1.6% in absolute terms).

VI - ASSESSMENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Audit 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 2014 and respective notes, the following stands out:

- REFER carried out capital increases by € 1,034.8 million in 2014;
- Assets recorded in the Statement of Financial Position totalled EUR 5,676.5 million, corresponding to an increase by EUR 253.1 million over 2013, resulting from expansion in assets associated with LDI, offset by a decrease in Infrastructure Management activities, by EUR 28.6 million;
- Net results for 2014 - attributable to equity holders - totalled minus EUR 52,462 million, improving by EUR 39,826 million over 2013;
  Notwithstanding, results before tax only improved by EUR 20,963 million from 2013 to 2014 (income tax for the year totalled EUR 23.585 million as against EUR 4,722 million in 2013);
- This performance was mainly due to an improvement in operating results (approximately EUR 37.3 million), despite an increase in net financial expenses to EUR 72 million, i.e. more EUR 16.3 million over 2013;
- In 2014 the purchase of the partners' loans to GIL shareholders (for €2) permitted recording gains in loans of approximately EUR 25,634 million (recorded as "Other Income") Consolidated accounts recorded a reversal in impairments (relating to the partners' loans granted by REFER to GIL) up to the end of 2013, in the amount of EUR 19,148 million, which had a positive impact on Net Results for 2014. The consolidated accounts also comprise the (negative) adjustment at fair value of the equity holding in GIL (at the end of 2013) in the amount of EUR 13,079 million. The entire operation referred to above resulted in an increase in Net Results by EUR 31,703 million at consolidated level, though it had a null impact on the separate financial statements of REFER. These accounts reveal a cumulative effort made by REFER to support GIL, in the amount of EUR 56.13 million, fully recorded as impairment.
  Note that Net Results in the Separate Financial Statements total minus EUR 89.1 million, which is different from consolidated losses mainly due to the effect of GIL's full integration in the Group's consolidation;
- In the Statement of Comprehensive Income, comprehensive income - attributable to equity holders - was negative by EUR 52,462 million in 2014, which compares to losses of EUR 118,548 million in 2013.

REFER's equity as posted in its consolidated report and financial statements at the end of 2014 is negative by EUR 969,243 million, having worsened by EUR 982,338 in relation to 2013, mainly as result of the capital increases.

VII - PROPOSAL

Within the scope of its duties, in the light of the information and clarifications provided REFER and its Official Auditor, the Audit Board concluded that the consolidated report and financial statements for the year ended at 31 December 2014 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; moreover, the management report relating to the company activity in 2014 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 Audit Board issues the following opinion, notwithstanding the review made by this body to the Emphases contained in the Legal Certification of Accounts and the Audit Report on the Consolidated Accounts.

In view of the above, we hereby propose that the following should be approved:

- The 2014 Report and Accounts presented by the Board of Directors of Rede Ferroviária Nacional – REFER, EPE;

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, 28 May 2015

The Audit Board

Chairman	Member	Member
____________________	___________________	___________________
(José Castel-Branco)	(Pedro Ventura)	(Pedro Grilo)

LEGAL CERTIFICATION AND AUDITORS' REPORT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(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 2014 of **Rede Ferroviária Nacional - REFER, E.P.E.** ("the Parent Company", "Company" or "the Group"), which comprise the Consolidated Statement of Financial Position as at 31 December 2014 (showing total assets of 5.676.498 thousand euros and a negative shareholders' equity of 969.243 thousand euros, including a negative net profit attributable to the shareholders' of the Group of 52.462 thousand 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

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 2014 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 2014 the Group has a negative shareholders' equity of 949.243 thousand euros. Despite the fact that the Group has improved its operating income since 2011, as a consequence of the costs reduction measures imposed by the Portuguese State Budget and by the sole shareholder, the financing of the Group's future operating and investing activities depends on the continued financial support of the sole shareholder – the Portuguese State.

As mentioned in Note 25. of the Notes to the consolidated financial statements, and as publicly disclosed, the initial procedures related with the merger of REFER and EP - Estradas de Portugal, S.A. ("EP"), in which REFER will incorporate EP, are still in progress, according to the Strategic Plan of Transports and Infrastructures (PETI3), which states the redenomination of REFER as Infraestruturas de Portugal, S.A. ("IP").

9. As mentioned in Note 5. of the Notes to the consolidated financial statements, in December 2014, the Group REFER, through its parent company, acquired the non-held share of capital of GIL - Gare Intermodal de Lisboa, S.A. ("GIL"). Following this acquisition the Group has made a preliminary assessment of the fair value of the assets and liabilities acquired through this business combination, so the price purchase allocation is still subject to changes until one year after the date of the acquisition, as required by *IFRS* 3 Business Combinations. The goodwill, calculated on a preliminary basis, related to this acquisition, amounts to approximately 25,8 million euros and the loss recorded on the remeasurement of the previous share of capital held by the Group in GIL amounts to approximately 13,1 million euros.

10. As mentioned in Note 7.11. of the Notes to the Consolidated Financial Statements, in 2014 the Group recognised deferred tax assets related with tax losses deductible in future years, which amount to approximately 22,4 million

euros. This recognition was made in the assumption that according to the terms of the merger in progress, the estimated tax income for 2015 and the following years will allow the deduction of these tax losses.

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, 28 May 2015

P. Matos Silva, Garcia Jr., P. Caiado & Associados
Sociedade de Revisores Oficiais de Contas, Lda.
represented by

João Paulo Raimundo Henriques Ferreira, R.O.C.

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