



**MANAGEMENT REPORT  
NOTES TO THE FINANCIAL  
STATEMENTS**

**2012**

**REFER**  
**IF**

# **PART I MANAGEMENT REPORT**



## MANAGEMENT REPORT

All reports of REFER are available at [www.refer.pt](http://www.refer.pt).

**Rede Ferroviária Nacional – REFER, E.P.E.**

Estação de Santa Apolónia

1100-105 Lisboa

[www.refer.pt](http://www.refer.pt)

Share capital: 430 200 000 Euros

Tax No.: 503933813

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## Statement of the Board of Directors

The Stability and Growth Pact and the Memorandum of Understanding (MoU) between the IMF-ECB-EU and the Portuguese Government imposed fiscal policies viewing the financial balance of the State-owned company sector.

These measures aim at reducing budget costs by at least 15% as against 2009, in particular operating costs of state-owned companies –said to have the largest fiscal risk, so as to finally achieve the operational balance required. The MoU also outlined more restrictive indebtedness thresholds for the State-owned company sector as from 2012.

Against this backdrop, REFER developed its operations directing its efforts to continue ensuring a high quality and safety infrastructure for the sake of its railway user clients.

On the back of the said financing restrictions, expenditure in 2012 stood at 46 million Euros, reaching the lowest level of the last 10 years. Investment for the year was mainly focused on promoting intermodality, particularly in urban areas.

As result of its staff adequacy policy, in 2012 REFER reduced its personnel by 453 employees in relation to 2011. As far expenses are concerned, the company established optimisation scenarios to create synergies and rationalise operation/infrastructure maintenance plans, keeping in mind at all times that maximum safety and high operation levels must be preserved. In 2012 REFER reduced personnel expenses and supplies and services by 16% over 2011. As against 2009, this drop reached 29%

Operating results improved significantly from a negative figure of 89 million Euros at 31 December 2011 to a negative figure of 27.9 million Euros one year later.

In 2011 REFER joined the consolidation perimeter of the General Government (GG) and was subsequently ranked as a Reclassified State-owned Company (RSC) within the subsector of the GG autonomous funds and services. As result, REFER's budget was included in the State Budget, subject to the law governing the budget and accounts of the General Government.

In 2012 a new board of directors was appointed beginning a new company life cycle.

It is against this difficult but also challenging background that REFER will have to define its future action; given that Human Capital is one of the company's main assets, the participation of each and every employee will be crucial to achieve our goals.

The larger everyone's commitment and efforts will be, the higher will be the company's success. Each of us will be responsible for the company's successes but also for its failures, which should be viewed as learning resources towards excellence.

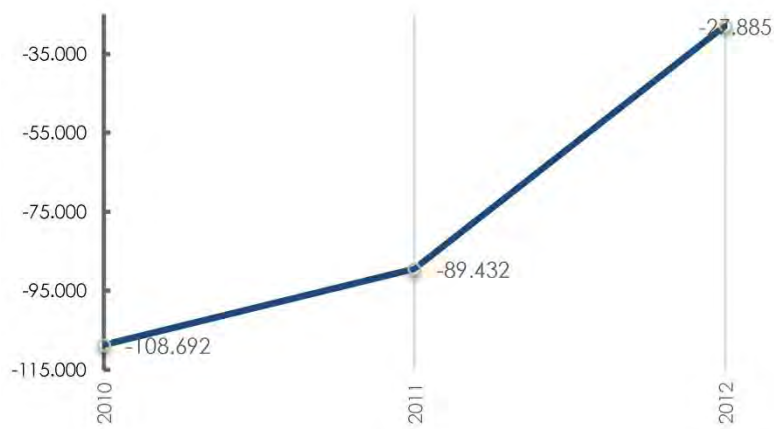
REFER's Board of Directors counts upon all employees and stakeholders to create a solid and innovating company.

Finally, we would like to thank the audit board for their collaboration and efficient monitoring of the company's activity.

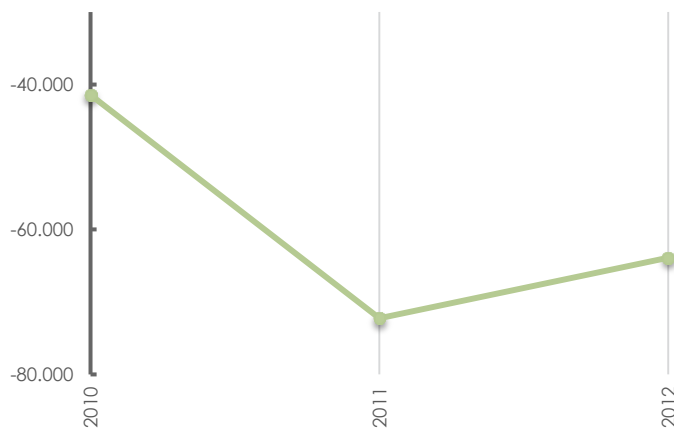
The Board of Directors

## Summary of Indicators

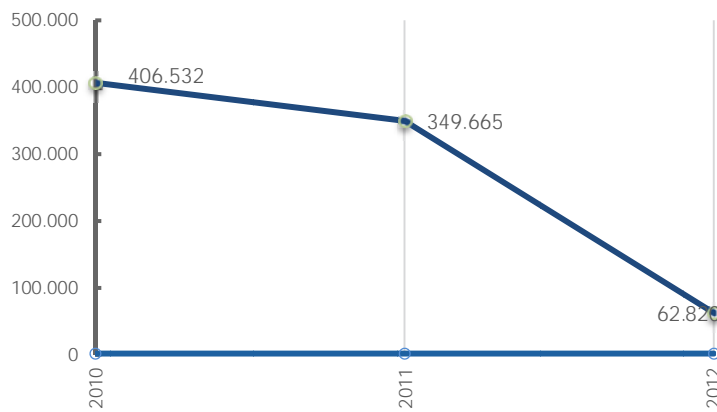
### Operating Results [thousand Euro]



### Financial Results [thousand Euro]



**Investment in Modernisation**  
 [thousand Euro]



**Tarifa de Utilização e CK Totais**  
 [milhares de euros][milhares de CK]



The information provided herein may be complemented with the 2012 Report and Accounts, namely in what concerns financial indicators, and, in general, the company's governance.



## The Year in Review

### January

Following the first phase of the works "Design/execution of the stabilisation works of the embankment slopes located between km 252.940 and km 253.010, on the Southern Line", the second phase of the works was implemented, consisting of a curtain of piles anchored on the base of the landfill and two anchored walls to be built at an intermediate level and at the top of the landfill.



The works for the renewal of the track superstructure at the Portimão station, resulting in safety gains and lower maintenance costs; the works involved the re-use of materials, namely rails, switches and crossings, monoblock and bi-block concrete sleepers.



A new information system to support the activity of Operational Control Centres called "OCC Portal" was made available; the system was entirely designed in-house, and will ensure greater process automation and efficiency gains.



### February

Pursuant to the elimination and reclassification of level crossings, an information paper relating to 2011 was

presented; the number of accidents totalled 25, outperforming the goals set forth for 2015 four years ahead of target.

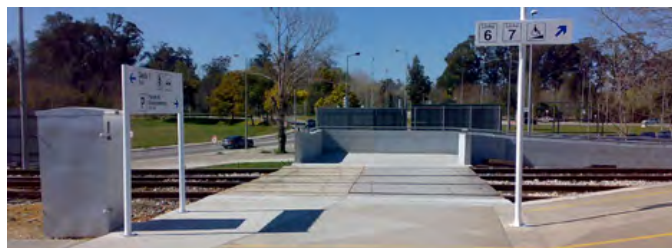


## March

In March the railway stations of Santa Apolónia, Rossio and Pêro Negro hosted the production of the movie "Night train to Lisbon", from the well known Danish director Billie August.



Accesses and safety were improved in pedestrian crossings at Coimbra B Station, where three crossings were replaced by a unique crossing at the southern part of the station.



## April

REFER took part in "Joined in the prevention of occupational hazards: Strategies and Contributions for the Future Seminar", included in the celebration of the National Day on Prevention and Safety at Work.



The works for the raising of platforms at Vale de Figueira

Station on the Northern Line viewed to reduce the gap between train and passenger platform.



The underpass on Av. Eugénio de Andrade, in Fundão, was opened to traffic, enabling the elimination of the last existing level crossing in an urban area, at km 148.416 of the Beira Baixa Line, pursuant to a protocol for the elimination of the total nine level crossings existing in the urban area of Fundão, and the construction of six crossings (three road crossings and three pedestrian crossings) and respective road accesses.



Works for the construction of a metallic stairway connecting the platform and the pedestrian crossing at Entroncamento station were completed, improving crossing conditions and safety.



Works for the stabilisation of the excavation slopes on km 124.500 to km 124.700 and km 125.460 and 125.810 of the Douro Line were awarded, consisting of a protection gantry,

reprofiling and bolting, with shotcrete, combined with an efficient drainage system



REFER and Instituto da Habitação e da Reabilitação Urbana (IHRU) entered a technical and scientific protocol within the scope of the Information System for Architectural Heritage (SIPA).



## May

Contract works for the reinforcement of junctions on Ponte Mondego Novo, at km 216.483 of the Northern Line were awarded. The works include the implantation of micro-piles in junctions, on the Northern Line, pier heads of reinforced concrete micro-piles, repair of metallic junctions and deck, and injection of fissures in masonries.



The constructions works for the new passenger platform and

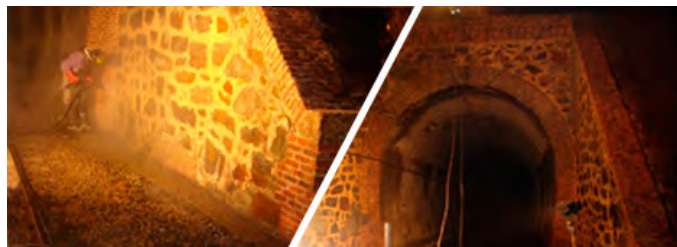
shelters of Areia-Darque Station on the Minho Line were completed.



The US magazine “Travel + Leisure” appointed São Bento Station as amongst the 14 most beautiful train stations in the world, whereas the US magazine Flavorwire considered Rossio Station (Lisbon) and São Bento (Oporto), as two of the 10 most beautiful stations in the world.

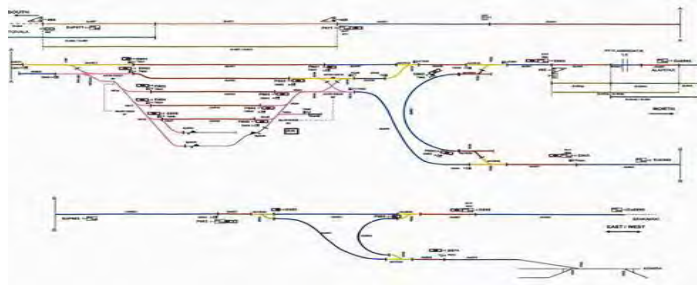


Improvement works in tunnels Azeval, Espinho, Ribeira and Monte de Lobos, at Pk 66.431, 68.075, 68.610 and 70.379, on the Beira Alta Line were completed; the works included the closing of joints between units, replacement of broken masonry blocks, portals and other.



## June

REFER completed with success services for Siilinjärvi Station (in Finland) concerning the performance of signalling software tests.



Scenes from TV series "Depois do Adeus" were shot at Santa Apolónia station, in Lisbon.



REFER welcomed a delegation from RFF - manager of the French railway infrastructure. The purpose of this visit was to introduce the traffic management systems used by REFER and viewed the exchange and sharing of goals.



REFER celebrated the "International Level Crossing Safety Day" with awareness raising and information campaigns carried out in various locations.



## July

The guarded level crossing (LC) at km 78.814 of the Northern Line at Alcanhões, Santarém was eliminated. Crossing will be made exclusively through the existing underpass located north of the level crossing now suppressed.



Contract works for the stabilisation of the embankment slope between km 252.940 and km 253,010, on the Southern Line started in January were completed.



## August

Contract with rating agency Standard & Poor's was cancelled.

The Council of Ministers appointed the new members of the board of directors of REFER, E.P.E.



Following the opening of a hostel at the Rossio Station, a new one called "Beach Hostel Destination" was inaugurated at Cais do Sodré Station.



Construction and improvement works in tunnels of São Miguel da Carreira, Tamel, Santa Lucrecia and Caminha, located at km 41.849; km 59.303; km 63.265 and km 104.196 of the Minho Line were completed.



Railway operation of the Cáceres (Torre das Vargens / Marvão-Beirã) stretch was closed.



## September

Pursuant to Order 12646/12 issued by the State Secretary for Public Works, Transports and Communications, REFER joined a mission team for the preparation of the "Light Mobility Charter" to be adopted as scientific, technical and information benchmark in every field of light mobility in Portugal.





## October

REFER entered an agreement with steel company Siderurgia Nacional (Seixal) for the sale of approximately 45,000 tons of waste (rails and small ferrous material).

This measure will have great impact on the Logistics Platform of Entroncamento, in terms of cleaning, freeing of used area, creation of value and conditions for a significant improvement in the area's organisation, resulting in lower management, safety and maintenance costs.



As published in Official Gazette dated 12 October, the General Directorate for Cultural Heritage classified as Monument of Public Interest (MPI) the Railway Museum of Santarém, and established the special protection zone of this station.



International websites **Inhabitat** and **Inthralld** commended Lisboa – Oriente Station, paying particular attention to the “sheet-like roof which seems as light as air”.



Contract works for the reinforcement of junctions on Mondego Novo Bridge, at km 216.483, on the Northern Line started in May, were completed.



## November

Contract works for the stabilisation of the embankment slope between km 236.450 and km 236,720, on the Southern Line, located between stations of Amoreiras-Odemira and Luzianes were concluded.



The Mobility and Transports Institute (IMT) issued and renewed REFER's Safety Approval for the management and operation of the railway infrastructure for a period of five years.



## December

Targeting the development of international business activities in the railway field, and the straightening of relations with Portuguese speaking African countries, the Lisbon OCC received the visit of the Mozambican Transport Minister.

## Economic Environment

### The European Economy

The financial crisis of 2008 continued to take its toll on the European countries in 2012, preventing economic growth and worsening fiscal deficits and access to financing.

In an attempt to minimize the impact, financial aid had to be brought to member states in trouble.

The European Central Bank offered credit lines to European banks so that they could continue financing the economy, however, austerity measures - cuts in public spending and tax rises - to reduce the gap between revenues and expenses, resulted in low investment levels.

In October 2012 the European Stability Mechanism had to intervene to support member states in concentrating on the sustainability of their debt and seeking more efficient fiscal measures to prevent and reduce the probability of a future emerging crisis.

2012 was therefore a year of slow and modest growth. Viewing to reduce fiscal and structural imbalances, European economies outlined restrictive policies with impact at both private consumption and investment levels.

Eurozone GDP contracted by 0.9% in 2012, translating the negative effect on the area's internal demand combined with a lack of consumer and investment confidence, and moderate external demand.

The financial crisis and subsequent recession have seriously affected the labour market in some Eurozone countries, where unemployment rose significantly and the outlook is still gloomy, raising concerns as to the sustainability of this market in the short term.

## The Portuguese Economy

In 2012 the Portuguese economic environment was one of recession, in line with remaining Eurozone countries. Gross Domestic Product contracted by 3.2%. This recessive backdrop stems from a considerable and general fall in internal demand, which contrasts with increasing exports throughout the year. This situation grew worse in the second half of the year.

In 2012 private consumption dropped by 5.5%, particularly in terms of public and housing investment. Public consumption fell by 4.5% for the second year in a row. This downturn in global demand, albeit a significant increase in exports, was also motivated by a drop in imports by approximately 7%, translating a sharp fall in demand with for services with a high imported content.

A deep change in the composition of expenditure, with an expressive fall in internal demand followed by a considerable rise in exports, led to a swift adjustment of the economy's external financing needs.

In Portugal, the fiscal consolidation path was adjusted following the fifth quarterly assessment of the EU/IMF financial assistance programme. Deficit goals were revised upwards to 5% of GDP in 2012 and 4.5% of GDP in 2013 in order to reach 2.5% of GDP in 2014. The sixth quarterly assessment concluded on the 19th of November that Portugal is complying with the targets set forth by the EU/IMF assistance programme.

On 27 November, the Portuguese Parliament approved the State Budget for 2013, which includes additional consolidation measures totalling approximately 3% of GDP, most of which on the revenue side.

## Outlook for 2013

According to projections for 2013, this recessive environment will continue with GDP expected to fall by 1.9%. This scenario may be mitigated however, by a positive evolution of exports, countering the decline in internal demand. Imports are also likely to fall again, in line with what happened at the end of 2012.

Risks surrounding the economic prospects for the euro area remain on the negative side. They concern mainly a slow pace in the implementation of structural reforms, geopolitical issues and imbalances in major industrialised countries. These factors are likely to decrease economic agents confidence longer than expected and thus delay the recovery of private investment, employment and consumption. Financing conditions should remain restrictive.

Inflation, as measured by the Harmonised Index of Consumer Prices (HICP) should move from an annual average rate of 2.8% to close to 1% in 2013-2014.

Internal inflationary pressures are likely to remain tight throughout the projected horizon, against a background of sharp contraction in internal demand and marked deterioration in the labour market situation - net decrease in employment and increase in the unemployment rate - which should contribute to a flat rise in wages as occurred in 2012.

Exports of goods and services will continue to be the component of global demand recording the highest growth throughout the projection period, although a marked slowdown is expected for 2013 against a background of virtual stagnation of external demand influenced by the fiscal adjustment needs of Eurozone economies and reduction in indebtedness levels of the private sector. This deceleration in 2013 will translate a sharp slowdown in economic activity in the euro area, towards which 2/3 of Portuguese exports are directed, notwithstanding a robust growth in emerging economies, which is expected to continue.

Projections point to a growth in exports by 2.0% and 4.8% in 2013 and 2014, respectively, as against an average rise by 5.7% during the 2011-2012 period. Imports of goods and services are likely to fall by 3.4% in 2013, which compares to a decline by 6.4% in annual average terms during the said period 2011-2012. The performance of exports in 2013 will largely influenced by shrinking internal demand.

Throughout the projection horizon, economic activity should continue hindered by the performance of internal demand, deriving in particular from the fiscal consolidation process. Contraction of economic activity in 2013 will particularly affect the private sector, although it should also influence the public sector, which will continue to face staff cuts.

In terms of the labour market, projections point to a drop in employment by 1.9% in 2013.

## MACROECONOMIC SCENARIO 2013-2014

[Banco de Portugal projections for 2012 - 2014]

[%]

	Change rate	
	2013	2014
Gross Domestic Product	-19	13
Private Consumption	-3.6	0.1
Government Consumption	-2.4	15
Contribution to GDP growth (in p.p.)		
Net exports	2.0	4.8
Internal demand	-4.0	0.8
Harmonised Index of Consumer Prices	0.9	10

Source: Economic Bulletin: Winter 2012, Banco de Portugal

## Business activity

REFER is the state-owned company responsible for managing Portugal's railway infrastructure, ensuring the network's capacity and availability in reliable operation conditions, with the quality and safety levels required. Accordingly, REFER develops and undertakes the actions and investment needed within the scope of the network's development framework established by the Government.

To ensure the development of its activity, REFER's structure is divided into two complementary areas:

- **Infrastructure Management:** This area covers the management of the railway infrastructure's capacity, conservation, maintenance and management of the 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).

REFER develops **Complementary Activities**, with a view to obtain return on other assets nor directly allocated to the railway infrastructure.

**STATEMENT OF COMPREHENSIVE INCOME PER ACTIVITY**

Unit: million Euros

	Investment	Management of infrastructures	Other complementary activities	Results not allocated to activities	Total Company
User Fee		71.258			71.258
Other services rendered	19.404	9.726			29.130
Operating subsidies		39.600	0.070		39.670
Other income	0.001		13.357		13.358
<b>Operating Revenues</b>	<b>19.405</b>	<b>120.584</b>	<b>13.426</b>		<b>153.415</b>
Cost of Goods Sold	2.134	2.156	0.036		4.326
Sub-contracts	0.509	57.063	1.404		58.975
Other Supplies and Services	2.519	24.753	1.794		29.066
Personnel expenses	13.242	61.236	3.321		77.800
Depreciation and amortisation for the year	0.717	2.163	0.220		3.101
Impairment of Assets				4.979	4.979
Provisions for other risks and charges				0.819	0.819
Other expenses	0.276	1.625	0.347	-0.014	2.234
<b>Operating expenses</b>	<b>19.397</b>	<b>148.997</b>	<b>7.122</b>	<b>5.784</b>	<b>181.300</b>
<b>Resultado Operacional</b>	<b>0.008</b>	<b>-28.413</b>	<b>6.304</b>	<b>-5.784</b>	<b>-27.885</b>
Financial gains	185.101		0.184	86.657	271.941
Financial losses	185.109	81.912		67.291	334.312
Gains/Losses on associates				-1.530	-1.530
<b>Profit before income tax</b>		<b>-110.325</b>	<b>6.488</b>	<b>12.051</b>	<b>-91.786</b>
Tax for the year		0.394	-0.023	-0.043	0.328
<b>Net profit for the year</b>		<b>-110.719</b>	<b>6.511</b>	<b>12.094</b>	<b>-92.114</b>

## Infrastructure Management

### Management of Capacity

Managing capacity is providing operators railway lines that can ensure the safe running of trains.

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				
<b>Wide track</b>	<b>1 605</b>	<b>25</b>	<b>1 630</b>	<b>799</b>	<b>2 429</b>	<b>550</b>	<b>2 979</b>
Single track	1020	0	1 020	799	1 819	550	2 369
Double track	537	25	562	0	562	0	562
Multiple track	48	0	48	0	48	0	48
<b>Narrow track</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>112</b>	<b>112</b>	<b>528</b>	<b>640</b>
Single track	0	0	0	112	112	528	640
<b>TOTAL</b>	<b>1 605</b>	<b>25</b>	<b>1 630</b>	<b>911</b>	<b>2 541</b>	<b>1 078</b>	<b>3 619</b>

Lines and branch lines, whether in operation or not, including franchised sections, total 3.619,19 km in length.

In 2012, 70.2% of the railway network was operating, i.e. tracks suitable for train running correspond to 2.541,254 km (252,67 km less than in the previous year).

In line with the strategic plan laid down for the railway sector, it was decided to deactivate the following lines: Tâmega Line (12,77Km); Corgo Line (25,069Km); stretch of the Tua Line from Tua Station to Km 41,650 (Cachão); stretch of the Figueira da Foz branch line from Figueira da Foz Station to km 48,470 and stretch of the Alentejo Line from Km 154,600 (Beja) and Km 205,805 (Ourique).

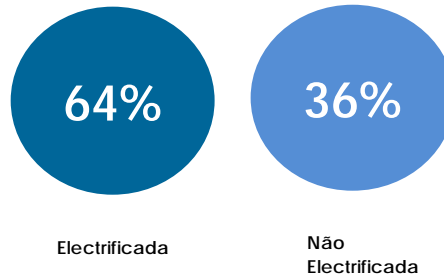
Cáceres Branch Line, comprised from Torre das Vargens to Marvão-Beirã, was shut down to railway traffic on 15 August 2012, as provided in Council of Ministers Resolution 45/2011, of 10 November, approving the Strategic Transport Plan for 2011-2015.

As result of the above, the operating model of the international train service provided by Lusitânia Comboio Hotel, which links the Portuguese and Spanish capitals was restructured, and the train now runs through a different itinerary, namely the Beira Alta Line.

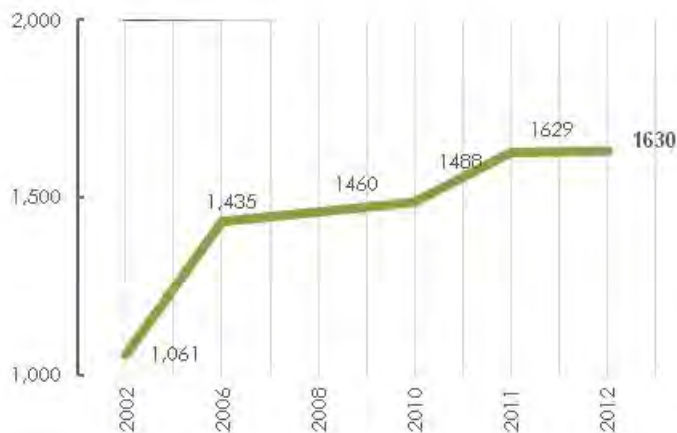
Cáceres Branch Line started being built in July 1878, and was officially inaugurated in June 1880. Since 1 February 2011, CP suspended the running of regional trains in this branch line.

The national railway network consists mainly of large rail gauge (Iberian gauge) with only 112,310 km running in narrow gauge (metric gauge).

The extension of the national railway network which is electrified is of 1.630 km (0.944 km more than in 2011), all of which is operating in large gauge.



**Electrified Line**  
[km]



This figure (1.630 km) corresponds to 64% of the total network under operation. This increase resulted of the need for a new point of origin in the Western Line, following the conclusion of the contract works for the Re-signalling of the Sintra Line.

REFER has deployed sophisticated speed control systems throughout the network. The Convel system, which is shared by the operators and REFER, provides the highest safety levels by ensuring compliance with signalling and with authorised train running speeds. This system assists the train driver's tasks by warning the driver about running conditions and by activating the braking system (forcing the train to stop) whenever any safety requirement is not met.

This system is deployed in approximately 1.639 km of the network.

The Ground-Train Radio system (shared by operators and REFER) is used for voice and data communications between train drivers and REFER personnel in charge of traffic control. The system allows communication between the Command Centre and the train driver, between stations and train drivers and also between the train drivers of two trains.

This safety system is deployed in 1.506 km of the railway network.

### Safety Systems and Command Control

[km]

	2010	2011	2012
Convel	1496	1637	1639
Ground/Train Radio	1496	1506	1506

## Infrastructure Management

### Infrastructure Management

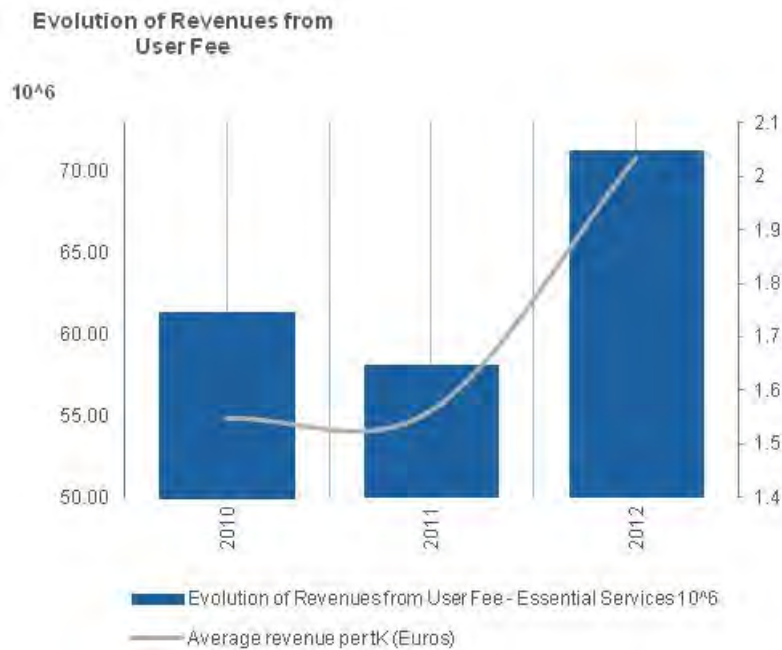
(Million Euro)

	2011	2012	Change
<b>Income</b>	<b>108.4</b>	<b>120.6</b>	<b>11%</b>
User Fee	58.1	71.3	23%
Operating subsidies	36.0	39.6	10%
Other income	14.2	9.7	-32%
<b>Expenses</b>	<b>195.4</b>	<b>149.0</b>	<b>-24%</b>
Material	3.5	2.2	-38%
Sub-contracts	62.3	57.1	-8%
Other supplies and services	25.7	24.8	-4%
Personnel	98.0	61.2	-38%
Amortisation	2.4	2.2	-10%
Other expenses	3.5	1.6	-53%
<b>Operating results</b>	<b>-87.0</b>	<b>-28.4</b>	<b>-67%</b>
<b>Average staff</b>	<b>2 704</b>	<b>2 363</b>	<b>-13%</b>

In 2012 this activity generated income in the amount of 120.6 million Euros, corresponding to a rise by 11% over 2011 (+12 million Euros).

This performance was mainly due to an increase in the **User Fee**, (which totalled 71.3 million Euros in 2012 as against 58.1 million Euros in 2011) comprising the **Use of the Network and Capacity requested and not used, Public information system and Use of stations**.

The User Fee fixed in 2012 included a share intended to compensate the infrastructure management for the expenses with the buildings of stations. In practice, it is as if this item was considered as Essential Service.

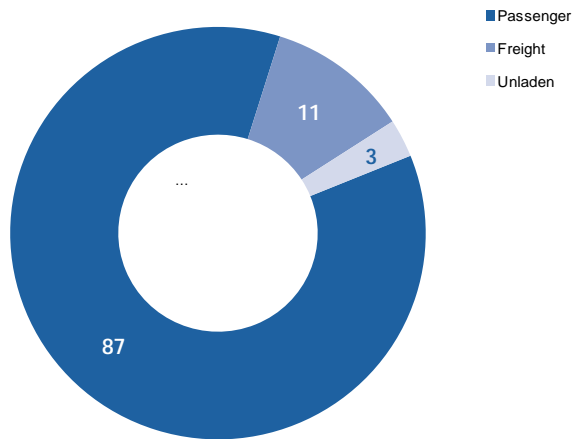


In the year under review, income from User Fees rose by 13 million Euros, increasing by 23% in relation to 2011. This rise translates the application of the new rules to determine Essential Services fees (as provided in Regulation 630/2011 already transposed into the 1st Addendum to the 2012 Network Directory). The said regulation redrafts the network's fee model, namely in what concerns the calculation of the base fee and the rules applicable to the valuation of capacity requested and not used.

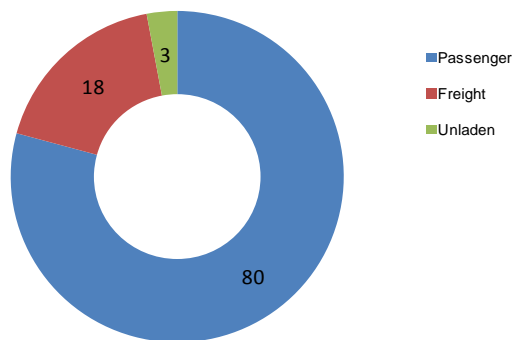
As result, average income per train kilometres (TK) increased by nearly 30%, from €1.50 per TK in 2011 to €1.95 €/TK in 2012.

Passenger transport continues to account for the largest share of REFER's business volume, specifically income from the Basic Tariff which accounted for approximately 87% of turnover in 2012. In 2011 this figure stood at 80%.

Breakdown per market segment 2012



Breakdown per market segment 2011[%]



Passenger transport was also the segment posting the highest rise in 2012 (+14.4 million Euros). Freight transport performed conversely falling from 9.7 million Euros in 2011 to a turnover of 7.6 million Euros in 2012.

Effective use of the railway infrastructure has fallen over the past few years.

### National Railway Network Performed tK [thousand of tk]

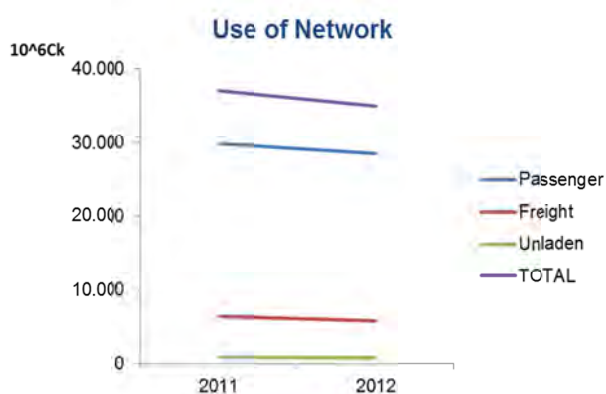


Unit: million Euros

USER FEE	2011	2012	Ch. 2012/2011	%
Passenger	44.704	59.195	14.492	32%
Freight	9.688	7.613	-2.074	-21%
Unladen	1.297	1.421	0.124	10%
<b>TOTAL USER FEE</b>	<b>55.689</b>	<b>68.230</b>	<b>12.541</b>	<b>23%</b>
Capacity requested and not used	2.449	3.028	0.580	24%
<b>TOTAL</b>	<b>58.137</b>	<b>71.258</b>	<b>13.121</b>	<b>23%</b>
<b>BASE TARIFF / tK</b>	<b>1.50 €</b>	<b>1.95 €</b>	<b>0.45 €</b>	<b>0.30 €</b>

In 2012, effective use declined by 6% (-2 million TK) as against the previous year.

This performance was more noticeable in what concerns freight transport, which fell by 11% over 2011. Since 91% of freight transport is performed by CP Carga, the decrease was due to labour issues, namely strikes against overtime and work during non working days, which led to the cancellation of a number of trains. On the other hand, streamlining of services and the fleet at CP-Carga resulted in a series of changes and redefinition of traffic, so as to reduce the number of travels and increase average load and length.



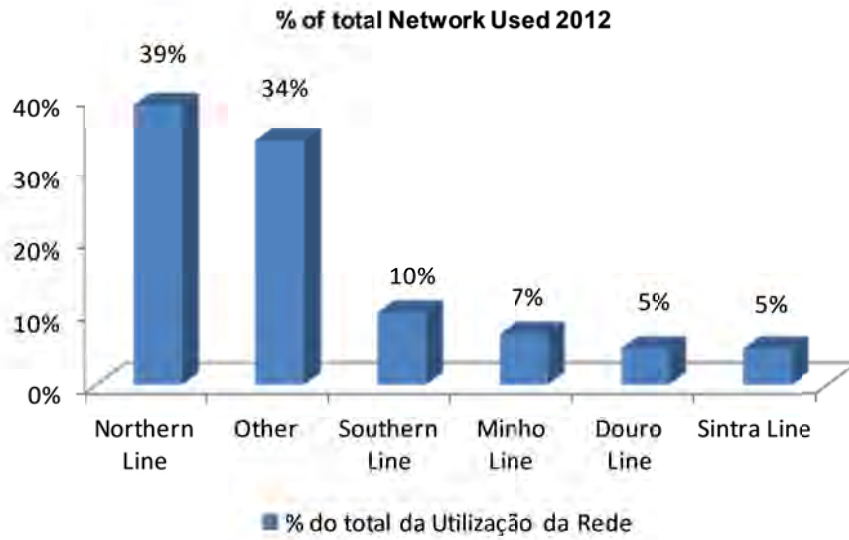
The fall in passenger transport (-5%) was also due to labour issues, with numerous strikes particularly at CP (65% of TK withdrawn were due to strikes).

Unit: million of tK

USE OF NETWORK	2011	2012	Ch. 2012/2011	%
Passenger	29,862	28,490	1.372	-5%
Freight	6,376	5,693	0.683	-11%
Unladen	881	839	0.042	-5%
<b>TOTAL</b>	<b>37,119</b>	<b>35,022</b>	<b>2.097</b>	<b>-6%</b>

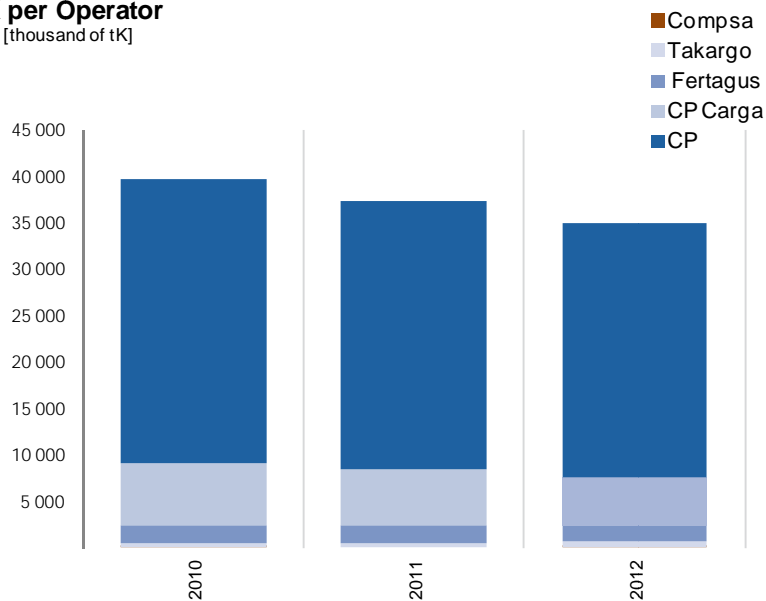
The best performing lines in terms of Tk in 2012 were the following:





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

**tK per Operator**  
 [thousand of tK]



In spite of a slight fall in its use of the infrastructure (-1.5 million TK as against 2011), CP - Comboios de Portugal remains the operator contributing the most to REFER turnover, as result of the User Fee, accounting for nearly 78% of total TK used.

The use of the infrastructure by remaining operators recorded a slight rise in the year under review as against 2011.

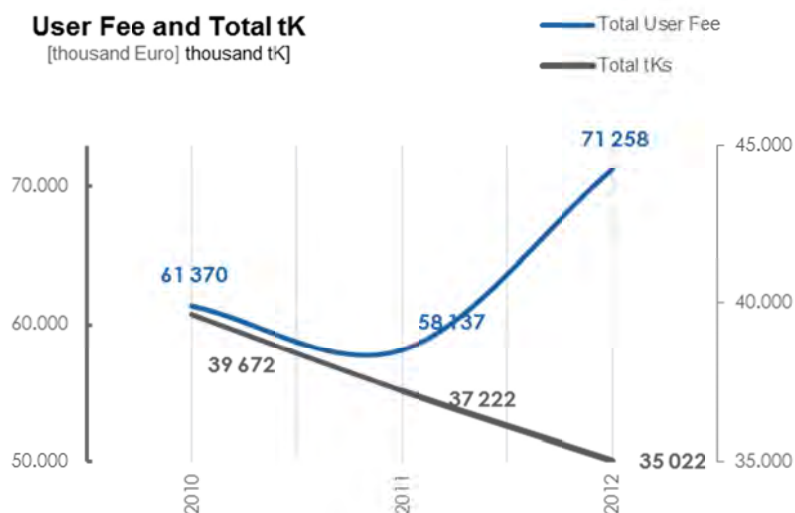
### TK Evolution

[tK thousand]

	2010	2011	2012
CP	30 696	28 889	27 381
CP Carga	6 646	6 052	5 188
Fertagus	1 784	1 776	1 789
Takargo	549	505	662
Comsa	2	0	2
<b>Total TKs</b>	<b>39 677</b>	<b>37 222</b>	<b>35 022</b>

### User Fee and Total tK

[thousand Euro] thousand tK]



We may conclude from the above that despite the decrease in the **use of the railway infrastructure** in 2012 (35.02 million TK in 2012 as against 37.2 million TK in 2011), turnover - **User Fee** - increased by 12.5 million Euros (reaching 71.3 million Euros in 2012 as against 58.1 million Euros in 2011).

This diverging trend, i.e. less use and higher income, derives from the application of new rules for calculating Essential Services fees, as provided in Regulation 630/2011 of IMT.

### Remaining income

In 2012, the amount received from the State by way of **Compensatory Allowance** for the rendering of public services increased by 3.6 million Euros. In 2012 the amount received totalled 39.7 million Euros as provided in the council of ministers resolution 3/2012 published in the Official Gazette 1st Series no. 6 of 9 January.

## Service Quality

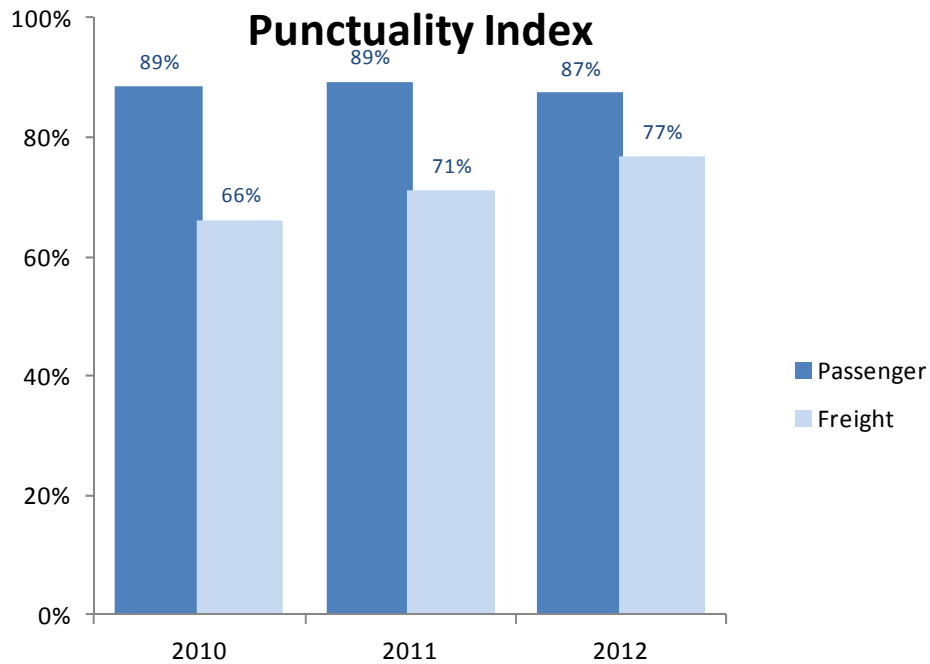
### Punctuality Rate

Besides the availability of the infrastructure in safe conditions, REFER must abide by quality levels, namely it must ensure high punctuality levels (PR).

The punctuality rate measures the number of trains with a delay of or below a certain maximum time, and the total number of running trains.

In 2012 the global punctuality rate stood at 86.5%, which compares to 87.6% in 2011. This worsening trend was mainly due to the performance of “Urbanos Lisboa” trains (89% vs. 92% in 2011). Nonetheless, the global punctuality rate recorded stood above the target set forth (> 86%).

As far as freight trains are concerned, it is worth noting an improvement in the PR by 6 p.p. in relation to 2011.



The punctuality rates recorded translate the effects of the numerous labour strikes held throughout the year, failures in rolling stock, infrastructure problems (equipment failures and speed limitations required).

## Expenses

Total Infrastructure Management expenses dropped by 24% in the year under review, i.e. by 46 million Euros over the previous year.

This decrease was mainly due to a drop in **Personnel Expenses**, by 36.8 million Euros, following the leave of a relevant number of workers in 2011 - at 31 December 2011 the number of staff associated to the management of the infrastructure totalled 2 704 whereas at the same date of the following year this figure stood at 2 363 (-341 employees).

The average cost per worker allocated to the infrastructure management activity dropped by 29% over 2011. In the year under review, this amount is of 26,000 Euros as against 36,000 Euros in 2011.

Average labour cost	2011	2012	Change
Average staff	2,704	2,363	-341
Staff / Average Staff	36,258 €	25,918 €	-10,340 €

Expenses with **subcontracts** also contributed significantly to the fall recorded in 2012.

The cost of maintenance actions carried out through subcontracting fell by 5.2 million Euros in relation to 2011.

At the end of 2011, the total amount of subcontracts was of 62.3 million Euros, falling to 57.1 million Euros in 2012.

This performance was due to a decrease in tracks and catenary maintenance, as new contracts were entered which only became effective in May 2012, following the approval of the Court of Auditors. Until that date, only minimum maintenance levels were ensured.

Subcontracting costs fell from €1.76 per Tk used in 2011 to €1.68 per TK used in 2012.

	Effective	
	2011	2012
Total Subcontracts / TK	€1.76 / TK	€1.68 / TK

## Operating Results

In 2012 Infrastructure Management operating results improved significantly from a negative figure of 87 million Euros to a figure, albeit still negative, of 28.4 million Euros. As mentioned above, this performance was possible thanks to an increase in revenues (+14 million Euros) and a decrease in expenses (-46 million Euros).

2013 should see the implementation of the **National Plan for the Replacement of Switches and Crossings**, including the development of the National Plan for Long-Term Preventive Maintenance, namely the renewal and replacement of switches and crossings viewing to optimise and rationalise future interventions.

Likewise, a **Signalling Management Strategy** is to be laid down. In view of the development and subsequent strategic implementation of maintenance works in

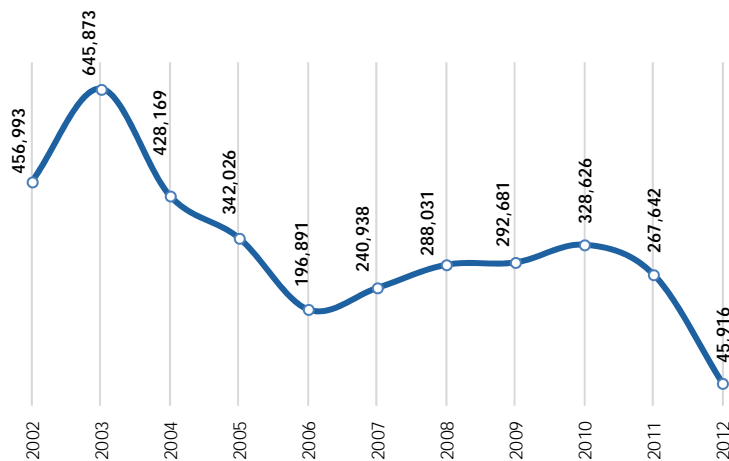
tracks, catenaries, substations, civil construction and low voltage, a corresponding document for signalling maintenance is to be laid down.

## Investments

Investment activity views to ensure a good performance of the network as well as the safety, service and quality levels required for an adequate operation, using available resources as efficiently as possible, in line with the company's cut spending policy.

The current scarcity of resources and constraints resulting from the austerity measures imposed by the relevant authorities and the economic and financial situation, led to a considerable decrease in investment, which fell to the lowest levels of the last few years.

Evolution of Expenditure 2002 . 2012  
 [thousand euro]



In 2012 investment, at technical costs, made by REFER totalled 46.3 million Euros, corresponding to a rate of implementation of 74% as against a planned amount for the period of 63 million Euros.

### Implemented expenditure Investment at technical costs

Thousand Euro

Headings	Budget	Effective	% Implementation	% weight on implementation
Long-term Infrastructures	48.710	43.790	90%	94%
Material	12.662	2.126	17%	5%
<b>TOTAL Long-term Infrastructure Technical costs</b>	<b>61.372</b>	<b>45.916</b>	<b>75%</b>	<b>99%</b>
Management Incentive Structures	1.683	469	28%	1,0%
<b>TOTAL Investment 2012 Technical Costs</b>	<b>63.055</b>	<b>46.385</b>	<b>74%</b>	<b>100%</b>

Note: does not include AV concessions

With the purpose of **stimulating public transport**, specifically the use of railway transport to the detriment of individual transport, REFER invested 17 million Euros in the **Metropolitan Areas** of Lisbon and Oporto (accounting for 37% of investment made during the year), of which 16.6 million Euros were invested in the Lisbon metropolitan area and 0.4 million Euros were directed to the Oporto metropolitan area.

The amount invested in the Lisbon metropolitan area consisted mainly of the four-track development of the Sintra line from km 13+750 and km 18+250, the rendering of supervision services and works relating to the resignalling - 4th phase of the Sintra line.

### Investment in Metropolitan Areas

Thousand Euro

Project	Budget	Effective	% Implementation
<b>Lisbon Metropolitan Area</b>	<b>18.496</b>	<b>16.576</b>	<b>90%</b>
Sintra Line	17.104	15.655	92%
Cascais Line	548	624	114%
Alentejo Line	22	40	182%
Southern Line	156	158	101%
Cintura Line	667	99	15%
<b>Oporto Metropolitan Area</b>	<b>359</b>	<b>477</b>	<b>133%</b>
Douro Line	130	26	20%
Minho Line	229	446	195%
Leixões Line		5	
<b>Total Metropolitan Areas</b>	<b>18.855</b>	<b>17.053</b>	<b>90%</b>

The amount invested in the metropolitan area of Oporto concerns mainly expropriation proceedings relating to Trofa branch line and Caíde / Marco stretch.

Since **Safety** is one of the most relevant values of railway activity, bearing a strong impact on the quality perceived by clients, REFER invested approximately 19% of its annual expenditure in this area (8.5 million Euros).

A high safety level covering persons and goods is a railway asset which must be enhanced and promoted to reach increasingly higher quality thresholds.

Of the total invested in Network Safety and Efficiency, 6.4 million Euros (76% of the total) correspond to investments in various lines, namely the reinforcement / protection / improvement and replacement of bridges, underpasses and board walks, renovation and reinforcement works on the International Railway Bridge on Minho Line, reinforcement of junctions on Mondego Novo Bridge on the Northern Line, and reinforcement of foundations of Ponte da Praia Bridge on Beira Baixa Line, and improvement of masonries in bridges and hydraulic crossings on the Western Line.

#### Investment in Network Safety and Efficiency

Investment at technical costs

uni: thousand Euros

Project	Budget	Effective	% implementati
<b>Various Lines</b>	<b>9,622</b>	<b>6,450</b>	<b>67%</b>
Reinforcement / Protection / Improvement / Replacement of Bridges, Platforms and Boardw alks	3,174	4,168	131%
Elimination and reclassification of LCs	1,949	968	50%
Telecommunications	1,560	220	14%
Improvement/Renovation/Monitoring of tunnels	528	181	34%
Intervention w orks at Station Management (SM) levels	308	12	4%
Infrastructure renovation	1,023	820	80%
Land registration	433		
Intervention w orks in embankments	620	81	13%
Intervention w orks in stations	27		
<b>Minho Line</b>	<b>2,007</b>	<b>2,075</b>	<b>103%</b>
<b>Algarve Line</b>	<b>2,600</b>		
<b>Southern Line</b>	<b>2,123</b>		
<b>Cascais Line</b>	<b>22</b>		
<b>Total Network Safety and Efficiency</b>	<b>16,374</b>	<b>8,525</b>	<b>52%</b>



Investment in **Inter-regional Connections** will improve links between important social and economic centres, promoting inter-regional mobility in less time. REFER invested 7.2 million Euros in this type of connections, amongst which the following:

- Works in the Northern Line (5.1 million Euros) including signalling and telecommunication works in the Alfarelos / Pampilhosa section, signalling works in Souselas Station and the Lisbon OCC, catenary works to support the deployment of signalling and RCT+TP systems between Alfarelos and Coimbra B; Preliminary Study and Design Project for the Renewal of tracks on Alfarelos / Pampilhosa section;
- Entroncamento / Albergaria section - construction works for two hydraulic crossings at km 122+137 in Tomar (117 thousand Euros)
- Investment in the Beira Baixa Line totalled **1 million Euros**. This expenditure included works viewing the modernisation of the Castelo Branco / Covilhã section, namely engineering works viewing the electrification of the Gardunha and Fatela / Penamacor tunnels and expropriation proceedings in Vale Prazeres / Covilhã.
- The Douro Line recorded an investment of 0.86 million Euros concerning expropriation proceedings for the Valongo / Côte and Ermesinde / Valongo section.

Investment carried out in connections to logistics platforms and harbours allow for an efficient transportation of goods from/to these platforms and harbours thereby promoting railway freight transport. REFER invested 2.9 million Euro in this segment.

#### Investment in links to logistics platforms and harbours

Investment at technical costs

unit: thousand Euros

Project	Budget	Effective	%
Sines Harbour / Spain Railway Link	1,108	2,635	238%
Alcácer Bypass	30	214	710%
Lousal Technical Station	15	31	211%
Railway link to Aveiro Harbour	39	40	102%
<b>Total investment in links to logistics platforms and harbours</b>	<b>1,192</b>	<b>2,920</b>	<b>245%</b>

Of the total amount invested in connections to logistics platforms and harbours nearly 2.6 million Euros (90% of the total recorded for this item) correspond to the implementation of the Project for the Sines Harbour/Spain Connection, which included construction works, tracks, catenaries and earth-moving works in Bombel / Casa Branca / Évora section, RCT+TP infrastructures, signalling and deployment

of ATP system in Vendas Novas (exclusive) to Évora section, and finally expropriation proceedings relating to the Evora Station contract works.

In 2012, investment made also included the Project for the Mondego Mobility System on the Lousã branch line (0.33 million Euros); expropriation proceedings relating to Alto de S. João / Miranda do Corvo e Miranda do Corvo / Serpins sections and the rendering of advisory services concerning the reception and settlement of works on the Miranda do Corvo / Serpins and Alto de S. João / Miranda do Corvo sections.

### Mondego Mobility System

Investment at technical costs

unit: thousand Euros

Project	Budget	Effective	% Implementation
S. José / Alto S. João	173	19	11%
Alto S. João / Miranda do Corvo	130	193	149%
Miranda do Corvo / Serpins	195	120	61%
<b>Total Mondego Mobility System</b>	<b>498</b>	<b>333</b>	<b>67%</b>

Investment in infrastructure modernisation and renovation involves works which as result of their nature and size cannot be considered maintenance works, but are crucial for the maintenance of adequate safety and service levels.

The amount invested in such works totalled 5.2 million Euros, namely the following:

- **Southern Line - 1.6 million Euros** - stabilisation of embankment slopes at km 236.450 to 236.720 and km 252.940 to 253.010, which had not been budgeted for;
- **Northern Line - approx. 1.1 million Euros** - improvement works, track heavy equipment works, levelling of platforms at Coimbra B Station, reprofiling of CL at km 74.552, improvement of accesses to pedestrian overpass at km 106.473, refurbishment of public toilets at Santarém, painting of former food warehouse, contract works of REFER Safety Central;
- **Eastern Line - 0.6 million Euros** - corresponding mainly to the works for the total renewal of the Crato-Assumar tracks; heavy mechanical works from km 231.900 to 236.470 and replacement of RNP fixings for Nabla in Torre das Vargens / Crato section;
- **Douro Line - 0.35 million Euros** - rendering of maintenance services relating to heavy mechanical track works, fencing and cleaning, drainage

and renovation of slopes on the Aregos-Régua section to increase railway safety levels;

- **Beira Baixa Line - 0.36 million Euros** - stabilisation of supporting walls from km 68.400 to km 68.440, rendering of maintenance services with heavy track equipment, replacement of wood cross-ties and correction of gauge on the Abrantes / Rodão section;
- **Minho Line - 0.31 million Euros** - heavy track equipment works and improvement of platforms at Areia-Darque;
- **Algarve Line - 0.32 million Euros** - replacement of wood cross-ties for concrete cross-ties and short tracks for long tracks in sections Faro / Vila Real de Santo António, Tunes / Lagos and Portimão Station.

The financial coverage of expenditure was ensured through EU Funds, the State Budget (Chapter 50) and protocols entered between REFER and various entities.

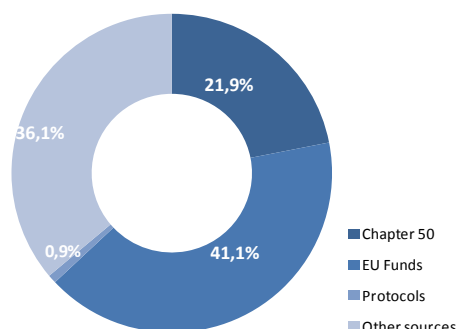
#### Economic Coverage of Expenditure in 2012

Investment at technical costs

unit: thousand Euros

Headings	Effective 2012	Chapter 50	EU Funds	Protocols	Other sources
Long term infrastructures investment	45,916	10,170	19,069	401	16,277
Management Incentive Structures	469				469
<b>Total</b>	<b>46,385</b>	<b>10,170</b>	<b>19,069</b>	<b>401</b>	<b>16,746</b>

In 2012 the economic coverage structure of investments performed as follows: **EU contributions** accounted for approximately 41.1% of the total (19 million Euros); **Chapter 50 of the State Budget** financed 21.9% of total expenditure (10.1 million Euros); **Other Financing Sources** represented 36% of the total (16,7 million Euros) and **Protocols** contributed with 0.4 million Euros (0.9% of the total).



## Level Crossings

The maintenance of high safety levels for both the infrastructure and people and goods is a constant concern for REFER.

In this light, in 2012 REFER outlined its Plan for the Elimination and Reclassification of Level Crossings (LCs) to be carried out pursuant to article 2 of Decree-law 568/99 of 23 December, assisted by municipal councils and the road authority Estradas de Portugal.

In the year under review 46 actions of the plan were undertaken, distributed as follows:

- ◇ Eliminated Level Crossings: 15
- ◇ Reclassified Level Crossings: 31

REFER carried out 43 (93%) of these interventions; the remaining three were undertaken by municipal councils assisted by REFER.

Total investment amounted to 7.39 million Euros, of which 6.45 million Euros were paid by REFER, as shown in table below (broken down into types of interventions).

Type of intervention	Level Crossings Eliminated	Level Crossings Reclassified	Effective cost (thousand Euros)		
			REFER	External	TOTAL
Automation	-	25	2 184	-	2 184
Alternative path	4	-	366	-	366
Elevated crossing	3	1	3 856	939	4 795
Other	8	5	41	-	41
<b>TOTAL</b>	<b>15</b>	<b>31</b>	<b>6 447</b>	<b>939</b>	<b>7 386</b>

Taking into account the 5 eliminations and 31 reclassifications planned, the Company achieved an implementation rate of 128%, having suppressed t10 more level crossings than initially planned. Estimated investment figures of 2.76 million Euros were surpassed to 4.63 million Euros, as result of the inclusion of 2 elevated crossings in Beira Baixa Line (Fundão).

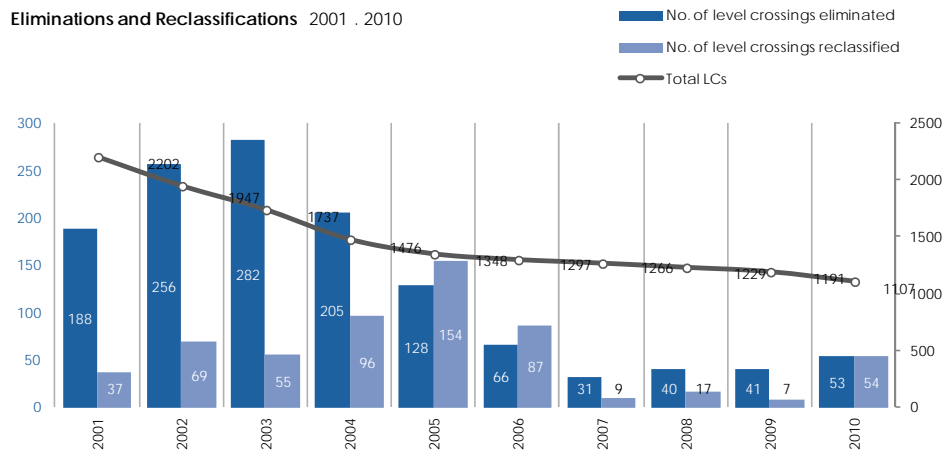
At the end of 2012 the number of LCs existing in operating railway lines (IET50) totalled 877, as follows:

LC per typology	Quantity
<b>Public LC</b>	<b>784</b>
<b>Automatic (Road):</b>	<b>355</b>
Automatic with double half barriers	2
Automatic with half barriers	343
Automatic with no barrier	10
<b>Guarded</b>	<b>46</b>
<b>Unguarded</b>	<b>247</b>
Type D	188
5th Cat.	59
<b>Pedestrians</b>	<b>136</b>
Automatic	26
Non automatic	10
<b>Private LCs</b>	<b>93</b>
Automatic	8
Non automatic	85
<b>Total LCs</b>	<b>877</b>

Of these 877 LCs, 435 (49.6%) are equipped with active protection equipment (automation or other protection), representing an improvement as against the 43.6% posted in 2011.

The consequent average level crossing density at the end of 2012 was of 0.345 LC/km.

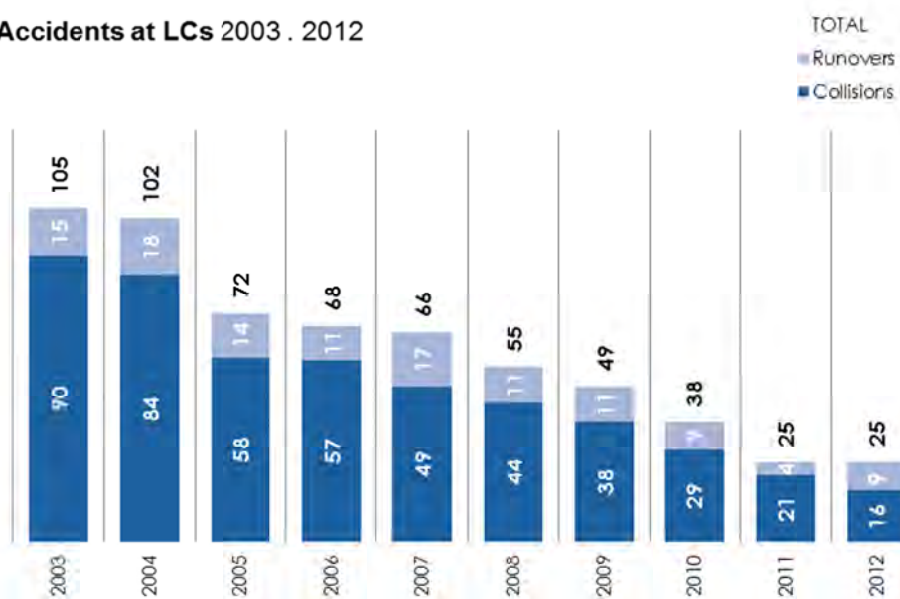
In the last 10 years, 896 levels crossings were eliminated and 539 were reclassified, accounting for an investment of approximately 264 million Euros:



As far as the accident rate is concerned, in 2012 the number of accidents occurred at level crossings totalled 25, of which 16 were collisions and 9 involved runovers by trains, which resulted in 8 death casualties, 5 serious injuries and 5 minor injuries, corresponding to a FWI <sup>(1)</sup> of 8.54.

The accident rate at level crossings in recent years has evolved as follows:

**Accidents at LCs 2003 . 2012**



This safety improvement policy at level crossings contributed to the downward trend in the accident rate, with the target rate set forth for 2014 being reached ahead of schedule in 2011 and consolidated in 2012. In fact, the strategic guidelines for the railway sector targeted a decrease in the accident rate by 60% over 2005 (i.e. less than 29 accidents).

(1) - Fatalities and Weighted Injuries= (fatalities+serious injuries)/(10+(light injuries/200))

## Complementary activities

### Complementary activities

(Million Euro)

	2011	2012	Change
<b>Income</b>	<b>14.5</b>	<b>13.4</b>	<b>-8%</b>
Other income	14.5	13.4	-8%
<b>Expenses</b>	<b>4.7</b>	<b>-2.0</b>	<b>-141%</b>
Material	0.3	0.0	-89%
Sub-contracts	16	0.4	-72%
Other supplies and services	12	12	-1%
Personnel	2.5	1.7	-33%
Amortisation	0.1	0.1	-23%
Provisions/adjustments	-0.9	-5.3	473%
Other expenses	0.0	0.0	-94%
<b>Operating results</b>	<b>9.8</b>	<b>15.4</b>	<b>56%</b>
<b>Average staff</b>	<b>53</b>	<b>46</b>	<b>-13%</b>

Complementary activities include the sale of waste materials, concessions, licensing and rental of commercial areas and other areas not allocated to the public railway domain. Income fell by approximately 10%, mainly under caption Other, as 2011 had recorded gains in inventories in the amount of 3 million Euros.

	2011	2012	Change
<b>Income</b>	<b>14.8</b>	<b>13.4</b>	<b>-10%</b>
Licenses and rental of commercial areas	4.5	6.0	33%
Sale of waste	0.6	3.3	443%
Telecommunications Infrastructure:	12	11	-8%
Provision of energy	0.8	0.5	-38%
Other	7.6	2.4	-69%

## Safety

Operation safety is crucial in any transport system. As far as the railway system is concerned, safety is based on a broad range of equipment, systems and procedures ensured by REFER, which enable railway operators to provide high levels of transport safety for both passengers and freight.

Additionally compatibility reviews of the rolling stock have been performed to ensure its compliance and approval, as well as to promote measures viewing fire prevention on land flanking railway tracks.

On par with railway safety as far as the rolling stock goes, the safety of any worker involved in the operation of the railway network is a major and daily concern.

Any quality public service must take safety concerns into account and safety is a priority assumed by REFER personnel, for the purpose of which they receive specific training and attend awareness raising actions.

Given the risks involved, both for personal and train running safety, REFER paid particular attention to the problem of railway level crossings. In coordination with town councils, REFER has launched a large operation in this area, promoting the elimination / reclassification / modernisation of level crossings, raising public awareness to their correct use and associated risks for persons moving along the lines.

With a view to promote the continuous improvement and control of risk factors associated to its operation, REFER collects and processes, on a daily basis, all statistical information associated to railway activities, thus tracking all types of anomalies occurring on the National Railway Network. Based on such knowledge, the Company can promote preventive/corrective measures and control risk factors related with railway accidents. With the same purpose in mind, all accidents and incidents with any impact on train running are carefully analysed to determine and overcome the respective causes.

Additionally, REFER carries out safety auditing/inspection actions in fields associated to the railway system (structure, regulation and operation of railway traffic) and other non related fields, which may nevertheless interact with it. Notwithstanding the good practices promoted by stakeholders of the railway transport system, potential risk situations are assessed and characterised so that they may be controlled and subject to preventive/corrective measures, thereby contributing to reinforcing Railway Safety and to enhance cooperation between the various entities.



It is also worth noting the systems that REFER has implemented to overcome critical railway safety situations. For instance, railway accident scenarios are analysed and reviewed in the light of emergency planning responses. Simulation of real situations is carried out in coordination with civil protection entities, in order to create routines to promptly and efficiently intervene when necessary. Within the same context of critical scenarios, REFER has instruments that guarantee the operation capacity of the railway emergency means.

In 2012, REFER identified 35 relevant accidents, a decline in relation to previous years. The company collected reliable information concerning safety goals, methods and indicators, in accordance with provisions in Decree-Law 231/2007 of June 14, which have been gradually harmonised jointly with the railway operators – CP, CP CARGA, FERTAGUS, TAKARGO Rail and COMSA Rail and the Regulatory Entity - IMT.

REFER follows the sector's evolution in a committed and proactive way, transposing and implementing EU Directives viewing the establishment of a trans-European railway network, based on the harmonisation of Technical Specifications for Interoperability (TSI), systems and technical equipment (infrastructures, rolling stock, etc.), which will finally give rise to a safer and more sustainable railway system common to all member states.

To this end, the Railway Safety Authority jointly with all stakeholders sees to, promotes and contributes to a permanently operational and intrinsically safe National Railway Network.

The Railway Safety Authority was assigned the important task of coordinating the whole process for implementing and managing the REFER Safety Management System, in collaboration with the company's various bodies, and for its approval by the Regulatory Authority.

As far as safety procedures are concerned, REFER requested IMT (according to provisions in Directive 2004/49/CE of the European Parliament and Council, of 29 April 2004, and Decree-Law 270/2003, of October 28, as amended by Decree-Law 231/2007, of June 14) the renewal of its Safety Authorisation, which is absolutely necessary for the development of its operations, having obtained it on 01 September 2012.

## Quality and Environment

Highlights in the quality and environmental fields during 2012 were the following:

- i. the setting up of a quality management system experienced a major push in September, being considered a basic requirement at all company levels.
- ii. Operational follow-up of main service contracts, covering all new national contracts in 2012;
- iii. Development of the Audit Programme in the Quality and Environmental fields for 2012, with a close collaboration for the areas involved;
- iv. Completion of the Noise Reduction Plan for lines with over 60,000 travels/year and consolidation of a performance scenario, using REFER 's SIG tool.
- v. Start-off of the Business&Biodiversity (B&B) Project works, called 'Ecologic Continuum', specifically the Monitoring works of Alcácer do Sal stretch.

In terms of Quality Management, it is worth mentioning the development of the company's quality management system, and the preparation and finalisation of the Audit Programme, which also covers the environmental scope.

Following the strategic approval of the management system based on REFER's processes, four processes were identified as relevant for the company's strategic quality management goals.

As from October 2012, according to directives of the recently appointed Board of Directors, the need arose to establish **REFER's Quality Management System**, based on management by processes and continuous improvement, strengthening the need to ensure a transversal approach throughout the company.

To this end, an organisational structure was set up made up of distinct working teams in terms of nature and composition, which at year end involved 71 people from different areas of the company. These groups worked together and complemented each other, identifying constraints and measures, gathering relevant documentation and performing a diagnosis as against benchmarks.

By the end of the year, this diagnosis phase was practically consolidated (including the documentation survey made by different teams and respective processing by the Quality department), allowing to position REFER's current situation as against ISO 9001 requirements.

On par with this strategic approach to quality management, it is worth pointing out a new methodological approach developed for the performance of audits in the environmental and quality areas.

Implementation phase involved the corporate area, mainly, inviting employees to share their skills and participate in environmental audits.

This led to an Annual Audit Programme for 2012, including:

- i. environmental audits (2nd part) to service contracts and works contracts in the maintenance field;
- ii. internal quality audits within the scope of the Quality Management System implemented at ROC and RON;
- iii. quality audits (2nd part) to transversal service contracts;

Based on the know-how gathered throughout 2012 it was deemed relevant to outline an audit methodology to apply to the entire company, resulting in efficiency gains and consistent action. This initiative should profit the development of the Quality Management System transversal to the company.

In the environmental field, it is important to point out that the new dynamics created for the Quality area are crucial to introduce a consistent approach to this subject at company level.

As for the operational work, the change in paradigm started in 2010 when conditions were created to reinforce operational support to the maintenance area continued in 2012. A regular follow-up of environmental maintenance contract works was provided throughout the year under review.

The slowdown trend in the company's investment activity translated in fewer projects undertaken at environmental assessment level and specific technical revision level (practically half the number of 2011)

Accordingly, the review of environmental licensing applications decreased as well as the internal preparation of these documents, however, the scope of maintenance works is increasing.

This slowdown in investment happens at all levels, including in requests addressed to the company by third parties, which are about half the amount recorded in 2011.

The opposite has occurred with the issuing of specific opinions concerning the review of Territorial Management Instruments, which tripled.

In this regard, it is worth noting the particular care paid by REFER to the safeguarding of channel areas established in Municipal Master Plans (PDM), seeking to integrate into them the corridors approved in Environmental Impact Assessments (both for the High Speed Train and conventional train) and to withdraw from current channels the conditions which may represent a burden in maintenance terms.

Within the scope of the technical specialities developed within the company, we point out the presentation to the Board of Directors (final edition in January 2012) of the National Railway Network Noise Reduction Plan (1st. phase of Directive 2012/49/EC – sections of rail tracks with more than 60 000 trains per year – scenario assessment) submitted to the Secretariat of State for Public Works, Transport and Communications. Within the same context, the company continued to develop Noise Map actions, as provided in the Business Plan for 2012 and participated in the working group "Rethink the law on noise in the light of the national and European experience - Proposal for amending the General Law on Noise", for which the latest meeting took place in December 2012.

During 2012, REFER remained committed to Business and Biodiversity (B&B), namely the Ecological Continuum Project, and ensured with in-house staff part of the activities included in the Avifauna Monitoring Plan of the Aveiro Harbour railway branch, and started implementing the monitoring plan on fauna and flora on the Alcácer by-pass. For both the project and the plans, REFER works in partnership with the Research Centre for Biodiversity and Genetic Resources /CIBIO) of the University of Oporto.

## Human resources

### Human Resources Policy

Although REFER completed 14 years of existence in 2012, its origins go back to the creation of the railway in Portugal. REFER's employees hold a unique 100-years old know-how, which is why Human Capital is one of the company's major assets. Accordingly, REFER's human resources policy aims at maximising the professional valuation and development and motivation of its employees, in line with its strategic goals.

As far as the development of REFER's Human Capital is concerned, 2012 was marked by the definition of rules to govern the new **Performance and Potential Management System** (PPMS), which will include the outlining of personal and team goals to achieve REFER's corporate strategy, where merit will play a relevant role.

Meanwhile, 47 job profiles were laid down for all corporate and operational areas. The outlining of these profiles comprised the mapping of management, behavioural and technical skills specific to each job function. The use of functional profiles to assess skills within the new PPMS will enable the identification of gaps in critical skills, and will assist in the survey of training needs and their alignment with REFER's needs.

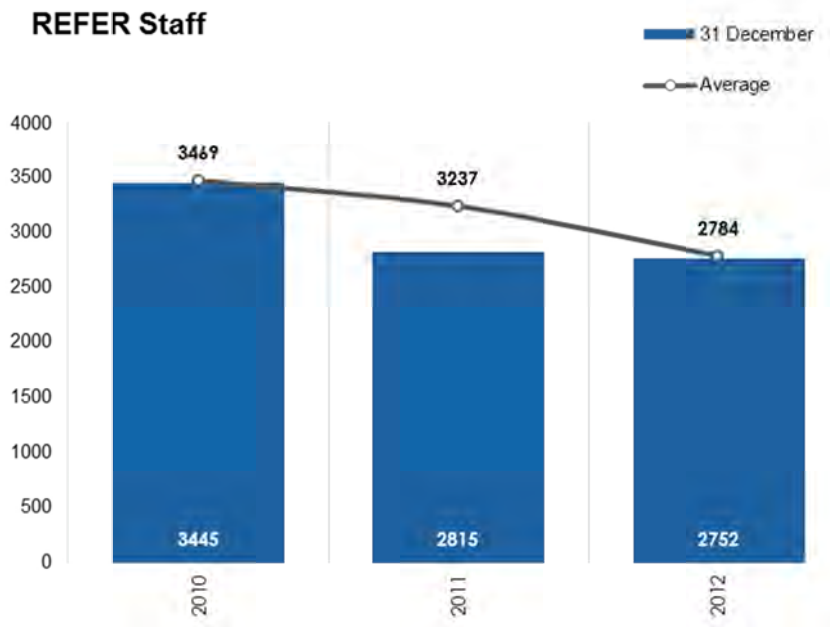
The joint use of these management tools will allow for:

- a greater alignment of personnel development policy;
- the definition of a structured approach enabling the outlining of multi-annual training programmes.
- preparation of individual development plans viewing the elimination of gaps and/or the promotion/enhancement of specific skills of a specific employee;
- promotion of skills deemed crucial for the business;
- integration and alignment of different human resources management processes.

The implementation of these personnel management tools is an answer to the requirements of the Skills Management System.

## 1. Personnel and Wage Policy

During 2012, REFER's **reduction in average staff** continued, resulting of the company's adjustment to railway modernization and automation programmes implemented throughout the last few years, but also of a sudden decrease in the number of employees in 2011, following Rescissions by Mutual Agreement (RMA).



Since 1999, REFER reduced its staff by 3,853 employees, corresponding to a drop by 58% since the company was created. In 2012, REFER average number of employees was **2,784**, which is 453 less than in 2011. In December the company's staff totaled 2,752, representing a new historic low.

## 2. Recruitment and Mobility

The sharp decrease in personnel occurred in 2011 affected mainly those employees with higher seniority levels, belonging to intermediate managing levels and holding relevant experience and skills, which are therefore important to replace. In this context, in 2012 efforts continued to be made to adjust human

resources to business needs, involving the recruitment of 46 people for different but critical jobs, although on a temporary basis since new recruitment directives are still to be established.

The implementation of the strategy laid down for Maintenance led to a large selection process addressed to employees in the traffic area, viewing to supply the infrastructures career from the base - Infrastructure Operator function -, which allowed to strengthen the specific skills for this function, resulting in the selection of 56 employees.

This process was very specific and demanding, as it sought to safeguard equal opportunities and select the most capable and motivated for the change and those who would be available to integrate the infrastructures teams (even if far from their homes)

The internalization of supporting functions such as door keepers and cleaning staff continued to deserve our attention, calling in personnel with lower qualifications and who did not want to leave the company, resulting in over 10 occupational reconversions.

At the end of 2012 the integrated process for the renewal and fulfillment of Supervision and Operation functions was practically completed, viewing to fill 30 jobs with direct impact on the safety of train operation.

In figures, the recruitment and mobility activity in 2012 translated in the following:

- 46 temporary jobs of different categories for critical functions, which will only become final when new recruitment directives will be approved;
- 56 transfers resulting from functional mobility processes (tenders, reconversions, internal recruitment) viewing to fill any operating gaps;
- 198 transfers resulting from geographical mobility processes of operational nature (elimination of jobs, transfer of office);
- 203 transfers due to service needs. It is worth noting the mobilization of resources from DGDR to other areas and the selection process developed to adjust the staff of the Lisbon OCC for the Operating Command function (Operation/Regulation Desks)

Human resources adequacy goals will continue to be pursued in 2013 taking into account the needs of each area of the company, seeking an adequate mobility and framing of employees, based on respective skills, abiding by the law in force.

## Training

The nature of REFER's activity involves serious concerns in terms of transmission and withholding of specific know-how both in core and maintenance areas (tracks, catenaries and signaling) and in railway regulation and safety terms.

Without neglecting all transversal areas which form the main stay of any business activity (environment, quality, safety, etc.), in 2012 REFER consolidated the definition of its railway knowledge model marked by a distinct internalization of the training actions developed:

- **Employee/trainee:** development and consolidation of internal skills, critical to the business, improving qualification levels and training quality. This training targeted mainly operational maintenance functions, from execution to inspection and control.
- **Employee/trainer:** development of training skills, including the preparation of teaching material, contributing decisively to the systematization, preservation and disclosure of know-how.

Based on these objectives, the Technical-Railway Training Strategy for the 2011-2013 period set forth the following main areas of action:

- Survey of training needs on a individual basis;
- Regular recycling training programs;
- Rationalization of the training volume;
- Planning, development and monitoring of training processes;
- Privileged use of internal trainers;

The worsening of the economic situation in 2012 had direct impacts on training, namely in terms of respective budget, which was reduced by 45% in relation to the previous year (from 492 thousand Euros in 2011 to 272 thousand Euros in 2012), of which only 82 thousand Euros were used.

These figures show the Company's considerable efforts to internalize training offer, resorting to the Internal Training Pool, which permitted for instance that all training actions in the train operation field carried out in 2012 were provided using internal resources.



Despite the financial constraints, 987 employees received training in the Technical-Railway area. Part of these trainees received training within the scope of their job reconversion, from the operational to the maintenance area, whilst others received training within the scope of the mobility processes referred to above.

This internalization of training extended to other areas, with individual coaching being provided for the Lisbon OCC, at intermediate managing level.

Notwithstanding the decrease in costs by approximately 950 thousand Euros in relation to 2009, in 2012 the HR department managed to set up 752 training actions in many different areas, totalling 11,866 hours of training/room and involving 3,047 trainees.

This approach will continue to be followed in 2013, reinforcing the following aspects:

Deeper focus on the development of skills transversal to REFER, in addition to the technical-railway skills;

Widening of the scope and number of courses available in eLearning. This type of platforms is undergoing consolidation and should have a positive impact in terms of the quality/price ratio of training activity.

The "REFER Academy" was consolidated in 2012, now covering all areas of the company. This academy should be the vehicle used for the provision of training and know-how and integrate all knowledge, skills and culture of REFER.

Consolidation of the use of a formal pool of trainers;

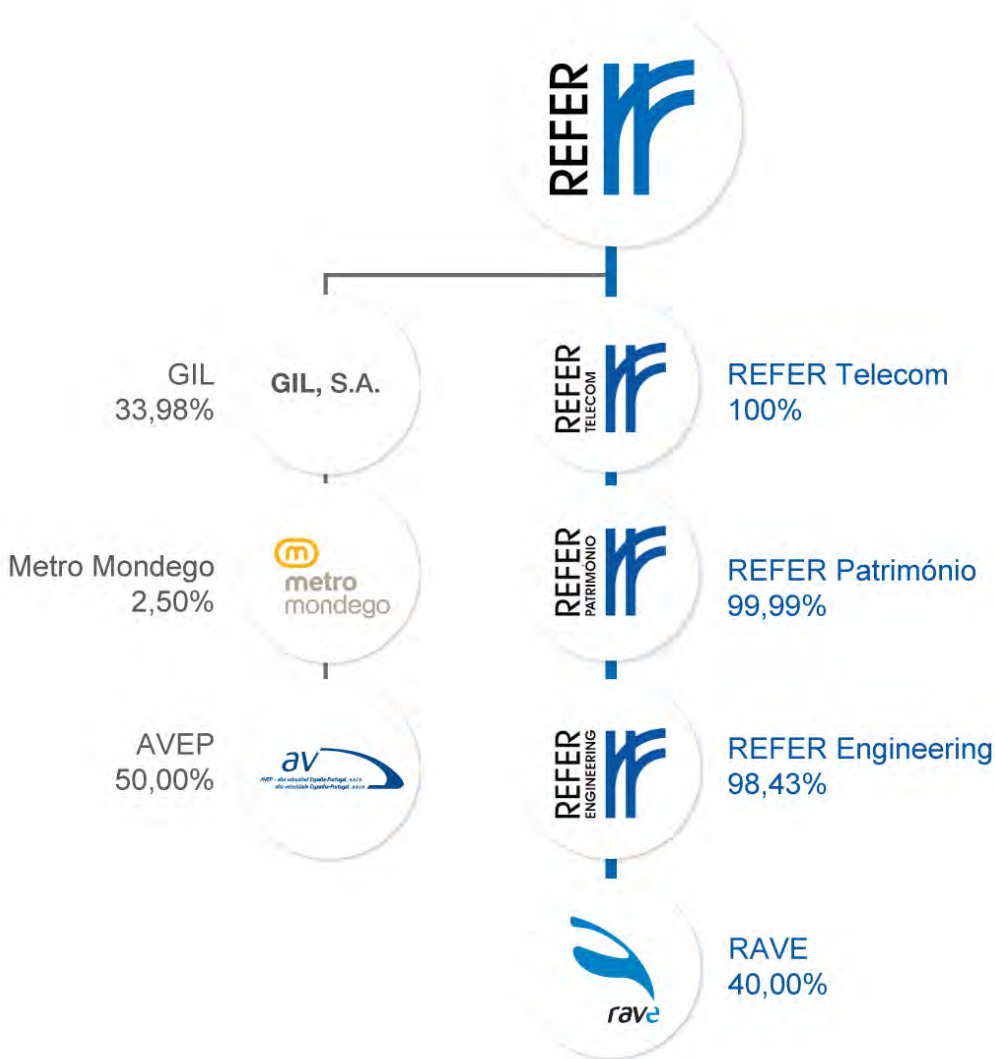
Assessment of the Training Plan for 2013, according to the new training assessment model approved, more directed to assessing the effective impact of training on the job performed.

Normalisation of learning contents - standardization of manuals and other supporting documentation.

External training will keep a reduced role, and will only be used when internal skills are insufficient or certification approvals should require otherwise.

## Subsidiaries

REFER has holdings in companies with different objects but still related to the railway infrastructure, which complement the main activity of the parent company.



## Affiliated Companies and Main Activities

### **REFER TELECOM – Serviços de Telecomunicações, S.A.**

REFER Telecom corporate object is the setting-up, management and operation of telecommunications infrastructures and systems, the provision of telecommunication services and any related, subsidiary or accessory activities, either directly or through the holding of stakes in other companies.

Its sole shareholder is REFER, E.P.E. and its share capital is of 10 million Euros.

REFER Telecom is licensed by the National Telecommunications Authority (ANACOM) as **Provider of Fixed Telephone Services** and **Operator of Public Networks** in Portugal; it is also registered as **Provider of Data Transmission and Internet Services**. In 2009 REFER Telecom also became **Operator of Voice Over IP services** (VoIP) of nomad use and licensed to operate the GSM-R system within frequency bands 876–880 MHz and 921–925 MHz.

REFER Telecom is also a railway telecommunications operator. Its mission consists of ensuring an efficient management of the telecommunications infrastructure 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 gains with the market in general. In addition to rendering railway telecommunications services, REFER Telecom provided technical advisory to its Shareholder.

On par with the activity directed to the Shareholder, REFER Telecom works with telecommunications operators supplying optic fibre infrastructure and supporting facilities.

### **REFER PATRIMÓNIO S.A. – Administração e Gestão Imobiliária, S.A.**

The strategic mission of REFER PATRIMÓNIO is to manage the real estate property held by REFER, ensuring its efficient use, valuation and return in line with the railroad infrastructure management goals.

It is a company of the REFER Group active in the real estate area. Its main duties are:

- valuation, return and requalification of the real estate property not allocated to railway operation, ensuring its financial and environmental sustainability;

- Creation and updating of the Public Railway Domain (PRD) database, permitting permanent 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 the operation.

These services affect all users, whether a railway passenger, a concessionaire or a user of deactivated and requalified property, such as an ecotrack.

### **REFER Engineering, S.A. (Formerly, FERBRITAS - Empreendimentos Industriais e Comerciais, S.A)**

In February 2013, Ferbritas changed its name to REFER Engineering. Its object is the rendering of consultancy services and development of engineering studies and projects in the areas of transports, logistics and other, from design phase to management, maintenance and operation of respective infrastructures; the rendering of consultancy and technical assistance services; development of mapping, topography, registration and expropriation activities; integrated management and supervision of undertakings; rendering of services in the fields of quality, environment and safety management.

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

RAVE, Rede Ferroviária de Alta Velocidade, S.A., is the Portuguese company set up to develop and coordinate the works and studies required for decision-making concerning the planning, building, financing, supply and operation of a high-speed rail network to be installed in mainland Portugal linking to its Spanish counterpart. Throughout 2011, the company's activity was gradually integrated into REFER.

RAVE was dissolved pursuant to resolution of the General Meeting held in November 2012.

### **2012 Indicators**

REFER subsidiaries' main indicators for 2012 are as follows:

## 2012 Indicators

(Euros)

Associates	December 2012					
	REFER Engineering	Refer Património	Refer Telecom	RAVE	G.I.L.	Metro Mondego
<b>Equity Holding</b>	<b>98.43%</b>	<b>99.99%</b>	<b>100.00%</b>	<b>40.00%</b>	<b>33.98%</b>	<b>2.50%</b>
<b>Non current assets</b>	5 583 440	5 812 259	20 987 614	0	71 871 388	33 890 827
<b>Current assets</b>	5 856 260	20 444 857	16 679 259	126 876 461	4 059 203	2 066 689
<b>Total assets</b>	11 439 700	26 257 116	37 666 873	126 876 461	75 930 591	35 957 516
<b>Equity</b>	9 228 575	8 128 259	25 295 971	381 110	- 11 040 038	25 577 607
<b>Net results</b>	- 1 787 916	- 4 258 869	2 415 287	- 1 613 750	- 583 802	- 21 734
<b>Liabilities</b>	2 211 125	18 128 857	12 370 902	126 495 351	86 970 628	10 379 909
<b>Operating income</b>	4 839 283	11 467 091	23 355 929	2 348 856	1 867 984	593 722
<b>Operating expenses</b>	6 660 306	15 784 851	19 986 111	3 798 361	1 107 281	600 448
<b>Number of employees</b>	117	57	167	0	6	0
<b>Turnover / no. of employees</b>	41 301	192 765	138 101	n.a.	783 677	n.a.
<b>Cost to Income Coverage</b>	73%	73%	117%	62%	169%	99%
<b>Gearing</b>	81%	31%	67%	0%	-15%	71%

## Results and Equity Structure

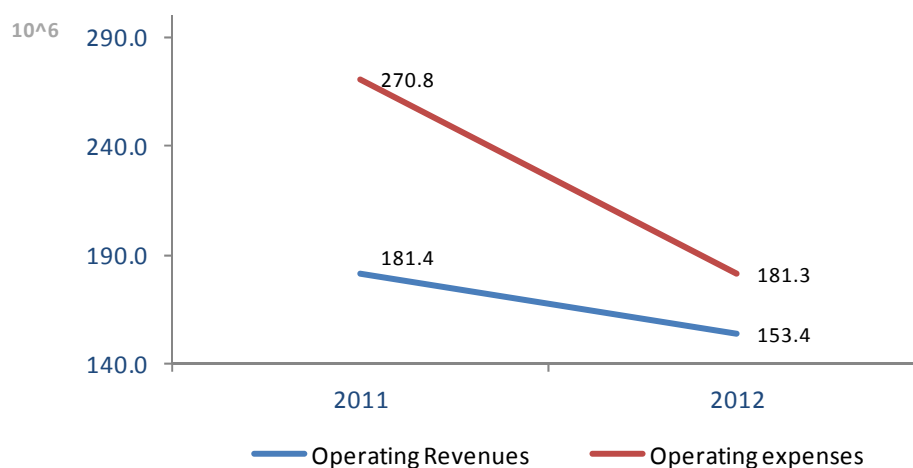
### Results

#### Operating Results

In line with the Stability and Growth Pact and the Memorandum of Understanding signed by the IMF/ECB/EC and the Portuguese Government, REFER established as goals to improve efficiency and restrain costs.

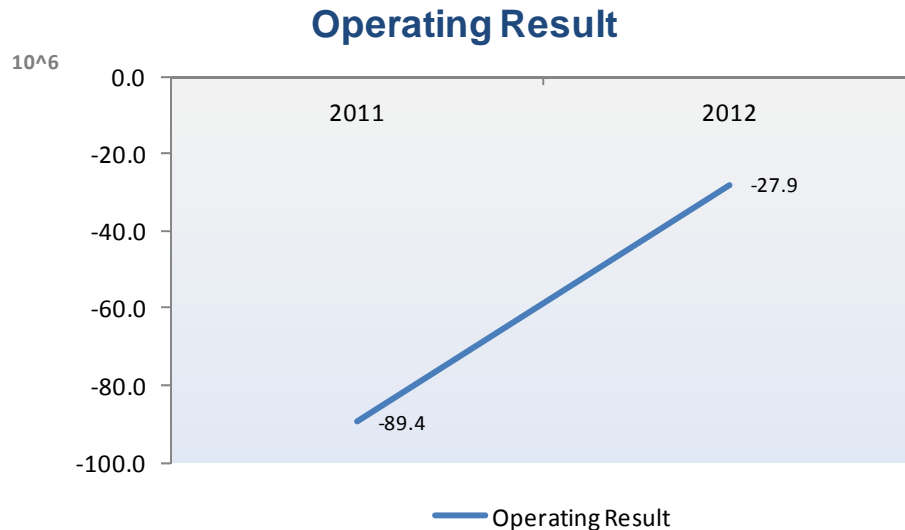
In 2012 REFER **reduced** by nearly 33% its **operating expenses** (-90 million Euros), as against the same period of the previous year.

#### Evolution of Expenses and Income



The impact of this cut down in expenses on operating results was mitigated by a drop in revenues by approximately 28 million Euros.

Operating results improved significantly from a negative figure of **89 million** Euros at 31 December 2011 to a still negative figure of **27.9 million** Euros in December 2012.



Changes having the most relevant impact on Operating Results were the following:

- ❖ **Consumption of Materials**, which dropped by 30 million Euros over 2012. This decrease is directly associated with the cut down in expenditure. In 2011 annual expenditure totalled 269 million Euros, which compares to 46 million Euros in 2012.
- ❖ **Supplies and Services**, which fell by 10 million Euros as against 2011; the "Subcontracts" item accounted for the largest slice in this fall, namely track maintenance. As the track maintenance contracts for the National Railway Network only started in May 2012, following respective approval by the Court of Auditors, maintenance in the first months of the year was ensured pursuant to a restricted addendum.
- ❖ **Personnel Expenses**, which fell by 47 million Euros, on the back of decrease by 25 million Euros in staff redundancies and consequent impact on the payroll resulting of the drop in average staff by 460 employees: from an average of 3,253 employees in 2011, the average payroll fell to 2,793 in 2012 (considering all people employed by the company). 2012 saw less rescissions by mutual agreement, resulting in a lower amount of redundancy payments (1.6 million Euros as against 26.8 million Euros in 2011).

In relation to the decrease in Personnel Expenses, it should also be pointed out the suspension of holiday and Christmas bonus payments to employees.

[10<sup>6</sup>Euros]

<b>Operating profit/(loss)</b>	<b>2011 <sup>(2)</sup></b>	<b>2012 <sup>(1)</sup></b>	<b>% Change (1)/(2)</b>
<b>Operating Revenues</b>	<b>181.4</b>	<b>153.4</b>	<b>-15%</b>
Sales and services	130.7	100.4	-23%
Subsidies	36.0	39.6	10%
Other income	14.7	13.4	-8%
<b>Operating expenses</b>	<b>-270.8</b>	<b>-181.3</b>	<b>-33%</b>
Cost of Goods Sold	-34.9	-4.3	-88%
Supplies and Services	-98.2	-88.0	-10%
Personnel expenses	-124.7	-77.8	-38%
Depreciation and amortisation for the year	-3.6	-3.1	-14%
Provisions for other risks and charges	-0.7	-0.8	23%
Adjustments of inventories and accounts rece	-4.6	-5.0	9%
Other expenses	-4.1	-2.2	-46%
<b>Operating results</b>	<b>-89.4</b>	<b>-27.9</b>	<b>-69%</b>

Operating income, on the other hand, dropped by 28 million Euros; this performance was mainly due to Sales and Services, which fell by 30 million Euros.

	<b>2011</b>	<b>2012</b>	<b>Absolute Change</b>
User Fee	58 137	71 258	13 121
Other services rendered	14 221	9 726	- 4 495
Investment	58 502	19 404	- 39 098
<b>Sales and services</b>	<b>130 860</b>	<b>100 388</b>	<b>- 30 472</b>

It should be noted, moreover, that the Stability and Growth Programme (PEC) foresees the adoption of a number of measures viewing to align the State Corporate Sector with Public Administration in what concerns cost restrains and maximisation of operating efficiency, establishing that companies must reduce personnel and external services expenses by 15% in relation to 2009.

REFER has laid down and implemented measures to reduce costs with infrastructure management and investment activities, having achieved the goals set forth.



Expenses with Infrastructure Management and Expenditure	10 <sup>3</sup>			
	2009	2010	2011	2012
Supplies and services	115.601	123.921	98.250	88.041
Personnel expenses (excluding severance)	114.765	114.035	97.898	76.239
	230.365	237.956	196.147	164.280
<b>Change (SS+Personnel) as against 2009</b>				-29%
<b>Change (SS+Personnel) as against 2011</b>				-16%

## Net Results

In 2012 net profit improved by 70 million Euros, on the back of better operating results (+61.5 million Euros as against 2011) and financial results (8.4 million Euros).

[10<sup>6</sup>Euros]

Net Results	2011	2012	% Change
	(a)	(b)	(b)/(a)
Operating Revenues	181.4	153.4	-15%
Operating expenses	270.8	181.3	-33%
<b>Operating Result</b>	<b>-89.4</b>	<b>-27.9</b>	<b>-69%</b>
<b>Financial Result</b>	<b>-72.3</b>	<b>-63.9</b>	<b>-12%</b>
<b>Net Result</b>	<b>-162.1</b>	<b>-92.1</b>	<b>-43%</b>

Despite the significant cut in the deficit deriving from the Company's activities, total financing requirements were fully met by the State.

## Cash-flow Statement

(Million Euros)

Cash-flow Statement	31.12.2011	31.12.2012
Operating deficit	- 190	- 67
Investment deficit	- 190	161
Financial costs	- 236	- 265
<b>Total requirements</b>	<b>- 616</b>	<b>- 171</b>
Short Term Debt	144	
State Debt	2 063	2 863
Medium/Long-term debt	4 344	4 082
<b>Total debt</b>	<b>6 551</b>	<b>6 945</b>

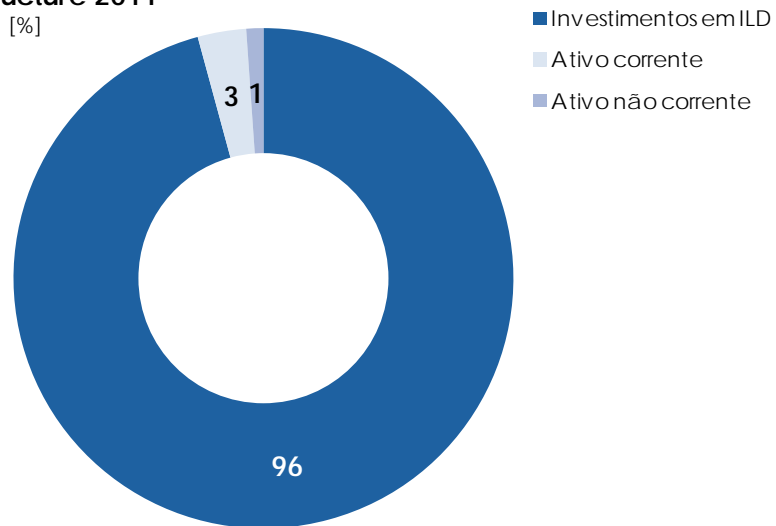
## Equity Structure

The **Statement of Financial Position** shows the assets and liabilities allocated to each activity (Long Term Investment and Infrastructure Management).

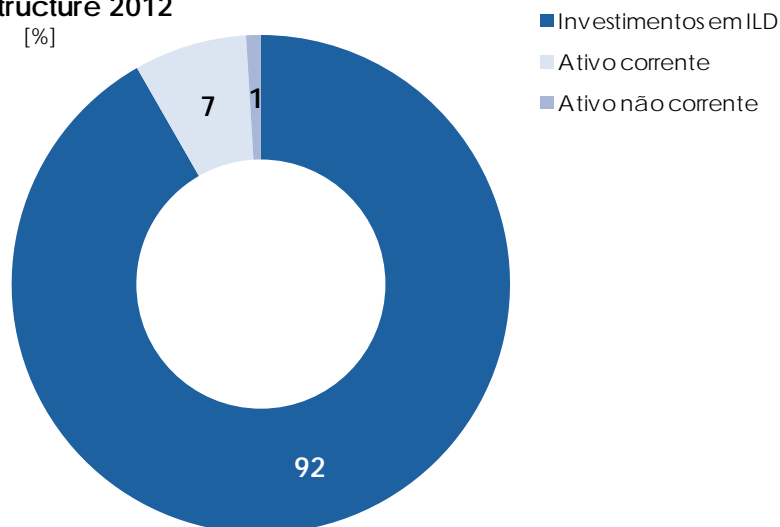
### Assets

REFER's equity structure remains, in relative terms, similar to 2011's, i.e., the activity with the largest weight on the global value of the assets continues to be Investments in Long-Term Infrastructures (LTI), accounting for 92% of total assets in 2012 as against 96% in 2011.

**Asset structure 2011**  
 [%]



**Asset structure 2012**  
 [%]



The weight of Current Assets increased in relation to total assets, mainly because of the balance of Cash and cash equivalents (212 million Euros in 2012 compared to 11 million Euros in 2011). This balance translates the early reception of European funds, which were only expected to arrive in 2013)

Caption Clients and Other Accounts Payable, on the other hand, rose by 19 million Euros, part of which concerns the increase in the balance of "Clients Related Parties – CP - Comboios de Portugal, E.P.E.". (its ACP moved from 263 days in 2011 to 290 days in 2012).

[10<sup>3</sup>Euros]

<b>Current Assets Railway Infrastructure Management</b>	<b>31.12.2011</b>	<b>31.12.2012</b>	<b>Change</b>	<b>% Ch.</b>
Derivative financial instruments	15 400	16 244	844	5%
Inventories	14 278	19 998	5 721	40%
Clients and other accounts receivable	117 818	136 903	19 085	16%
Income tax refund	700	770	70	10%
Cash and cash equivalents	10 929	212 246	201 316	1842%
<b>Current assets</b>	<b>159 124</b>	<b>386 161</b>	<b>227 036</b>	<b>143%</b>

Current assets allocated to Investments in Long-Term Infrastructures fell by 22 million Euros over 2011. This change results from the combined effect of the following changes:

[10<sup>3</sup>Euros]

<b>Current Assets Investments in long term Infrastructure investments</b>	<b>31.12.2011</b>	<b>31.12.2012</b>	<b>Change</b>	<b>% Ch.</b>
Grantor .- State - Account Receivable	4 828 334	4 807 873	- 20 461	0%
Inventories	15 925	14 475	- 1 449	-9%
Clients and other accounts receivable	8 797	8 211	- 586	-7%
<b>Current assets</b>	<b>4 853 055</b>	<b>4 830 559</b>	<b>- 22 497</b>	<b>0%</b>

## Liabilities

Total liabilities rose by 290.6 million Euros over 2011. The most significant change occurred in Caption Current Loans relating to Infrastructure Management (+399 million Euros), due to the need to face the operating deficit and comply with debt service liabilities.

<b>Liabilities</b>	<b>31.12.2011</b>	<b>31.12.2012</b>	<b>Change</b>	<b>% Ch.</b>
<b>Management of Railway Infrastructure</b>	<b>1 892 817</b>	<b>2 269 359</b>	<b>376 542</b>	<b>20%</b>
Non current	1 581 165	1 625 791	44 626	3%
Current	311 652	643 568	331 916	107%
<b>Investment in long-term Infrastructure investments</b>	<b>4 967 314</b>	<b>4 881 351</b>	<b>- 85 963</b>	<b>-2%</b>
Non current	4 565 957	4 734 992	169 035	4%
Current	401 357	146 359	- 254 998	-64%
<b>Total Liabilities</b>	<b>6 860 131</b>	<b>7 150 710</b>	<b>290 579</b>	<b>4%</b>

## Financial Management and Debt

REFER developed its financial management activity in accordance with its Shareholder's directives. This was all the more evident following the company's integration into the consolidation perimeter of the General Government and its reclassification as Reclassified State-owned Company (EPR), in 2011, whereby REFER budget became included in the State Budget.

As result, REFER had to manage its economic budget pursuant to Law 8/2012 (Law on Commitments and Overdue Payments), which implied a profound change in the company's fiscal management and control. REFER's expense and revenue budget was extracted from the State Budget and the necessary mechanisms to implement it were adopted. The main change deriving from Law 8/2012 was thus the obligation to secure any expense prior to its effective realisation, taking into account REFER's figures inscribed in the State Budget.

As result, financing needs projected for 2012 translated in State loans could not be exceeded, otherwise REFER would be contributing to worsen government deficit. Financial management was thus carried out side by side with fiscal management.

Against this background, total financing needs estimated for 2012 in the amount of 800.3 million Euros were met through medium/long- term loans granted by the Portuguese State, in equivalent amount. These financing requirements included, namely, the repayments of principal of short- and medium/long-term loans in the amounts of 150 million Euros and 262 million Euros, respectively. The difference in relation to the total concerned the needs deriving from the net financial charges associated with debt, swaps and operational deficit.

It should be pointed out that investment activity in 2012 was to be fully financed pursuant to Chapter 50 of PIDDAC (Central Administration Investment and Expenditure Development Program) and EU funds, resulting in a positive cash flow of approximately 3 million Euros.

Taking into account the unsurpassable thresholds mentioned above, REFER managed its activity so as to minimize the risks of budget implementation. It is important to note the unfolding of exogenous factors, with negative impact on both revenues and expenses, for which REFER proposed measures that would not compromise its goal of budget implementation. Such measures included revision of the interest rate of the medium/long-term loan contracted in 2011 with the State, in order to partially sustain the drop in revenues from the main railway operator CP - Comboios de Portugal, EPE. In fact, the Government revised the said interest rate downwards, from 6.5% to .2.77% as from June 2012, thus reducing interest payment by nearly 30 million Euros.

On the other hand, it should be said that by the end of the year, REFER used its best efforts to submit two applications for European funds (which should only be presented in 2013) that would enable the company to receive advances concerning such applications. This aim was achieved and REFER managed to cash in an additional sum of 112 million Euros, with positive impact on the implementation of the 2012 budget.

REFER ended the year with a treasury balance of 212 million Euros, resulting from the early collection of the European funds and because of the way Law 8/2012 requires the budget to be outlined, i.e amplifying provisional financing needs which translated in the State loans contracted in 2012.

On the other hand, since REFER ceased to hold a negative treasury situation as result of the State loan obtained, the provisions relating to the application of the Principle of State Treasury Unit established in the 2012 Budget (Law 64-B of 30 December 2011), were fully complied with (see details in chapter “State Treasury Unity”).

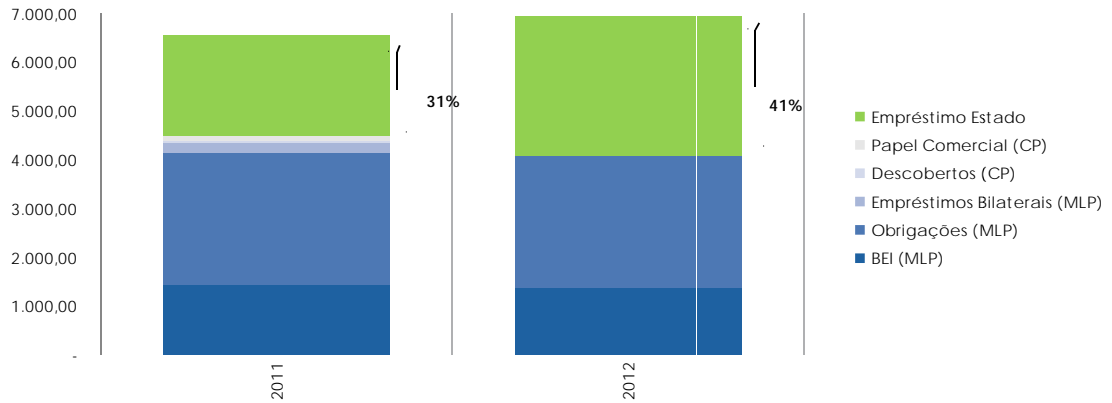
## **EVOLUTION OF FINANCIAL DEBT**

During 2012, REFER obtained medium/long-term loans from its shareholder, in the amount of 800.3 million Euros to face repayment of debt, financial expenses and the deficit of the infrastructure management activity. As result, in 2012 REFER's financial debt (loans) deteriorated by 422 million Euros, going from 6,551 million Euros in nominal terms in 2011 to 6,945 million Euros in 2012.

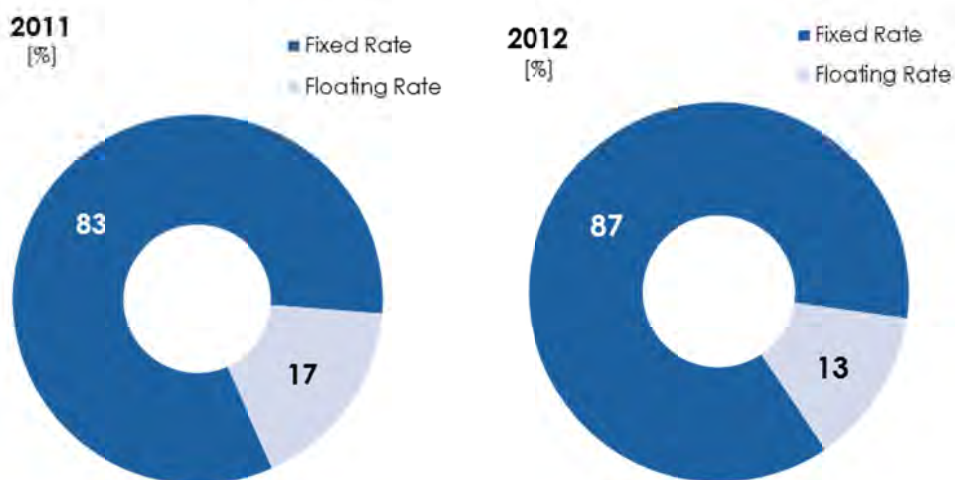
The debt structure altered completely as short term debt was fully repaid. Debt contracted in 2012 came exclusively from medium/long-term loans from the Portuguese State.

As of 31 December 2012 REFER's debt structure was made up as follows:

**Estrutura da Dívida**  
 [milhões de euros]



The replacement of short-term debt (typically at variable rate) by Government medium/long-term loans at fixed rate led to the following breakdown of debt in terms of interest rate regime:



Until October 2012 REFER kept the management of interest rate risk under its own sphere of control, monitoring its swaps portfolio and following up financial markets on a regular basis.



As from November onwards, the General Government relevant authority (IGCP) should have assumed the responsibility for managing and following up all derivatives portfolios belonging to the State. This measure will be subject to further development, as provided in Law 18/2013 of 18 February.

## REVIEW OF THE FINANCIAL RESULTS

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

The following table illustrates REFER's financial performance:

Unit: million Euros

	Effective		Change
	2011	2012	
<b>Financial Results from Investment Activity</b>	<b>-179.3</b>	<b>-185.1</b>	<b>-5.8</b>
Financial gains			
Financial losses	-179.3	-185.1	-5.8
<b>Financial Results from Infrastructure Management Activity</b>	<b>-75.9</b>	<b>-83.3</b>	<b>-7.4</b>
Financial gains	0.5	0.2	-0.3
Financial losses	-84.0	-81.9	2.1
Gains/Losses on associates	7.6	-1.5	-9.1
<b>Financial Results from Hedging Activity</b>	<b>3.7</b>	<b>19.4</b>	<b>15.7</b>
Interest earned on derivatives	83.3	51.6	-31.8
Interest paid on derivatives	-75.5	-67.0	8.4
Change in the fair value of derivatives - Gains	21.9	35.1	13.2
Change in the fair value of derivatives - Losses	-26.1	-0.3	25.8
<b>Overall Financial Result</b>	<b>-251.5</b>	<b>-249.0</b>	<b>2.5</b>
Allocated amount - State Grantor	179.3	185.1	5.8
<b>Financial result (Comprehensive Income Statement)</b>	<b>-72.3</b>	<b>-63.9</b>	<b>8.4</b>

In 2012 Global Financial Results stood at -249 million Euros, corresponding to an improvement by 2.5 million Euros over 2011.

This result can be broken down as follows:

- Financial Results from Infrastructure Management Activity: -83.3 million Euros).
- Financial Results from Investment Activity: -185.1 million Euros
- Financial Results from Hedging Activity: +19.4 million Euros

This improvement results mainly from a positive change by 15 million Euros as against 2011 posted by Hedging activity. This change is made up, on the one hand, of deterioration in the cash component by -23 million Euros, and on the other hand, recovery in the portfolio's market value by 39 million Euros.

In what concerns the cash component, the maintenance of Euribor rates at historically low levels permitted that the deterioration occurred only reflected the effect of having settled portfolio operations earlier in 2011, resulting in proceeds of 23 million Euros in the said year.

As for the recovery of market value, the lower volatility of Euro interest rates and the parallel shift trend of the Euro interest rate curve during 2012 led to an increase in the market value of swaps with optionality to maximum record levels.

In what concerns the component relating to Infrastructure Management activity, it deteriorated by 7 million Euros as against 2011, mainly due to the negative performance of Caption "Gains and losses on associates", namely:

- dividends received from REFER Telecom in the amount of 2.8 million Euros in 2012 versus 1.3 million Euros in 2011;
- impairments of REFER Património, RAVE and AVEP in the amount of - 4.3 million Euros;
- non distribution of reserves of REFER Engineering in 2012 versus 5,9 million Euros in 2011.

On the other hand, financial losses associated with Investment Activity increased by merely 5.8 million Euros in relation to 2011. Despite an increase in investment in 2012, raising of EU financing in significant amount (approx. 253 million Euros) during the year resulted in an allocation of the loans for accounting coverage below that occurred in 2011, but without the same correspondence in terms of the variation of respective financial expenses. In fact, refinancing of debt at interest rates below those

associated to Government loans offset the favourable impact stemming from the decrease in debt allocated to this Activity, in accounting terms.

The following table shows the evolution of the annual average interest rate for the 2008-2012 period:

#### Annual average financing rate

	2012	2011	2010	2009	2008
<b>Average rate except hedging</b>	<b>3.985%</b>	<b>4.165%</b>	<b>3.385%</b>	<b>3.525%</b>	<b>4.836%</b>
MLT	3.92%	3.807%	3.542%	3.682%	4.790%
ST	9.97%	4.991%	2.580%	2.668%	5.029%
<b>Average rate including hedging</b>	<b>4.201%</b>	<b>4.143%</b>	<b>3.469%</b>	<b>3.330%</b>	<b>4.234%</b>
MLT	4.14%	3.775%	3.644%	3.451%	4.042%
ST	9.97%	4.991%	2.580%	2.668%	5.029%
<b>Average 6-month Euribor</b>	<b>0.83%</b>	<b>1.638%</b>	<b>1.084%</b>	<b>1.429%</b>	<b>4.727%</b>

The rise in the short term interest rate is due to the high spreads and fees charged by banks on REFER's loans until September 2012.

The reason for the increase in the average rate of medium/long-term financing stems from the fact that the downward revision of the interest rate on the Government loan contracted at the end of 2011 from 6.5% to 2.77% was only effective as from June 2012.

Given the non existence of new capital market operations in the near future and the fact that REFER's credit risk now depends on its shareholder's credit risk, the company decided not to renew its contract with international rating agencies Standard & Poor's (S&P) and Moody's.

Prior to this decision, Standard & Poor's (S&P) confirmed the long term rating of REFER and bond loans not secured by the Portuguese Government as CCC+. In what concerns secured issues, the agency maintained the BB rating given to the country.

Notwithstanding the termination of the contract with Moody's, the agency continued to monitor REFER, maintaining its rating as B2.

## Appropriation of results

Under the terms set forth in paragraph 1 of article 245 of the Securities Code, the Board of Directors states that to the best of its knowledge, the information provided in the reporting documents was prepared in accordance with relevant accounting standards, and gives a true and fair view of the assets and liabilities, financial situation and results of REFER and that the management report faithfully describes the evolution of the Company's business, performance and position, providing a true account of the main risks and uncertainties which it faces.

Under the terms of provisions in force, it is hereby proposed to transfer the Net Result for the Year – deficit of 92.113.782 Euros (ninety two million one hundred and thirteen thousand seven hundred and eighty two Euros) – to Retained Earnings.

**Lisbon, 28 March 2013**

## The Board of Directors

Chairman                      Eng.º Rui Lopes Loureiro

Vice-Chairman                Eng.º José Luís Ribeiro dos Santos

Member                        Dr. Alberto Manuel de Almeida Diogo

Member                        Dr. José Rui Roque

Member                        Eng.º Amílcar Álvaro de Oliveira Ferreira Monteiro

**PART II**  
**NOTES TO THE FINANCIAL STATEMENTS**



## II NOTES TO THE FINANCIAL STATEMENTS

This report refers to Rede Ferroviária Nacional – REFER, E.P.E. (REFER). (REFER).  
Economic and social data presented in this report relate to the company's operations in 2012

All reports of REFER are available at [www.refer.pt](http://www.refer.pt).

**Rede Ferroviária Nacional – REFER, E.P.E.**

Estação de Santa Apolónia

1100-105 Lisboa

[www.refer.pt](http://www.refer.pt)

Share capital: 430 200 000 Euros

Tax No.: 503933813

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## Statement of Compliance

Statement 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 separate financial statements were prepared in compliance with the applicable accounting standards and give a true and appropriate view of the assets and liabilities, the financial situation and the results of REFER, E.P.E. and the management report relating to the company activity in 2012 faithfully describes the material events that occurred in this period and the impact on the respective financial statements, in addition to describing main risks and uncertainties for the forthcoming years."

### The Board of Directors

Chairman                                      Eng<sup>o</sup> Rui Lopes Loureiro

Vice-chairman                                      Eng.<sup>o</sup> José Luís Ribeiro dos Santos

Member                                              Dr. Alberto Manuel de Almeida Diogo

Member                                              Dr. José Rui Roque

Member                                              Eng.<sup>o</sup> Amílcar Álvaro de Oliveira Ferreira Monteiro

## Financial Statements at 31 December 2012

### STATEMENT OF FINANCIAL POSITION

31 December 2012

Amounts in Euro

Assets	Notes	2012	2011
<b>Management of Railway Infrastructure</b>	5.	<b>435 893 835</b>	<b>215 206 723</b>
<b>Non current</b>			
Tangible fixed assets	5.1	36 009 510	37 858 141
Intangible assets	5.2	1974 420	1944 664
Investments in subsidiaries	5.3	1177 157	15 972 554
Investments in associated companies and joint ventures	5.4	0	0
Available-for-sale financial assets	5.6	31875	31875
Loans and accounts receivable	5.7	0	0
		<u>49 732 962</u>	<u>55 807 234</u>
<b>Current</b>			
Inventories	5.8	19 998 369	14 552 565
Derivative financial instruments	5.9	16 243 974	15 399 540
Clients and other accounts receivable	5.10	136 902 792	117 818 020
Income tax refund	5.15	770 000	700 000
Cash and cash equivalents	5.11	212 245 737	10 929 364
		<u>386 160 873</u>	<u>159 399 489</u>
<b>Activity in long term Infrastructure investments</b>	4.	<b>4 830 558 518</b>	<b>4 852 780 310</b>
<b>Current</b>			
Grantor - State - Account Receivable	4.1	4 807 872 548	4 828 333 834
Inventories	4.2	14 475 401	15 649 824
Clients and other accounts receivable	4.3	8 210 569	8 796 652
		<u>4 830 558 518</u>	<u>4 852 780 310</u>
<b>Total assets</b>		<b>5 266 452 353</b>	<b>5 067 987 033</b>

## STATEMENT OF CONSOLIDATED FINANCIAL POSITION (Continued)

31 December 2012

Amounts in Euro

Equity and Liabilities	Notes	2012	2011
<b>Equity</b>			
<b>Capital and reserves attributable to shareholders</b>			
Share capital		430 200 000	430 200 000
Cumulative results		-2 222 343 923	-2 060 270 975
		-1792 143 923	-1630 070 975
Net profit/(loss) for the year attributable to shareholders		- 92 113 782	- 162 072 948
<b>Total equity</b>		<b>-1 884 257 705</b>	<b>-1 792 143 923</b>
<b>Liabilities</b>			
<b>Management of Railway Infrastructure</b>			
		<b>2 269 359 430</b>	<b>1 892 817 049</b>
<b>Non current</b>			
Borrowings	5.12	1612 902 005	1569 094 901
Provisions	5.14	12 889 264	12 070 326
		1625 791269	1581165 226
<b>Current</b>			
Borrowings	5.12	541553 110	142 651608
Derivative financial instruments	5.9	44 966 433	78 943 804
Suppliers and other accounts payable	5.13	56 774 316	89 749 470
Income tax payable	5.15	274 302	306 941
		643 568 161	311651823
<b>Activity in long term Infrastructure investments</b>			
	4.	<b>4 881 350 629</b>	<b>4 967 313 907</b>
<b>Non current</b>			
Borrowings	4.4	4 734 991853	4 565 956 695
		4 734 991853	4 565 956 695
<b>Current</b>			
Borrowings	4.4	72 880 694	262 377 139
Suppliers and other accounts payable	4.5	73 478 081	138 980 073
		146 358 775	401357 212
<b>Total Liabilities</b>		<b>7 150 710 058</b>	<b>6 860 130 956</b>
<b>Total equity and liabilities</b>		<b>5 266 452 353</b>	<b>5 067 987 033</b>

To be read jointly with the Notes to the Financial Statements

28 March 2013

## The Board of Directors

Chairman                      Eng.º Rui Lopes Loureiro

Vice-chairman                Eng.º José Luís Ribeiro dos Santos

Member                        Dr. Alberto Manuel de Almeida Diogo

Member                        Dr. José Rui Roque

Member                        Eng.º Amílcar Álvaro de Oliveira Ferreira Monteiro

## Statements of Comprehensive Income

at 31 December 2012

Amounts in Euro

Headings	Notes	2012	2011
Rendered Services	6.1	100 388 188	130 731 415
Operating subsidies	6.2	39 600 000	36 000 000
Cost of materials consumed		- 4 326 086	- 34 947 875
Supplies and services	7.	- 88 041 190	- 98 249 757
Personnel expenses	8.	- 77 799 661	- 124 673 646
Depreciation and amortisation for the year	5.1/5.2	- 3 100 946	- 3 617 424
Provisions	5.14	- 8 18 939	- 667 628
Impairments	9.	- 4 978 798	- 4 566 144
Other expenses	10.	- 2 234 274	- 4 112 678
Other income	11.	13 427 143	14 671 314
<b>Operating profit/(loss)</b>		<b>- 27 884 562</b>	<b>- 89 432 422</b>
Financial losses	12.	- 334 312 385	- 310 610 450
Financial gains	12.	27 194 134	230 769 550
Gains/losses of subsidiaries, associates and joint ventures	12.	- 1 530 397	7 587 231
<b>Profit before income tax</b>		<b>- 91 785 999</b>	<b>- 161 686 092</b>
Tax for the year	14.	- 327 784	- 386 857
<b>Net profit for the year</b>		<b>- 92 113 782</b>	<b>- 162 072 948</b>

To be read jointly with the Notes to the Financial Statements

28 March 2013

## The Board of Directors

Chairman                      Eng<sup>o</sup> Rui Lopes Loureiro

Vice-chairman              Eng.<sup>o</sup> José Luís Ribeiro dos Santos

Member                      Dr. Alberto Manuel de Almeida Diogo

Member                      Dr. José Rui Roque

Member                      Eng.<sup>o</sup> Amílcar Álvaro de Oliveira Ferreira Monteiro

### NOTE:

REFER does not present Earnings per Share since the company is excluded from the scope of the IAS, as its share capital holds the legal status of "Statutory Capital" fully held by the Portuguese State, not being therefore represented by shares or any other type of securities.



## Statement of Changes in Shareholders' Equity

at 31 December 2012

Amounts in Euro

	Share capital	Cumulative results	Comprehensive Result	Total Equity
<b>Balances at 31 December 2010</b>	<b>305 200 000</b>	<b>-1 909 852 799</b>	<b>- 150 418 176</b>	<b>-1 755 070 975</b>
Appropriation of comprehensive result		- 150 418 176	150 418 176	0
Share capital increase	125 000 000			125 000 000
2011 Comprehensive Results			- 162 072 948	- 162 072 948
<b>Balances at 31 December 2011</b>	<b>430 200 000</b>	<b>-2 060 270 975</b>	<b>- 162 072 948</b>	<b>-1 792 143 923</b>
Appropriation of comprehensive result		- 162 072 948	162 072 948	0
2012 Comprehensive Results			- 92 113 782	- 92 113 782
<b>Balances at 31 December 2012</b>	<b>430 200 000</b>	<b>-2 222 343 923</b>	<b>- 92 113 782</b>	<b>-1 884 257 705</b>

### The Board of Directors

Chairman Eng.<sup>o</sup> Rui Lopes Loureiro

Vice-chairman Eng.<sup>o</sup> José Luís Ribeiro dos Santos

Member Dr. Alberto Manuel de Almeida Diogo

Member Dr. José Rui Roque

Member Eng.<sup>o</sup> Amílcar Álvaro de Oliveira Ferreira Monteiro

## Cash Flow Statement at 31 December 2012

Amounts in Euro

Headings	Notes	2012	2011
<b>Operating Activities</b>			
Cash receipts from clients		68 887 237	45 336 854
Cash paid to suppliers		- 103 952 690	- 159 102 530
Cash paid to personnel		- 76 909 268	- 130 592 014
Flows generated by operations		- 111 974 721	- 244 357 691
Other receipts/payments relating to operating activities		44 752 725	54 179 908
<b>Net cash from operating activities (1)</b>		<b>- 67 221 996</b>	<b>- 190 177 782</b>
<b>Investing activities</b>			
Cash receipts relating to:			
Investment subsidies		263 280 455	64 073 817
Dividends	5.23	2 800 000	1300 000
		266 080 455	65 373 817
Cash payments relating to:			
Tangible assets		99 881 269	257 960 187
		99 881 269	257 960 187
<b>Net cash from investing activities (2)</b>		<b>166 199 186</b>	<b>- 192 586 371</b>
<b>Financing activities</b>			
Cash receipts relating to:			
Borrowings		3 036 924 941	999 603 484
Interest		518 16 429	85 050 191
		3 088 741 370	1084 653 674
Cash payments relating to:			
Borrowings		2 669 670 858	370 008 851
Interest and similar costs		316 731 330	321 114 624
		2 986 402 188	691 123 475
<b>Net cash from financing activities (3)</b>		<b>102 339 182</b>	<b>393 530 199</b>
<b>Variation in cash and cash equivalents (4) = (1) + (2) + (3)</b>		<b>201 316 372</b>	<b>10 766 046</b>
Effect of foreign exchange differences		0	0
Cash and cash equivalents at the end of the year	5.11	2 12 245 737	10 929 364
Cash and cash equivalents at the beginning of the year	5.11	10 929 364	163 319
<b>Variation in cash and cash equivalents</b>		<b>201 316 372</b>	<b>10 766 046</b>

## The Board of Directors

Chairman                      Eng<sup>o</sup> Rui Lopes Loureiro

Vice-chairman                Eng.<sup>o</sup> José Luís Ribeiro dos Santos

Member                        Dr. Alberto Manuel de Almeida Diogo

Member                        Dr. José Rui Roque

Member                        Eng.<sup>o</sup> Amílcar Álvaro de Oliveira Ferreira Monteiro

## Notes to the Financial Statements for the year ended as of 31 December 2012

### 1. REFER economic activity

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

REFER's main object is the provision of public services consisting in the management of national railway infrastructures, including construction, installation and renewal of railway infrastructures.

In carrying out its activities 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, but that are performed by its subsidiaries.

#### 1.1 REFER Missions

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

- Long Term Investment (LTI)

This mission covers investments associated to:

- New infrastructures and/or network expansion;
- Modernisation and renewal, by introducing new technology in operations;
- Replacement, including interventions introducing lasting improvements or likely to increase the value and/or lifetime of the asset whilst 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 providing a public service, covering tasks such as the conservation and maintenance of infrastructures, management of capacity and management of the regulation system, and safety, command and control of traffic.

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

## 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 12 February, by the IMTT.

Within the scope of its activity, REFER provides essential, additional and auxiliary services, the description and conditions of which – including fee charging conditions – 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 electricity;
- the provision of emergency railway assistance under the terms provided in article 51 of Decree-Law 270/2003.

#### b) User Fee for Requested Capacity that is not Used

The amount owed for the capacity requested and 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 requested and non-used capacity in cases of replacement of an allocated path, provided it is confirmed that the new path has the same origin and destination and a time of departure within 24 hours in relation to the path of origin in case of a passenger train or seven days in case of a freight train.

#### User Fees for Additional Services

##### a) Traction Power

Since access to traction electricity required by Operators can only be provided through the infrastructures managed by REFER, the company provides the Operators with access to the means which it manages.

If any contracts exist establishing the payment to REFER of any amount as service fee for checking, invoicing and/or distributing consumption, the fee regulations shall apply until that amount is reached.

##### b) Manoeuvres

Manoeuvre services are charged according to the mobilisation of human resources (including travel time, if applicable), measured in minutes, and which may correspond to three professional categories: Manoeuvres Operator, Circulation Operator or Circulation Controller.

##### c) Parking of Rolling Stock

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

### User Fees for Auxiliary Services

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

### Other Fees

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

## 2. Bases of presentation and accounting policies

### 2.1 Bases of presentation

The financial statements presented herein reflect the results of REFER's operations and its financial position for the years ending at 31 December of 2012 and 2011, constituting the Company's separate financial statements.

These financial statements were assessed by the Board of Directors at a meeting held on 28 March 2013, where it was decided to submit them to approval before the respective ministerial department. The Board of Directors is of the opinion that these financial statements give a true and fair view of REFER's operations, its financial position, performance and cash flows.

All amounts are expressed in Euros (€), without any rounding up or down, unless otherwise stated. REFER's financial statements were prepared according to the International Financial Reporting Standards (IFRS) as adopted by the European Union, and in force on 31 December 2012.

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, except for those for which the fair value is not possible to determine.

The preparation of financial statements in conformity with IFRS requires the application of judgement and the use of estimates and assumptions by the Company 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 greater judgement detail or complexity, or for which the assumptions and estimates are considered significant, are presented in Note 2.3 .

## 2.2 Accounting policies

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

### a) Equity holdings in subsidiaries

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

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

The acquisition of subsidiaries is initially recorded pursuant to the **purchase method**, as provided in IFRS 3. Subsequently, investments are measured at **cost**, deducted of any impairment losses, according to option provided in IAS 27, for separate financial statements.

The cost of an acquisition is measured at the fair value of the delivered assets, capital instruments issued and liabilities incurred or assumed on acquisition date plus costs directly allocated to the acquisition. Identifiable acquired assets, liabilities and contingent liabilities in a corporate combination are initially measured at the fair value on acquisition date, regardless of the existence of minority interests.

Dividends received from these companies are recorded in results for the year, when distributed, in accordance with IAS 27.

### b) Equity holdings in associated companies

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

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

The acquisition of associates is initially recorded pursuant to the **purchase method**, as provided in IFRS 3. Subsequently, investments are measured at **cost**, deducted of any impairment losses, according to option provided in IAS 27, for separate financial statements.



The cost of an acquisition is measured at the fair value of the delivered assets, capital instruments issued and liabilities incurred or assumed on acquisition date plus costs directly allocated to the acquisition.

Dividends received from these companies are recorded in results for the year, when distributed, in accordance with IAS 27.

#### c) Equity holdings in jointly controlled companies

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

Holding in AVEP corresponds to a jointly controlled entity, as the said company is the result of a partnership entered by RAVE and ADIF (Spanish company), in equal percentage (50%).

During 2012 RAVE assigned its holding to REFER (notes 5.3 and 5.4), integrating the joint venture called AVEP.

According to IAS 31, holdings in jointly controlled entities must be recorded at cost or fair value in the entity's separate financial statements. In REFER's separate financial statements it was decided to account for this holding at cost.

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

Following the split-off of the railway activity in Portugal in 1997, REFER was assigned the responsibility of building and renovating long term railway infrastructures. This activity is carried out according to the State's directives and its financing is guaranteed through subsidies and loans, the majority of which are backed 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 Term Investment Activity substantiates the existence of a concession arrangement between the State (Public Entity) and REFER (considered as private entity although its sole shareholder is the State), and that it must be developed according to State directives and financed by subsidies and loans secured to a large extent by the State, with REFER assuming the role of "Concessionaire".

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

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

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

IFRIC 12 applies to infrastructures:

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

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

- I. REFER is a profit-making company subject to provisions in the Companies Code; 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;
- II. The decree-law which establishes REFER may, in substance, be considered as a concession agreement, since the State as Grantor, controls and governs the public services provided by REFER, as concessionaire of the infrastructures belonging to public railway domain, and defines to whom the services are to be provided and at what price;
- III. The State, owns and controls the infrastructures since they are public domain and assigns to REFER the right of access to such infrastructures for the rendering of a public service.

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

- I. Intangible asset model - this model applies where the operator receives from the grantor the right to charge a tariff for using the infrastructure;
- II. Financial asset model - where the operator has an unconditional right to receive cash or other financial asset from the Grantor corresponding to specified or determinable amounts, the operator must recognise a financial asset (account receivable). Under this model, the company has little or no discretionary powers to avoid payment, since the agreement is generally legally binding.
- III. "Mixed" model - This model, provided under paragraph 18 of IFRIC 12 applies where the concession simultaneously includes remuneration commitments guaranteed by the grantor and remuneration commitments contingent on the extent that the public uses the service.

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

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

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

- The 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 Transportation Plan (RCM 45/2011):
  - The investment necessary to construction of transport infrastructures, whilst public domain assets, is a State responsibility as provided in the Base Law on the Land Transports System. Notwithstanding, over the past decades, state-owned corporations operating in the land transportation and railway sectors have carried the burden of having to register in their financial statements - through debt issues - the charges stemming from this investment made on behalf of the State.
  - The historic debt of state-owned enterprises operating in the public and railway transport and infrastructures sector, results in part from the development of investment projects which are the State's responsibility (...)
- When any assets are withdrawn from the public railway domain, the profit or loss is attributed to this activity, as established in each withdrawal order.

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

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 these interest is made based on the same financing terms obtained to directly finance this activity. The company thus charges interest and other financial expenses incurred with the loans contracted to finance the concession.

#### Long Term Infrastructures ("LTIs")

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

#### e) Tangible fixed assets

##### Allocated to infrastructure management

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

**Following initial recognition**, 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	2 - 100
Basic equipment	3.33 - 100
Transport equipment	4 - 100
Tools and utensils	12.5 - 100
Administrative equipment	12.5 - 100
Other tangible assets	12.5 - 100

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

## Leasing Contracts

The classification of the lease operations as financial leases or operating leases depends on their substance, and not on their legal form. Operations whereby the risks and benefits inherent to the possession of the leased asset are transferred to the lessor are classified as financial leases. All other leases are classified as operating leases.

## Finance leases

Assets subject to leases are classified as tangible fixed assets according to IAS 17 – Leasing.

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

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

## Operating Leases

Assets the use of which stems from leases whereby the risks and benefits inherent to the possession of the leased asset are not included are classified as operating leases, in accordance with IAS 17 – Leasing, and are not recorded therefore in the tangible fixed assets caption.

Rents are registered at cost in the respective periods of the lease term (Note 7).

### f) Intangible assets

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

Intangible assets recognised on 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.

### g) Derivative financial instruments

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

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

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

## Hedge accounting

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

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 2012 REFER did not classify any derivative financial instruments as hedge derivatives.

#### h) Financial assets

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

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

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

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

#### 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 recognised.

**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 REFER 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:

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

Available-for-sale financial assets are also subsequently carried at fair value. However, gains and losses arising from changes in their fair value are recognised directly in equity, under Fair Value 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 group companies, joint or associated undertakings, are classified as available-for-sale financial assets.

#### i) 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 are applied, based on the 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 REFER includes unlisted financial instruments, such as derivatives, financial instruments at the fair value through income. 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, and used by REFER.

#### j) Impairment of Assets

In accordance with IAS 36 – Impairment of assets, whenever an 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.

k) Inventories

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

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

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

l) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the amounts recorded in the statement of financial position, including cash and deposits with banks.

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.

m) Financial liabilities

The financial liabilities represent payable obligations against cash or other financial assets, regardless 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.

n) Non current loans obtained

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

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

o) Suppliers and other accounts payable

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

The balances of suppliers and other creditors refer to the balances of payables to suppliers of the company's operating activities. The balances of suppliers related to the acquisition/construction of Long Term Infrastructure activities are recorded on the balance sheet in the corresponding item.

#### p) 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, which include economic benefits, will be required to liquidate the obligation.

REFER records provisions for legal processes in progress and for which it is highly probable that they may imply outflows from the company (see note 5.14). This is an estimated value of the liabilities.

#### q) Recognition of revenue

Revenue is recorded in the period to which it refers, regardless 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 the "other receivables" caption.

REFER's revenue includes the fees for use of the infrastructure, traction power, manoeuvres, requested and not used capacity and other services (as described in note 1.2).

#### r) Income tax

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

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

REFER has no recorded deferred tax assets or liabilities in its financial statements, as there are no situations likely to originate deferred taxes, and in relation to deferred tax, no taxes are expected to be payable, given REFER's cumulative tax losses as well as the projection of results for forthcoming years .

### s) Foreign currency transactions

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

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

Currency	2012	2011
Swiss Francs (CHF)	121	125
Swedish Krona (SEK)	8.58	8.97

### t) Subsidies

Investment subsidies assigned to REFER 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 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.

### u) 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.

REFER's Board of Directors is responsible for reviewing the internal information prepared so as to assess the performance of the company's activities and 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.

REFER's main activity is the provision of the public service of managing the overall infrastructure of the national rail network. When carrying out its activities, REFER needs to rely on complementary services; however the risks and returns associated to them are directly linked to its business activities.

In view of the aforementioned aspects, on 31 December 2012, only one business segment was identified. REFER clients make up the entirety of this segment, and the whole activity is carried out in Portugal.

#### v) Related entities

Revision of 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 REFER, or under common control. Related entities also include those entities in which REFER holds an interest that grants it significant influence.

REFER discloses in Note 17 the balances and transactions with related entities which it controls or over which it holds significant influence as of 31 December 2012. In relation to public entities with which REFER entered protocols directly related to the Long Term Infrastructure Investment activity, the Company adopted the exception permitted of only disclosing the most relevant transactions (see note 17.5).

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

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

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

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

### Fair value of derivative financial instruments

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

### Impairment losses of debtors

Impairment losses relating to debtors are based on the evaluation by the Board of Directors of the probability of recovering the respective receivables, the seniority of the balances, cancellation of debts and other factors. There are also other circumstances and facts that may alter the estimated impairment losses of receivables due to the assumptions considered, including changes in the economic climate, the sector's trends, the creditor position of the main clients and significant defaults.

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

### Recognition of income/expenses

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

### Provisions for ongoing legal proceedings

The Board of Directors believes it is highly probable that some ongoing legal proceedings may imply outflows of economic benefits from the company. Therefore, an estimate is made of the liability, which is duly recorded as a provision (Note 5.14).

### 3. Financial risk management policies

#### Financial Risks

REFER'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.

Risk management is dealt with by the Economics and Financial Coordination Department based on policies laid down by the Board.

The Economics and Financial Coordination Department identifies, assesses and performs operations so as to minimise any financial risk.

#### Exchange risk management

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

#### Credit risk management

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

At operating level, the main clients of REFER are CP, Fertagus, Takargo and CP Carga. Credit risk stemming from operational activity is mainly related to non compliance with the payment to REFER of liabilities assumed by the said entities for services rendered by REFER. CP is the main counterparty and exclusive passenger operator throughout the network, with the exception of the 25 de Abril Bridge crossing. At the end of 2012, CP has still not paid the user fee due for the months of March to October 2012. Although credit risk is strongly concentrated on CP, it is mitigated by the legal nature of this company, since it 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, REFER is exposed to the national and international banking sector due to its demand deposits balances, financial applications and contracted derivative financial instruments. To date, REFER has not incurred any impairment resulting from non-compliance of contractual obligations by banks.

The following table provides a summary, as of 31 December 2012 and 2011, of the credit quality of deposits, applications and derivative financial instruments with a positive fair value:

Rating	Amounts in Euro	
	2012	2011
>=AA-	0	7 651 626
>=A-	16 245 195	15 453 887
< A-	0	203 605
<=BBB+	90 994	0
<=BB+	480 546	0
No rating	211 657 100	3 005 727
	<b>228 473 835</b>	<b>26 314 845</b>

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

### Liquidity risk management

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

Given the legal nature of REFER, the ability to act on such risk is limited. However, REFER 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 liquidity risk management also implies maintaining an adequate level of cash and equivalents to meet liabilities, but mainly having access to short term instruments with financial institutions to accommodate the current management. Following REFER's integration into the State's consolidation perimeter in 2011, the Company is financed directly by the Portuguese State and therefore, its liquidity risk was considerably reduced.

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



### 31 December 2012

		Amounts in Euro		
	Notes	Less than 1 year	1 to 5 years	+ than 5 years
<b>Borrowings Obtidos</b>				
- financial leases				
- Borrowings for capital expenditure		744 862 846	2 376 683 097	3 118 163 656
- other loans		74 639 391	1 577 750 559	585 000 000
- derivative financial instruments (gross outflow s)		61 733 272	161 553 145	151 550 608
- derivative financial instruments (gross inflow s)		- 44 324 205	- 145 385 951	- 157 846 000
		<b>836 911 304</b>	<b>3 970 600 850</b>	<b>3 696 868 264</b>
<b>Suppliers and other accounts payable</b>	5.5	<b>96 817 659</b>		
<b>Guarantee</b>		<b>5 302 272</b>	<b>20 007 389</b>	<b>27 132 087</b>
		<b>939 031 235</b>	<b>3 990 608 239</b>	<b>3 724 000 351</b>

### 31 December 2011

		Amounts in Euro		
	Notes	Less than 1 year	1 to 5 years	+ than 5 years
<b>Borrowings Obtidos</b>				
- financial leases				
- Borrowings for capital expenditure		382 455 168	3 165 390 503	3 334 677 123
- other loans		45 250 000	757 000 000	606 250 000
- commercial paper		100 000 000		
- bank overdrafts		44 283 989		
- derivative financial instruments (gross outflow s)		68 502 206	181 950 071	179 819 444
- derivative financial instruments (gross inflow s)		- 58 968 912	- 172 947 288	- 187 190 000
		<b>581 522 450</b>	<b>3 931 393 286</b>	<b>3 933 556 567</b>
<b>Suppliers and other accounts payable</b>	5.5	<b>188 014 042</b>		
<b>Guarantee</b>		<b>5 812 447</b>	<b>20 457 974</b>	<b>31 877 240</b>
		<b>775 348 939</b>	<b>3 951 851 261</b>	<b>3 965 433 807</b>

## Interest rate risk management

Since October 2012, REFER has actively managed its debt portfolio using derivative financial instruments to hedge interest rate risk. All contracted derivatives have, as most as possible, exactly the same maturity as the underlying liabilities.

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

The type of instrument has always resulted of a cost/benefit analysis applied to each case. In addition to the main goal described above, REFER also performed operations to reduce financing costs at fixed or floating rate. Occasionally, the

company restructured its positions to accommodate market developments. In managing its portfolio, the company sought diversification as a means of maintaining a balanced portfolio and low volatility, by applying a conservative approach in relation to the risks to be taken, both in terms of instrument characteristics and the indexes. This strategy acts as the basis for the company's decision not to classify any of the derivative instruments as a hedge, since the non-assignable portfolio would have a potentially negative impact on results.

From November onwards, IGCP undertook the responsibility to manage and monitor REFER's derivatives portfolio, as well as of those of remaining reclassified companies.

#### Interest rate sensitivity test

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

- i. REFER uses derivative financial instruments (swaps) to hedge the interest rate risk associated with medium and long term loans indexed to floating interest rates. The financial flow of the underlying loan is offset by the receiving leg of the respective swap, resulting in a net position equal to that of the paying leg of the swap;
- ii. REFER uses derivative financial instruments (swaps) to reduce financial costs associated with fixed rate medium and long term loans. The financial flow of the underlying loan is offset by the receiving leg of the respective swap, resulting in a net position equal to that of the paying leg of the swap;
- iii. At 31 December 2012, REFER had not acknowledged any loan obtained at a fair value;
- iv. Changes to the fair value of loans and derivative financial instruments and other assets and financial liabilities are estimated by discounting future cash flows, using market rates at the time of reporting;
- v. Under these assumptions, at 31 December 2012, an increase or decrease of 0.5% and 5%, respectively, in interest rate curves (of the Euro, sterling or Swedish krona) and in their volatility curve would result in the following variations in the fair value of the loans and derivative financial instruments with the consequent direct impact on financial results:

31 December 2012

Amounts in Euro

	Increase/(decrease) in the fair value of financial instruments			
	Change in the Interest rate curve		Change in the volatility curve	
	-0.50%	0.50%	-5%	5%
EUR	-2 572 803	-15 417 192	17 337 014	-18 685 781
GBP	-9 050 000	4 720 000	98 125	-46 813

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

	Net effect on results			
	Change in the Interest rate curve		Change in the volatility curve	
	-0.50%	0.50%	-5%	5%
EUR	-120 302 387	97 425 966	17 337 014	-18 685 781
GBP	-9 050 000	4 720 000	98 125	-46 813

31 December 2011

Amounts in Euro

	Increase/(decrease) in the fair value of financial instruments			
	Change in the Interest rate curve		Change in the volatility curve	
	-0.50%	0.50%	-5%	5%
EUR	9 769 645	-12 174 153	17 337 014	-18 685 781
GBP	-11 130 000	3 890 000	109 299	-482 714
SEK	0	0	629	-9 364

	Increase/(decrease) in the fair value of loans	
	Change in the Interest rate curve	
	-0,50%	0,50%
EUR	87 631 866	-84 104 272

	Net effect on results			
	Change in the interest rate curve		Change in the volatility curve	
	-0.50%	0.50%	-5%	5%
EUR	- 77 862 221	71930 119	17 337 014	- 18 685 781
GBP	- 11 130 000	3 890 000	109 299	- 482 714
SEK	0	0	629	- 9 364

### 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.

After reviewing the financial requirements in terms of investment and operating activity, the State's contribution and community funds, REFER's financing plan is laid out. In 2011, the non availability of market financing led the State to grant the company a medium/long term loan in the amount of 2,062 million Euros and to increase its statutory capital to 430.2 million Euros. In 2012 as included in the State Budget, the Government granted the company medium and long term loans totalling 800 million Euros, thus ensuring the company's economic and financial sustainability.

## 4. Long Term Infrastructure (LTI) investments Activities

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

Amounts in Euro

Description	Notes	2012	2011
<b>Activity in long term Infrastructure investments</b>			
<b>Assets</b>		<b>4 830 558 518</b>	<b>4 852 780 310</b>
<b>Current</b>		<b>4 830 558 518</b>	<b>4 852 780 310</b>
Grantor - State - Account Receivable	4.1	4 807 872 548	4 828 333 834
Inventories	4.2	14 475 401	15 649 824
Clients and other accounts receivable	4.3	8 210 569	8 796 652
<b>Liabilities</b>		<b>4 881 350 629</b>	<b>4 967 313 907</b>
<b>Non current</b>		<b>4 734 991 853</b>	<b>4 565 956 695</b>
Borrowings	4.4	4 734 991 853	4 565 956 695
<b>Current</b>		<b>146 358 775</b>	<b>401 357 212</b>
Borrowings	4.4	72 880 694	262 377 139
Suppliers and other accounts payable	4.5	73 478 081	138 980 073

#### 4.1 Grantor - State - Account Receivable

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

Amounts in Euro

Financial Assets - State account	Notes	2012	2011
Assets under concession	4.1.1	8 367 198 832	8 309 550 022
Subsidies	4.1.2	-4 159 737 590	-3 896 526 692
Return on assets	4.1.3	- 3 088 956	- 3 088 956
Charged Interest	4.1.4	908 700 262	723 599 460
Impairments	4.1.5 / 9.	- 305 200 000	- 305 200 000
	<b>4.1</b>	<b>4 807 872 548</b>	<b>4 828 333 834</b>

##### 4.1.1 Assets under Concession (LTI)

Changes occurred in the year are summed up as follows:

31 December 2012

							Amounts in Euro
Gross assets	Notes	Opening balance	Transfers	Increases	Write-offs/correction	Closing Balance	
<b>Active LTIs</b>							
Land and natural resources		224 092 265	12 547 408			236 639 673	
Buildings and other constructions		5 793 859 349	256 885 287			6 050 744 636	
Basic equipment		30 268 679				30 268 679	
Work in progress		2 256 626 823	- 271 241 339	61 869 796		2 047 255 280	
Advances on account of AFT		5 919 188	- 1 666 983	760 984		5 013 190	
		<b>8 310 766 303</b>	<b>- 3 475 627</b>	<b>62 630 781</b>		<b>8 369 921 457</b>	
<b>Deactivated LTIs</b>							
Land and natural resources		- 6 518 126			- 2 355 340	- 8 873 466	
Buildings and other constructions		5 301 845			848 996	6 150 841	
		<b>- 1 216 281</b>			<b>- 1 506 344</b>	<b>- 2 722 625</b>	
<b>Total gross tangible fixed assets - LTIs</b>	<b>4.1</b>	<b>8 309 550 022</b>	<b>- 3 475 627</b>	<b>62 630 781</b>	<b>- 1 506 344</b>	<b>8 367 198 832</b>	

31 December 2011

							Amounts in Euro
Gross assets	Notes	Opening balance	Transfers	Increases	Write-offs/correction	Closing Balance	
<b>Active LTIs</b>							
Land and natural resources		223 926 717	165 548			224 092 265	
Buildings and other constructions		4 912 272 951	881 820 073		- 233 675	5 793 859 349	
Basic equipment		30 268 679				30 268 679	
Work in progress		2 796 604 907	- 880 321 882	340 343 797		2 256 626 823	
Advances on account of AFT		7 579 069			- 1 659 881	5 919 188	
		<b>7 970 652 322</b>	<b>1 663 739</b>	<b>340 343 798</b>	<b>- 1 893 556</b>	<b>8 310 766 303</b>	
<b>Deactivated LTIs</b>							
Land and natural resources		- 6 508 510	- 1 096		- 8 520	- 6 518 126	
Buildings and other constructions		6 367 130	716		- 1 066 001	5 301 845	
		<b>- 141 380</b>	<b>- 380</b>		<b>- 1 074 521</b>	<b>- 1 216 281</b>	
<b>Total gross tangible fixed assets - LTIs</b>	<b>4.1</b>	<b>7 970 510 942</b>	<b>1 663 359</b>	<b>340 343 798</b>	<b>- 2 968 077</b>	<b>8 309 550 022</b>	

### Assets under Concession (Discontinued LTI)

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

The change occurred in 2012 results from the protocol for the transfer of public domain railway assets located in Valongo; the sale of railway stretches in the former lines of Dão and Vouga, in the municipality of Viseu, including real estate property; and the sale of four plots of land for the construction of the Logistics Platform of Leixões, in the municipality of Matosinhos.

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

Description	2012	2011
Terreiro do Paço	128 559	128 559
	<b>128 559</b>	<b>128 559</b>

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

#### 4.1.2 Subsidies

Changes occurred in subsidies were as follows:

31 December 2012

Amounts in Euro					
Description	Note	Opening balance	Increases	Reimbursements	Closing Balance
PIDDAC		1003 750 992	10 169 618		1013 920 610
Cohesion Fund		1217 142 085	252 719 341		1469 861426
DGTREN		32 528 857			32 528 857
FEDER-IOT		635 547 003	321939		635 868 943
<b>High Speed</b>					
Poceirão-Caia		18 337 737			18 337 737
Lisboa - Poceirão		6 321250			6 321250
Signalling and telecommunications		7 492 073			7 492 073
Other		975 406 695			975 406 695
<b>Subsidies - Investment Activity</b>	<b>4.1</b>	<b>3 896 526 692</b>	<b>263 210 898</b>	<b>0</b>	<b>4 159 737 590</b>

31 December 2011

Amounts in Euro					
Description	Note	Opening balance	Increases	Reimbursements	Closing Balance
PIDDAC		996 750 992	7 000 000		1003 750 992
Cohesion Fund		1 164 473 514	52 668 572		1217 142 085
DGTREN		317 13 831	8 15 026		32 528 857
FEDER-IOT		634 998 658	548 345		635 547 003
<b>High Speed</b>					
Poceirão-Caia		18 337 737			18 337 737
Lisboa - Poceirão		7 071250		- 750 000	6 321250
Signalling and telecommunications		7 492 073			7 492 073
Other		975 406 695			975 406 695
<b>Subsidies - Investment Activity</b>	<b>4.1</b>	<b>3 836 244 749</b>	<b>61 031 943</b>	<b>- 750 000</b>	<b>3 896 526 692</b>

Note 2.2 sub-paragraph t) describes the subsidies recognition policy.

As of the date of the financial statements, the following sums were returned as the works for which they were granted did not take place two years after they were granted:

Description	Amounts in Euro	
	Balance at 31.12.2013	Repayments in Feb 2013
<b>High Speed</b>		
Poçoirão-Caia	18 337 737	- 3 125 000
Lisboa - Poçoirão	6 321 250	- 6 321 250
Signalling and telecommunications	7 492 073	- 7 492 073
<b>Subsidies - Investment Activity</b>	<b>32 151 060</b>	<b>- 16 938 323</b>

This sum will require an adjustment in 2013 to the sum receivable from the grantor, as it is directly related to investment in LTIs.

#### 4.1.3 Return on assets

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

Description	Note	Amounts in Euro	
		2012	2011
Return on assets	4.1	- 3 088 956	- 3 088 956

#### 4.1.4 Charged Interest

Charged interest derive from the situation explained in note 2.2.d). The change occurred in this item is as follows: 2012: EUR 185,100,802 (2011: 125,018,463 Euros) is recorded under caption Financial gains - interest earned - grantor - State (Nota 12).

Description	Notes	Amounts in Euro	
		2012	2011
Charged Interest		908 700 262	723 599 460
	4.1	<b>908 700 262</b>	<b>723 599 460</b>

#### 4.1.5 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 62,349,737 Euros. From 1998 to 2001, the Portuguese Government increased the statutory capital of REFER by 242,850,262 Euros, with the purpose of financing the investments in long term railway infrastructures, as provided in each joint ministerial orders.

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

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

## 4.2 Inventories

This caption refers to warehoused materials of REFER to be used for building railway infrastructures.

Amounts in Euro			
Description	Notes	2012	2011
Inventories		14 750 434	15 924 857
Impairment in inventories	9.	- 275 033	- 275 033
	4.	<b>14 475 401</b>	<b>15 649 824</b>

## 4.3 Clients and other accounts receivable

Amounts in Euro			
Description	Note	2012	2011
Clients and other accounts receivable	4.	8 210 569	8 796 652

This caption consists of the receivables from the Municipality of Espinho in the amount of EUR 619,682 (2011: EUR 619,682); and the property receivable from REFER PATRIMONIO, in the amount of EUR 4,547,631 (2011: EUR 4,547,631), relating to the Sines land swap (see Note 2.1.1).

## 4.4 Loans obtained

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

<b>Investing activities</b>		Amounts in Euro	
<b>Description</b>	<b>Notes</b>	<b>2012</b>	<b>2011</b>
<b>Non current loans</b>			
Amounts owed to credit institutions		1308 997 010	1381877 704
Bond loans		1595 807 651	1595 463 755
State Loan		1830 187 193	1588 615 236
	4.	<b>4 734 991 853</b>	<b>4 565 956 695</b>
<b>Current loans</b>			
Amounts owed to credit institutions		72 880 694	262 377 139
	4.	<b>72 880 694</b>	<b>262 377 139</b>
<b>Loans obtained</b>		<b>4 807 872 548</b>	<b>4 828 333 834</b>

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

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

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

Repayment terms and conditions of the loans to finance investment projects

31 December 2012

	Name	Date of signature	Amount (€)	Principal due	Repayment			Interest Payment	Interest rate	Final interest
					Opening	Closing	Periodicity			
FINANCING SECURED BY EIB	CP III Linha do Norte-B	14/07/1997	49 879 790	33 253 193	15/06/2008	15/06/2022	Annual	15-Mar 15-Jun 15-Sep 12/Jan	EIB variable, cannot exceed Euribor 3M+0.15%	0.313%
	Douro Line	09/09/1996	43 894 215	17 557 686	15/09/2007	15/09/2016	Annual	15-Mar 15-Jun 15-Sep 15/Dez	EIB variable, cannot exceed Euribor 3M+0.15%	0.313%
	Tagus railway crossing	01/10/1996	99 759 579	39 903 832	15/09/2007	15/09/2016	Annual	15-Mar 15-Jun 15-Sep 15/Dez	EIB variable, cannot exceed Euribor 3M+0.15%	0.313%
	Tagus-B railway crossing	14/11/1997	99 759 579	33 253 193	15/09/2003	15/09/2017	Annual	15-Mar 15-Jun 15-Sep 15/Dez	EIB variable, cannot exceed Euribor 3M+0.15%	0.313%
	Tagus-C railway crossing	26/11/1998	25 000 000	12 082 500	15/09/2004	15/09/2018	Annual	15-Mar	1st fixed instalment	4.670%
			25 000 000	12 570 000				15-Jun	2nd fixed instalment	5.800%
			49 759 579	19 903 832				15-Sep 15/Dez	3rd fixed instalment	0.313%
	Minho Line-A	26/11/1998	25 000 000	12 082 500	15/09/2004	15/09/2018	Annual	15-Mar	1st fixed instalment	4.670%
			25 000 000	12 570 000				15-Jun	2nd fixed instalment	5.800%
			24 819 685	9 927 874				15-Sep 15/Dez	3rd fixed instalment	0.313%
	CP III Linha do Norte-D	10/11/2000	25 937 491	22 479 159	15/09/2011	15/09/2020	Annual	15-Mar 15-Jun 15-Sep 15/Dez	EIB variable, cannot exceed Euribor 3M+0.15%	0.313%
	Connection to Algarve-A	08/10/2001	90 000 000	84 000 000	15/09/2012	15/09/2021	Annual	15-Mar 15-Jun 15-Sep 15/Dez	EIB variable, cannot exceed Euribor 3M+0.12%	0.303%
	Minho Line-B	08/10/2001	59 855 748	55 865 364	15/09/2012	15/09/2021	Annual	15-Mar 15-Jun 15-Sep 15/Dez	EIB variable, cannot exceed Euribor 3M+0.12%	0.303%
	CP III 2 L. Norte-A	02/10/2002	100 000 000	100 000 000	15/03/2013	15/03/2022	Annual	15-Mar 15-Jun 15-Sep 15/Dez	EIB variable, cannot exceed Euribor 3M+0.12%	0.303%
	CP III 2 L. Norte-B	15/07/2004	200 000 000	200 000 000	15/12/2014	15/12/2023	Annual	15-Mar 15-Jun 15-Sep 15/Dez	EIB variable, cannot exceed Euribor 3M+0.15%	0.313%
	Suburban	25/11/2004	100 000 000	80 952 381	15/06/2009	15/06/2024	Annual	15-Mar 15-Jun 15-Sep 15/Dez	EIB variable, cannot exceed Euribor 3M+0.15%	0.313%
	Suburban B	14/12/2005	100 000 000	85 714 286	15/09/2010	15/09/2025	Annual	15-Sep	Revisable rate	3.615%
	Suburban C	12/10/2006	55 000 000	49 761 905	15/03/2011	15/03/2026	Annual	15-Mar	Revisable rate	4.247%
	Connection to Algarve-B	02/10/2002	30 000 000	30 000 000	15/03/2013	15/03/2022	Annual	15-Mar 15-Jun 15-Sep 15/Dez	EIB variable, cannot exceed Euribor 3M+0.12%	0.303%
CP III 2 Linha do Norte-C	08/01/2009	100 000 000	100 000 000	15/06/2017	15/06/2026	Annual	15-Mar 15-Jun 15-Sep 15/Dez	Euribor 3M+0.054%	0.237%	
CP III Linha do Norte-D	08/01/2009	100 000 000	100 000 000	15/12/2017	15/12/2026	Annual	15-Mar 15-Jun 15-Sep 15/Dez	Euribor 3M+0.056%	0.239%	
EIB with no guarantee	Refer V	20/08/2008	160 000 000	160 000 000	15/03/2014	15/03/2033	Annual	15-Mar	Revisable rate	4.786%
	Refer VI	10/09/2009	110 000 000	110 000 000	15/09/2013	15/09/2032	Annual	15-Sep	Revisable rate	2.976%
Eurobond w/ Guarantee	Eurobond 06/26 (1)	08/11/2006	600 000 000	600 000 000		16/11/2026	Bullet	16-Nov	Rate	4.047%
	Eurobond 09/19 (1)	18/02/2009	500 000 000	500 000 000		18/02/2019	Bullet	18-Feb	Rate	5.875%
	Eurobond 09/24 (1)	18/10/2009	500 000 000	500 000 000		18/10/2024	Bullet	18-Oct	Rate	4.675%
Borrowings Non Guarantee	State Loan	30/12/2011	1 830 187 193	1 830 187 193	31/05/2013	30/11/2016	Half-year	31-May 30-Nov	Rate	2.770%
Total				4,812,064,897						
(1) Total considering effective cost				4,807,872,548						

Repayment terms and conditions of the loans to finance investment projects

31 December 2011

	Name	Date of signature	Amount (€)	Principal due	Repayment			Interest Payment	Interest rate	Final interest rate
					Opening date	Closing date	Periodicity			
FINANCING SECURED BY EB	CP I E	29/06/1992	30 633 783	2 356 445	15/06/1998	15/06/2012	Annual	15-Jun	EBB Variable	
	CP III Linha do Norte-B	14/07/1997	49 879 790	36 578 512	15/06/2008	15/06/2022	Annual	15-Mar 15-Jun 15-Sep 12-Jan	EBB variable, cannot exceed Euribor 3M+0.15%	
	Douro Line	09/09/1996	43 894 215	21 947 107	15/09/2007	15/09/2016	Annual	15-Mar 15-Jun 15-Sep 15/Dez	EBB variable, cannot exceed Euribor 3M+0.15%	
	Tagus railway crossing	01/10/1996	99 759 579	49 879 790	15/09/2007	15/09/2016	Annual	15-Mar 15-Jun 15-Sep 15/Dez	EBB variable, cannot exceed Euribor 3M+0.15%	
	Tagus-B railway crossing	14/11/1997	99 759 579	39 903 832	15/09/2003	15/09/2017	Annual	15-Mar 15-Jun 15-Sep 15/Dez	EBB variable, cannot exceed Euribor 3M+0.15%	
	Tagus-C railway crossing	26/11/1998	25 000 000	13 792 500	15/09/2004	15/09/2018	Annual	15-Mar	1st fixed instalment	4.670%
			25 000 000	14 282 500				15-Jun	2nd fixed instalment	5.800%
			49 759 579	23 221 137				15-Sep 15/Dez	3rd fixed instalment	
	Minho Line-A	26/11/1998	25 000 000	13 792 500	15/09/2004	15/09/2018	Annual	15-Mar	1st fixed instalment	4.670%
			25 000 000	14 282 500				15-Jun	2nd fixed instalment	5.800%
			24 819 685	11 582 519				15-Sep 15/Dez	3rd fixed instalment	
	CP III Linha do Norte-D	10/11/2000	25 937 491	24 208 325	15/09/2011	15/09/2020	Annual	15-Mar 15-Jun 15-Sep 15/Dez	EBB variable, cannot exceed Euribor 3M+0.15%	1.658%
	Connection to Algarve-A	08/10/2001	90 000 000	90 000 000	15/09/2012	15/09/2021	Annual	15-Mar 15-Jun 15-Sep 15/Dez	EBB variable, cannot exceed Euribor 3M+0.12%	1.648%
	Minho Line-B	08/10/2001	59 855 748	59 855 748	15/09/2012	15/09/2021	Annual	15-Mar 15-Jun 15-Sep 15/Dez	EBB variable, cannot exceed Euribor 3M+0.12%	1.648%
	CP III 2 L. Norte-A	02/10/2002	100 000 000	100 000 000	15/03/2013	15/03/2022	Annual	15-Mar 15-Jun 15-Sep 15/Dez	EBB variable, cannot exceed Euribor 3M+0.12%	1.648%
	CP III 2 L. Norte-B	15/07/2004	200 000 000	200 000 000	15/12/2014	15/12/2023	Annual	15-Mar 15-Jun 15-Sep 15/Dez	EBB variable, cannot exceed Euribor 3M+0.15%	1.658%
	Suburban	25/11/2004	100 000 000	85 714 286	15/06/2009	15/06/2024	Annual	15-Mar 15-Jun 15-Sep 15/Dez	EBB variable, cannot exceed Euribor 3M+0.15%	1.658%
	Suburban B	14/12/2005	100 000 000	90 476 190	15/09/2010	15/09/2025	Annual	15-Sep	Revisable rate	3.615%
	Suburban C	12/10/2006	55 000 000	52 380 952	15/03/2011	15/03/2026	Annual	15-Mar	Revisable rate	4.247%
	Connection to Algarve-B	02/10/2002	30 000 000	30 000 000	15/03/2013	15/03/2022	Annual	15-Mar 15-Jun 15-Sep 15/Dez	EBB variable, cannot exceed Euribor 3M+0.12%	1.648%
CP III 2 Linha do Norte-C	08/01/2009	100 000 000	100 000 000	15/06/2017	15/06/2026	Annual	15-Mar 15-Jun 15-Sep 15/Dez	Euribor 3M+0,054%	1.582%	
CP III Linha do Norte-D	08/01/2009	100 000 000	100 000 000	15/12/2017	15/12/2026	Annual	15-Mar 15-Jun 15-Sep 15/Dez	Euribor 3M+0,056%	1.584%	
EIB with no guarantee	Refer V	20/08/2008	160 000 000	160 000 000	15/03/2014	15/03/2033	Annual	15-Mar	Revisable rate	4.786%
	Refer VI	10/09/2009	110 000 000	110 000 000	15/09/2013	15/09/2032	Annual	15-Sep	Revisable rate	2.976%
Eurobond w/ Guarantee	Eurobond 06/26 (1)	08/11/2006	600 000 000	600 000 000		16/11/2026	Bullet	16-Nov	Rate	4.047%
	Eurobond 09/19 (1)	18/02/2009	500 000 000	500 000 000		18/02/2019	Bullet	18-Feb	Rate	5.875%
	Eurobond 09/24 (1)	18/10/2009	500 000 000	500 000 000		18/10/2024	Bullet	18-Oct	Rate	4.675%
Borrowings Guaranteed	Borrowings "Schuldschein" WestLB AG	02/10/2002	200 000 000	200 000 000		08/10/2012	Bullet	08-Apr 08-Oct	6M Euribor	1.755%
	State Loan	30/12/2011	1 588 615 235	1 588 615 235	31/05/2013	30/11/2016	Half-year	31-May 30-Nov	Rate	6.500%
<b>Total</b>				<b>4,832,870,079</b>						
<b>(1) Total considering effective cost</b>				<b>4,828,333,834</b>						

EIB loans - Eurobond 06/26, Eurobond 09/19 e Eurobond 09/24 - were obtained exclusively to finance Long Term Infrastructure investment projects..

Respective interest is paid on a quarterly, half year or annual basis and at the end of the period.

Principal in EIB and State loans will be repaid in equal consecutive annual instalments after a grace period. Remaining loans will be totally repaid at maturity.

Except for the EIB REFER V and EIB BEI REFER VI loans, all loans are secured by the State.

In October 2012 loan Schuldschein BHH in the amount of EUR 200 million was fully repaid. The refinancing of this loan through State loans resulted in a change in the amount of the State loans allocated to Investment Activity, from 1,588 million Euros in 2011 to 1,830 million Euros in 2012.

The fair value of the fixed rate financial debt at 31 December 2012 is as follows:

#### Financing at fixed rate - fair value

31 December 2012

Amounts in Euro

Name	Nominal Value	Principal due	Fair value	Interest rate
EIB - M inho A	25 000 000	12 082 500	13 682 821	4,67% Fixed
EIB - M inho A	25 000 000	12 570 000	14 709 006	5,80% Fixed
EIB - Tejo C	25 000 000	12 082 500	13 682 821	4,67% Fixed
EIB - Tejo C	25 000 000	12 570 000	14 709 006	5,80% Fixed
EIB - Suburbans B	100 000 000	85 714 286	99 730 622	3,615% Fixed
EIB - Suburbans C	55 000 000	49 761 905	60 243 862	4,247% Fixed
EIB - REFER V	160 000 000	160 000 000	206 986 158	4,786% Fixed
EIB - REFER VI	110 000 000	110 000 000	122 735 891	2,976% Fixed
Eurobond 06/26	600 000 000	600 000 000	414 409 709	4,047% Fixed
Eurobond 09/19	500 000 000	500 000 000	433 613 520	5,875% Fixed
Eurobond 09/24	500 000 000	500 000 000	374 931 153	4,675% Fixed
Portuguese State Loan 11/16	1 830 187 193	1 830 187 193	1 801 807 873	2,77% Fixed
		<b>3 884 968 383</b>	<b>3 571 242 441</b>	

#### 4.5 Suppliers and other accounts payable

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

Caption **accrued expenses** includes the amount of EUR 55,481 thousand (EUR 66,842 thousand in 2011) of accrued interest with loans contracted for long term infrastructures investment.

Amounts in Euro

Description	Notes	2012	2011
Accrued expenses		55 481 276	66 842 410
Trade payables - Sundry		9 432 595	62 563 359
Suppliers - guarantee withheld		8 564 210	9 574 303
	4.	<b>73 478 081</b>	<b>138 980 073</b>

## 5. Infrastructure Management Activity

### 5.1 Tangible fixed assets

In the year under review, changes occurred in tangible fixed assets and respective depreciation captions were as follows:

#### 31 December 2012

Amounts in Euro

Gross value	Opening balance	Transf.	Increases	Write-offs/Adj.	Closing Balance
<b>Tangible fixed assets</b>					
Land and natural resources	4 844 786	85 084		- 60 760	4 869 109
Buildings and other constructions	32 689 951	1 399 440		- 938 343	33 151 048
Basic equipment	23 196 422	689 138	164 032	- 386 360	23 663 232
Transport equipment	6 263 119		40 813	- 10 196	6 201 936
Tools and utensils	558 080		1 627		559 708
Administrative equipment	10 481 071	9 261	30 082	- 772 761	9 747 652
Other tangible fixed assets	453 178			- 4 389	448 789
Work in progress	3 016 113	- 637 010	169 005		2 548 108
<b>Total gross tangible fixed assets</b>	<b>81 502 720</b>	<b>1 545 913</b>	<b>405 560</b>	<b>- 2 264 610</b>	<b>81 189 583</b>

Amounts in Euro

Depreciation	Opening balance	Transf.	Increases	Write-offs/Adj.	Closing Balance
<b>Tangible fixed assets</b>					
Buildings and other constructions	11341836		970 554	- 80 115	12 232 275
Basic equipment	16 010 492		1432 068	- 373 111	17 069 448
Transport equipment	6 037 038		115 877	- 101996	6 050 919
Tools and utensils	554 462		4 360		558 822
Administrative equipment	9 307 034		339 633	- 772 710	8 873 957
Other tangible fixed assets	393 718		5 323	- 4 389	394 652
<b>Total Depreciation</b>	<b>43 644 579</b>		<b>2 867 814</b>	<b>- 1 332 321</b>	<b>45 180 073</b>
<b>Total net tangible fixed assets</b>	<b>37 858 141</b>	<b>1 545 913</b>	<b>- 2 462 255</b>	<b>- 932 289</b>	<b>36 009 510</b>

### 31 December 2011

Amounts in Euro

Gross value	Opening balance	Transf.	Increases	Write-offs/Adj.	Closing Balance
<b>Tangible fixed assets</b>					
Land and natural resources	4 844 786	8 480		- 8 480	4 844 786
Buildings and other constructions	35 884 733	- 2 523 980		- 670 802	32 689 951
Basic equipment	22 725 759	10 680	501296	- 41313	23 196 422
Transport equipment	6 611310	125 319	20 244	- 493 754	6 263 119
Tools and utensils	554 192		3 888		558 080
Administrative equipment	10 619 405	765 101	335 624	- 1239 058	10 481071
Other tangible fixed assets	458 757			- 5 579	453 178
Work in progress	554 226	- 48 760	2 510 648		3 016 113
<b>Total gross tangible fixed assets</b>	<b>82 253 167</b>	<b>- 1 663 160</b>	<b>3 371 700</b>	<b>- 2 458 987</b>	<b>81 502 720</b>

Amounts in Euro

Depreciation	Opening balance	Transf.	Increases	Write-offs/Adj.	Closing Balance
<b>Tangible fixed assets</b>					
Buildings and other constructions	10 293 712		1048 123		11341836
Basic equipment	14 631413		1416 206	- 37 127	16 010 492
Transport equipment	6 375 531		155 261	- 493 754	6 037 038
Tools and utensils	545 434		9 027		554 462
Administrative equipment	9 807 747		741696	- 1242 410	9 307 034
Other tangible fixed assets	393 672		5 626	- 5 579	393 718
<b>Total Depreciation</b>	<b>42 047 510</b>		<b>3 375 939</b>	<b>- 1 778 870</b>	<b>43 644 579</b>
<b>Total net tangible fixed assets</b>	<b>40 205 657</b>	<b>- 1 663 160</b>	<b>- 4 239</b>	<b>- 680 117</b>	<b>37 858 141</b>

The most significant assets included under caption Works in Progress concern buildings' refurbishing works.

## 5.2 Intangible assets

In 2012 and 2011, changes occurred in intangible fixed assets and respective depreciation captions were as follows:

### 31 December 2012

Amounts in Euro

Gross value	Opening balance	Transf.	Increases	Write-offs/Adj.	Closing Balance
<b>Intangible assets</b>					
Development expenses	662 768	262 888			925 656
Software	17 198 295	771 243			17 969 538
Transfers					
Industrial property and other rights	29 928				29 928
Intangible assets in progress	1 773 877	- 771 243			1 002 634
<b>Total gross intangible fixed assets</b>	<b>19 664 868</b>	<b>262 888</b>			<b>19 927 756</b>

Amounts in Euro

Amortisation	Opening balance	Transf.	Increases	Write-offs/Adj.	Closing Balance
<b>Intangible assets</b>					
Development expenses	653 748		52 835		706 583
Software	17 036 528		180 297		17 216 825
Transfers					
Industrial property and other rights	29 928				29 928
<b>Total Amortisation</b>	<b>17 720 204</b>		<b>233 132</b>		<b>17 953 336</b>
<b>Total net intangible fixed assets</b>	<b>1 944 664</b>	<b>262 888</b>	<b>- 233 132</b>		<b>1 974 420</b>

### 31 December 2011

Amounts in Euro

Gross value	Opening balance	Transf.	Increases	Write-offs/Adj.	Closing Balance
<b>Intangible assets</b>					
Development expenses	662 768				662 768
Software	17 194 654	- 13 119	4 960		17 198 295
Transfers					
Industrial property and other rights	29 928				29 928
Intangible assets in progress	1 845 362	1 120	7 395	- 80 000	1 773 877
<b>Total gross intangible fixed assets</b>	<b>19 732 712</b>	<b>- 199</b>	<b>12 355</b>	<b>- 80 000</b>	<b>19 664 868</b>



Amounts in Euro

Amortisation	Opening balance	Transf.	Increases	Write-offs/Adj.	Closing Balance
<b>Intangible assets</b>					
Development expenses	643 907		9 841		653 748
Software	16 800 276	- 13 19	237 572		17 036 528
Transfers	-	-	-	-	-
Industrial property and other rights	29 928		0	0	29 928
<b>Total Amortisation</b>	<b>17 474 111</b>	<b>- 1 319</b>	<b>247 412</b>		<b>17 720 204</b>
<b>Total net intangible fixed assets</b>	<b>2 258 601</b>	<b>1 120</b>	<b>- 235 057</b>	<b>- 80 000</b>	<b>1 944 664</b>

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

### 5.3 Investments in subsidiaries

In 2012 and 2011, investments in subsidiaries recorded the following changes:

Amounts in Euro

Subsidiaries	Notes	2012	2011
<b>Opening balance</b>		<b>20 506 631</b>	<b>20 286 631</b>
Acquisitions			220 000
Transfers (RAVE/AVEP)	5.4	- 999 999	
<b>Closing Balance</b>		<b>19 506 632</b>	<b>20 506 631</b>
and impairment losses:	13.	- 7 789 475	- 4 534 077
<b>Net value</b>		<b>11 717 157</b>	<b>15 972 554</b>

Balance recorded as "transfers (RAVE/AVEP)" derives from decision taken at the General Meeting of RAVE, held on 27 November 2012 subsequent to decision made in the same meeting to liquidate RAVE, to transfer the equity held by the latter in the European economic interest grouping called Alta Velocidade Espanha Portugal – AEIC (AVEP). This equity holding corresponds to 50% of AVEP's capital. The said transfer was carried out free of charge, not giving rise therefore to any financial flow.

As result, this investment was recorded in REFER's accounts at cost, as a recovery of the investment made in RAVE in previous years, which was fully adjusted.

The said amount plus the adjustment in equal amount, were transferred to caption "investments in associate companies and joint undertakings" (Note 5.4.)

Caption "cumulative impairments" further includes an increase in impairment concerning investment in REFER PATRIMÓNIO by 4,255,397 Euros (note 13), deriving from the losses incurred by this company in 2012.

#### Description of Equity Holdings in Subsidiaries:

##### Equity Holding

Companies	2012	Value of equity holding	2011	Value of equity holding
<b>REFER ENGINEERING (Ex-FERBRITAS - Empreend.Industriais e comerciais, S.A.)</b> Rua José da Costa Pedreira nº11 - Lisboa	98.43%	2 589 142	98.43%	2 589 142
<b>REFER PATRIMÓNIO - Promoção e Com.De Edif., S.A.</b> Palácio de Coimbra - Rua de Santa Apolónia nº 53 - Lisboa	99.997%	8 128 015	99.997%	12 383 412
<b>REFER TELECOM - Serviços e Telecomunicações, S.A.</b> Rua Passeio do Báltico, 4 - 1990-036 Lisboa	100.00%	1 000 000	100.00%	1 000 000
<b>RAVE Rede Ferroviária de Alta Velocidade, S.A. - Em liquidação</b> Av D.João II Lote 107.2.1, 1º Piso - Parque das Nações - Lisboa 1990-096 Lisboa	40.00%		40.00%	
		<b>11 717 157</b>		<b>15 972 554</b>

#### 5.4 Investments in associated companies and joint undertakings

At 31 December 2012 and 2011 this caption was made up as follows:

Amounts in Euro			
Associates and joint ventures	Notes	2012	2011
<b>Opening balance</b>		<b>322 476</b>	<b>322 476</b>
Increases		75 000	
Transfers (RAVE/AVEP)	5.3	999 999	
<b>Closing Balance</b>		<b>1 397 475</b>	<b>322 476</b>
and impairment losses:	13.	- 1397 475	- 322 476
<b>Net value</b>		<b>0</b>	<b>0</b>

Equity holdings in GIL and AVEP are fully adjusted as shown in table above, resulting from the successive losses incurred by associate GIL over the past few years as well as the analysis made to the quality of the assets and liabilities which make up the joint undertaking in AVEP.

In 2012, a transfer in the amount of 75,000 Euros was made to AVEP, which is unlikely to be recovered.

As result, changes in impairments include the increase in the adjustment in AVEP explained in Note 5.3, and the amount of 75,000 Euros transferred during the current year.

### Description of Equity Holdings in Associated Companies:

31 December 2012

Amounts in Euro							
Companies	Equity Holding	Equity	Profit/(loss) for the year	Total assets	Total liabilities	Income for the period	Value of the statement of financial position
<b>Associates</b>							
<b>GIL</b>	33.98%	- 11040 038	- 583 802	75 930 591	86 970 628	4 743 005	0
Gare Intermodal de Lisboa, S.A. Av.D. João II, Estação do Oriente, lote 115 1990-233 Lisboa							
<b>Empreendimentos conjuntos</b>							
<b>AVEP - Alta Velocidade de Espanha e Portugal, AEIE</b>	50.00%	2 776 987	- 37 742	4 513 345	1736 358	904	0
Rua Sor Angelá de la Cruz, n.º3, Planta 8 Madrid							

Balances shown above stem from the Statements available at this date, which are not yet audited.

31 December 2011

Amounts in Euro							
Companies	Equity Holding	Equity	Profit/(loss) for the year	Total assets	Total liabilities	Income for the period	Value of the statement of financial position
<b>Associates</b>							
<b>GIL</b>	33.98%	- 9 690 342	- 874 806	77 479 614	87 169 956	5 042 609	0
Gare Intermodal de Lisboa, S.A. Av.D. João II, Estação do Oriente, lote 1 E 1990-233 Lisboa							

## 5.5 Categories according to IAS 39

31 December 2012

Amounts in Euro								
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
<b>Assets</b>								
<b>Railway infrastructure management assets</b>		346 712 459	16 243 974	31 875			2 436 070	365 424 378
<b>Non current</b>								
Loans and accounts receivable	5.7							0
Available-for-sale financial assets	5.6			31 875				31 875
<hr/>								
<b>Current</b>								
Cash and cash equivalents	5.11	2 12 245 737						2 12 245 737
Clients and other accounts receivable	5.10	134 466 722					2 436 070	136 902 792
Derivative financial instruments	5.9		16 243 974					16 243 974
<hr/>								
		346 712 459	16 243 974				2 436 070	365 392 503
<hr/>								
<b>Activity in long term Infrastructure investments</b>		4 815 859 861					223 256	4 816 083 117
<b>Current</b>								
Grantor - State - Account Receivable	4.1	4 807 872 548						4 807 872 548
Clients and other accounts receivable	4.3	7 987 313					223 256	8 210 569
<hr/>								
		4 815 859 861					223 256	4 816 083 117
<hr/>								
<b>Total financial assets</b>		5 162 572 320	16 243 974	31 875			2 659 326	5 181 507 495
<hr/>								
<b>Liabilities</b>								
<b>Railway infrastructure management liabilities</b>					44 966 433	2 186 358 904	24 870 527	2 256 195 863
<b>Non current</b>								
Borrowings	5.12					16 12 902 005		16 12 902 005
<hr/>								
<b>Current</b>								
Borrowings	5.12					54 153 110		54 153 110
Derivative financial instruments	5.9				44 966 433			44 966 433
Suppliers and other accounts payable	5.13					31 903 789	24 870 527	56 774 316
<hr/>								
					44 966 433	573 456 899	24 870 527	643 293 859
<hr/>								
<b>Activity in long term Infrastructure investments</b>						4 872 786 418	8 564 210	4 881 350 629
<b>Non current</b>								
Borrowings	4.4					4 734 991 853		4 734 991 853
<hr/>								
<b>Current</b>								
Borrowings	4.4					72 880 694		72 880 694
Suppliers and other accounts payable	4.5					64 916 871	8 564 210	73 478 081
<hr/>								
						137 794 565	8 564 210	146 358 775
<hr/>								
<b>Total financial liabilities</b>					44 966 433	7 059 145 322	33 434 738	7 137 546 492

31 December 2011

Amounts in Euro

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
<b>Assets</b>								
<b>Railway infrastructure management assets</b>								
<b>Non current</b>								
Loans and accounts receivable	5.7							0
Available-for-sale financial assets	5.6			31 875				31 875
				<b>31 875</b>				<b>31 875</b>
<b>Current</b>								
Cash and cash equivalents	5.11	10 929 364						10 929 364
Clients and other accounts receivable	5.10	10 651 261				7 166 759		17 818 020
Derivative financial instruments	5.9		15 399 540					15 399 540
		<b>121 580 625</b>	<b>15 399 540</b>				<b>7 166 759</b>	<b>144 146 924</b>
<b>Activity in long term Infrastructure investments</b>								
<b>Current</b>								
Grantor - State - Account Receivable	4.1	4 828 333 834						4 828 333 834
Clients and other accounts receivable	4.3	7 987 313				809 339		8 796 652
		<b>4 836 321 147</b>				<b>809 339</b>		<b>4 837 130 486</b>
<b>Total financial assets</b>		<b>4 957 901 772</b>	<b>15 399 540</b>	<b>31 875</b>		<b>7 976 098</b>		<b>4 981 309 285</b>
<b>Liabilities</b>								
<b>Railway infrastructure management liabilities</b>								
<b>Non current</b>								
Borrowings	5.12					1 569 094 901		1 569 094 901
						<b>1 569 094 901</b>		<b>1 569 094 901</b>
<b>Current</b>								
Borrowings	5.12					142 651 608		142 651 608
Derivative financial instruments	5.9			78 943 804				78 943 804
Suppliers and other accounts payable	5.13					58 608 274	31 141 197	89 749 470
				<b>78 943 804</b>		<b>201 259 881</b>	<b>31 141 197</b>	<b>311 344 882</b>
<b>Activity in long term Infrastructure investments</b>								
<b>Non current</b>								
Borrowings	4.4					4 565 956 695		4 565 956 695
						<b>4 565 956 695</b>		<b>4 565 956 695</b>
<b>Current</b>								
Borrowings	4.4					262 377 139		262 377 139
Suppliers and other accounts payable	4.5					129 405 769	9 574 304	138 980 073
						<b>391 782 908</b>	<b>9 574 304</b>	<b>401 357 212</b>
<b>Total financial liabilities</b>					<b>78 943 804</b>	<b>6 728 094 385</b>	<b>40 715 500</b>	<b>6 847 753 689</b>

The following table presents a breakdown of financial assets and liabilities at fair value through results, in accordance with levels set forth in IFRS7:

**31 December 2012**

Amounts in Euro

Categories according to IAS 39	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets at fair value through results		16 243 974		16 243 974
		<b>16 243 974</b>		<b>16 243 974</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through results		44 966 433		44 966 433
		<b>44 966 433</b>		<b>44 966 433</b>

**31 December 2011**

Amounts in Euro

Categories according to IAS 39	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Financial assets at fair value through results		15 399 540		15 399 540
		<b>15 399 540</b>		<b>15 399 540</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value through results		78 943 804		78 943 804
		<b>78 943 804</b>		<b>78 943 804</b>

**5.6 Available-for-sale financial assets**

Caption "Available-for-sale financial assets" recorded the following changes in the years ended 31 December 2012 and 2011:

Amounts in Euro			
Available-for-sale financial assets	Notes	2012	2011
<b>Opening balance</b>		<b>96 369</b>	<b>96 369</b>
Acquisitions			
Disposals		- 64 494	
<b>Closing Balance</b>		<b>31 875</b>	<b>96 369</b>
Cumulative impairment	9.		- 64 494
<b>Net value</b>	<b>5.5</b>	<b>31 875</b>	<b>31 875</b>

Available-for-sale assets according to entity are as follows:

Amounts in Euro			
Available-for-sale financial assets	Notes	2012	2011
<b>Gross value of equity holding</b>			
Fernave			64 494
Metro Mondego		26 875	26 875
CRV		5 000	5 000
		<b>31 875</b>	<b>96 369</b>
<b>Detail of the impairment</b>			
Fernave			- 64 494
<b>Cumulative impairments</b>	<b>9.</b>	<b>0</b>	<b>- 64 494</b>
	<b>5.5</b>	<b>31 875</b>	<b>31 875</b>

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.h).

REFER holds 10 shares in CVR – Centro para a Valorização Resíduos and one share of 2.5% in Metro Mondego.

The change occurred in 2012 resulted from the disposal of shares in FERNAVE - Formação Técnica, Psicologia Aplicada e Consultoria em Transportes e Portos S.A., corresponding to a stake of 10%, to CP - Comboios de Portugal, E.P.E, on 31 May 2012. This disposal gave rise to a positive result of 1 Euro.

## 5.7 Loans and accounts receivable

Summary of the loans granted to companies in which REFER has shareholdings, which are not capital instruments of those entities is as follows:

Amounts in Euro			
Loans and accounts receivable	Notes	2012	2011
Loans to associates		14 054 971	9 002 763
Cumulative impairments in loans	9.	- 14 054 971	- 9 002 763
	<b>17.3</b>	<b>0</b>	<b>0</b>

In 2012, in line with previous years, REFER increased its partners' loans to associated company GIL to ensure this company's compliance with its liabilities. These partners' loans were adjusted by impairment during this year (see Note 9) given the credit risk of the balances receivable from this entity.

## 5.8 Inventories

Amounts in Euro			
Description	Notes	2012	2011
Raw-material, subsidiary materials & consumables		20 411 418	14 967 287
Impairment in inventories	9.	- 413 048	- 414 723
<b>Inventories</b>		<b>19 998 369</b>	<b>14 552 565</b>

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

As of the date of the financial statements, a physical inventorying was carried out viewing to quantify the adjustment in losses on inventories. The impairment refers to:

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

From the analysis made during 2012 it was concluded that the impairment adjustments should be reinforced by EUR 1,674.

## 5.9 Derivative financial instruments

REFER uses derivatives to manage its exposure to financial risks.



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

Although the contracted derivatives are efficient hedging instruments against risks, not all would be qualified as hedge accounting instruments according to the rules and requirements of IAS 39 (see Note 2.2. sub-paragraph g)). Thus, it was decided to consider the derivatives portfolio as of negotiation and, consequently, not qualify any of the positions as a hedge accounting instrument.

Instruments that do not qualify as hedge accounting instruments are classified as trade derivatives in the financial assets and liabilities category at the fair value through the results. Trade derivatives are recorded on the balance sheet at respective fair value and their variations are recognised in financial results. At 31 December 2012 and 31 December 2011, the nominal value of REFER's derivatives portfolio totalled EUR 1,450 million and EUR 1,850 million, respectively, for an overall financial debt of EUR 6551 million in 2011 and EUR 6,944 million in 2012.

The fair value of existing derivatives is as follows:

#### 31 December 2012

Description	Fair value (€)		Change in fair value Dec 12/ Dec 11 (€)		Nominal amount (million €) Dec-12	Maturity
	Assets	Liabilities	<0	>0		
Digital Cap (Stibor 12m <6.25%Euribor 12m < 6.25%; Eur 6m < 6.00%)				3 335	200	08/10/2012
Cap KO (Eur 6m < 6%)				3 992 776	200	08/10/2012
Dual Range [(10Y GBP-10Y EUR Spread) e (10Y-2Y EUR Spread)]		- 2 450 791		14 025 276	150	16/03/2015
Plain vanilla	15 824 208			424 668	150	16/03/2015
Plain vanilla		- 15 873 079	- 276 456		150	16/03/2015
10Y-2Y EUR Spread Rib		- 25 266 011		2 759 564	300	16/03/2015
Cap KO (Eur 12m < 7%)		- 1376 551		8 398 741	500	13/12/2021
Cap KO (Eur 12m < 6.50%)	419 766			5 493 901	200	16/11/2026
	<b>16 243 974</b>	<b>- 44 966 432</b>	<b>- 276 456</b>	<b>35 098 261</b>	<b>1 450</b>	

#### 31 December 2011

Description	Fair value (€)		Change in fair value Dec 11/ Dec 10 (€)		Nominal amount (million €) Dec-11	Maturity
	Assets	Liabilities	<0	>0		
Cap KO (Eur 6m < 5.80%)				3 137 131	300	11/04/2011
Digital Cap (Stibor 12m <6.25%Euribor 12m < 6.25%; Eur 6m < 6.00%)		- 3 335		215 808	200	08/10/2012
Cap KO (Eur 6m < 6%)		- 3 992 776		4 167 026	200	08/10/2012
Dual Range [(10Y GBP-10Y EUR Spread) e (10Y-2Y EUR Spread)]		- 16 476 067	- 5 109 380		150	16/03/2015
Plain vanilla	15 399 540			1813 183	150	16/03/2015
Plain vanilla			- 7 727 973		150	16/03/2015
Plain vanilla		- 15 596 623	- 1 891 901		150	16/03/2015
10Y-2Y EUR Spread Rib		- 28 025 575	- 2 757 352		300	16/03/2015
Cap KO (Eur 12m < 7%)		- 9 775 292		7 545 782	500	13/12/2021
Cap KO (Eur 12m < 6.50%)		- 5 074 136		4 683 644	200	16/11/2026
Plain vanilla			- 2 345 336		100	16/11/2026
Fixed-Fixed Swaption Bermuda				347 487	100	16/11/2026
Plain vanilla			- 6 289 409		250	16/10/2024
	<b>15 399 540</b>	<b>- 78 943 804</b>	<b>- 26 121 352</b>	<b>21 910 061</b>	<b>1 850</b>	

## 5.10 Suppliers and other accounts payable

Description	Amounts in Euro	
	2012	2011
Clients	97 499 696	69 377 931
Other accounts receivable	35 487 162	38 926 532
Accrued income	2 305 504	6 272 498
Government and other public bodies	1 252 881	2 627 991
Expenses to recognise	357 549	613 068
	<b>136 902 792</b>	<b>117 818 020</b>

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

Caption Suppliers is made up as follows:

Clients	Notes	Amounts in Euro	
		2012	2011
Clients - Other related parties	17.4	87 250 076	59 860 085
Clients -Subsidiaries	17.2	6 611 492	5 421 250
Clients -Associates	17.3		37 696
Clients - Sundry		3 638 128	4 058 901
		<b>97 499 696</b>	<b>69 377 931</b>

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

The significant increase in the amount receivable from **Other related entities** derives from the delay in payments by the said entities as stated in note 3 and shown in the decrease recorded in caption accounts receivable in the Cash Flow Statement.

The other accounts receivable are as follows:

Amounts in Euro			
Other accounts receivable	Notes	2012	2011
Other accounts receivable - Sundry		37 668 588	41 181 571
Other accounts receivable - associates	17.2	1 877	
Cumulative Impairment	9.	- 2 183 303	- 2 255 039
		<b>35 487 162</b>	<b>38 926 532</b>

In caption **other debtors**, approximately 38% (34% in 2011) concerns the partial fulfilment of the Protocol with Aveiro Council for the construction of a new railway station, road-rail interface and urban rehabilitation of the surrounding area.

This caption further includes expropriation amounts made available to the courts until a conclusive decision on the said expropriation proceedings is issued.

**Cumulative impairments from other debtors** totals 2,183,303 Euros, which, after testing the probability of recovery, was strengthened by 71,736 Euros (Note 9). This decrease is recorded under caption "Reversal of Impairment losses from Debts Receivable" in the Statement of Comprehensive Income.

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

As for the **Accrued Revenue** item, it is entirely related to operational income, particularly the amount relative to the stations operation concession (approximately 59% of the total) to be invoiced in 2013, but relating to the fourth quarter of 2012.

As to caption **State and other public entities** it is made up of the VAT amount receivable relating to the period of July 2012 in the amount of 1,111,995 Euros.

The amount owed to Social Security of EUR 140,737 is justified since REFER is a centralising company and, as such, temporarily substitutes Social Security by paying employees on sick leave/leave upon presentation of a medical certificate.

## 5.11 Cash and cash equivalents

Cash and Cash Equivalents shown in the cash flow statement for the year ending 31 December 2012 are reconciled with the amounts shown in the captions of the statement of financial position.

Description	Amounts in Euro	
	2012	2011
Bank deposits	212 229 861	10 915 305
Cash	15 876	14 060
<b>Cash and cash equivalent</b>	<b>212 245 737</b>	<b>10 929 364</b>

The materially relevant balance shown in the cash caption corresponds to a transfer in investment subsidies occurred at the end of the year; the average monthly balance of this caption in 2012 was of 2,372,285 Euros

## 5.12 Loans obtained

### 5.12.1 Amounts owed to credit institutions

The financing of the Infrastructure Management Activity is made up of current and non current loans, as follows:

Description	Notes	Amounts in Euro	
		2012	2011
<b>Non current loans</b>			
Bond loans		1095 684 486	1094 938 517
State		517 217 519	474 156 384
	5.5	<b>1 612 902 005</b>	<b>1 569 094 901</b>
<b>Current loans</b>			
Amounts owed to credit institutions		20 033 306	142 592 673
State		521519 804	
Finance leases			58 935
	5.5	<b>541 553 110</b>	<b>142 651 608</b>
<b>Loans obtained</b>		<b>2 154 455 115</b>	<b>1 711 746 509</b>

Caption current loans includes the amount of EUR 25 million (2011: EUR 1.691 million) relating to accrued income and expenses to be recognised in loans allocated to Infrastructure Management through the recognition of amortised cost.

During 2012 REFER fully repaid all existing short term lines.

## 5.12.2 Loans maturities and terms

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

31 December 2012

Name	Date of signature	Amount (Euro)	Principal due	Repayment			Interest Payment	Interest rate
				Opening date	Closing date	Periodicity		
<b>Without State Guarantee</b>								
REFER Eurobond 2005/2015 (1)	16/03/2005	600 000 000	600 000 000	16/03/2015		Bullet	16/Mar	4.00%
REFER Eurobond 2006/2021(1)	30/11/2006	500 000 000	500 000 000	13/12/2021		Bullet	13/Jan	4.25%
State Loan	30/12/2011	232 584 427	232 584 427	31/05/2013	30/11/2016	Half-year	31-May 30-Nov	2.77%
State Loan	14/02/2012	75 000 000	75 000 000	31/05/2014	30/11/2017	Half-year	31-May 30-Nov	3.42%
State Loan	14/02/2012	198 400 000	198 400 000	31/05/2014	30/11/2017	Half-year	31-May 30-Nov	3.25%
State Loan	26/06/2012	118 283 966	118 283 966	31/05/2014	30/11/2017	Half-year	31-May 30-Nov	2.74%
State Loan	26/06/2012	152 436 438	152 436 438	31/05/2014	30/11/2017	Half-year	31-May 30-Nov	1.83%
State Loan	03/10/2012	206 245 814	206 245 814	31/05/2014	30/11/2017	Half-year	31-May 30-Nov	1.76%
State Loan	03/10/2012	49 959 779	49 959 779	31/05/2014	Nov/17	Half-year	31-May 30-Nov	1.59%
<b>Total</b>			<b>2 132 910 424</b>					
<b>(1) Total considering effective cost</b>			<b>2 128 594 910</b>					

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

31 December 2011

Name	Date of signature	Amount (Euro)	Principal due	Repayment			Interest Payment	Interest rate
				Opening date	Closing date	Periodicity		
<b>Without State Guarantee</b>								
REFER Eurobond 2005/2015 (1)	16/03/2005	600 000 000	600 000 000	16/03/2015		Bullet	16/Mar	4.00%
REFER Eurobond 2006/2021(1)	30/11/2006	500 000 000	500 000 000	13/12/2021		Bullet	13/Jan	4.25%
State Loan	30/12/2011	474 156 385	474 156 385	31/05/2013	30/11/2016	Half-year	31-May 30-Nov	6.50%
Commercial paper	Several dates	100 000 000	100 000 000	-	Mar/12	-	Half-yearly/Quarterly	5.23%
Bank overdrafts	Several dates	44 283 989	44 283 989	-	Jul/12	-	Quarterly	3.227%
<b>Total</b>			<b>1 718 440 374</b>					
<b>(1) Total considering effective cost</b>			<b>1 713 378 890</b>					

The fair value of the fixed rate financial debt at 31 December 2012 is as follows:

Name	Nominal Value (€)	Principal due (€)	Fair value (€)	Interest rate
Eurobond 05/15	600 000 000	600 000 000	547 843 244	4% Fixed
Eurobond 06/21	500 000 000	500 000 000	329 930 458	4,25% Fixed
Portuguese State Loan 11/16	232 584 427	232 584 427	228 977 918	2,77% Fixed
Portuguese State Loan 12/17	75 000 000	75 000 000	72 394 715	3,42% Fixed
Portuguese State Loan 12/17	198 400 000	198 400 000	190 519 896	3,25% Fixed
Portuguese State Loan 12/17	118 283 966	118 283 966	111 818 366	2,74% Fixed
Portuguese State Loan 12/17	152 436 438	152 436 438	140 039 482	1,83% Fixed
Portuguese State Loan 12/17	206 245 814	206 245 814	189 049 767	1,76% Fixed
Portuguese State Loan 12/17	49 959 779	49 959 779	45 545 453	1,59% Fixed
		<b>2 132 910 424</b>	<b>1 856 119 300</b>	

### 5.13 Suppliers and other accounts payable

This caption comprises the following amounts:

Description	Notes	Amounts in Euro	
		2012	2011
Trade payables		24 747 036	24 947 049
Advances to be forwarded to Sales		16 959 405	18 252 137
Accrued expenses		11 075 287	15 587 405
Government and other public bodies		2 147 295	5 309 076
Other accounts payable		1 330 248	3 390 368
Income to recognise		515 045	808 455
Loans obtained from related parties	5.13 / 17.2		21 454 980
		<b>56 774 316</b>	<b>89 749 470</b>

The breakdown of impairment is as follows:

Amounts in Euro			
Trade payables	Notes	2012	2011
Trade payables - Sundry		16 144 209	16 252 666
Clients - Other related parties	17.4	3 335 662	999 300
Clients -Subsidiaries	17.2	2 928 880	2 792 475
Suppliers, invoices expected or being checked		1 789 249	3 904 174
Suppliers - guarantee withheld		549 036	718 996
Clients -Associates	17.3		279 438
		<b>24 747 036</b>	<b>24 947 049</b>

The decrease in the amount of invoices expected or being checked as compared to 2011, derives mainly from a decline in purchase of goods and services.

**Advances for sales** in the amount of EUR 16,959 thousand (EUR 18,252 thousand in 2011) 87% of which concerns Promissory Purchase / Sale Contract signed on 28/07/2000 covering assigned Surface Rights whose deed has not yet been signed, although the amounts agreed in the said Promissory Purchase / Sale Contract are being received. This caption also includes the amounts received deriving from protocols with several entities and in relation to which the conditions are not fulfilled to enable recognition of the revenue, namely dispatches to de-allocate the assets concerned from railway public domain.

**Accrued expenses** include liabilities with 2012 holiday pay due in 2013, corresponding to 9% of 2012's balance (8% of 2011's balance). It further comprises sundry expenses in 2012 not invoiced by respective entities until the end of the respective year.

It also includes the increase resulting from redundancy payments in the amount of 346,147 Euros (3,233,136 Euros in 2011). These advances resulted from a time difference between the processing date and the date of closure of the financial year concerned, since respective dates do not coincide (the processing of the wages occurred on 18 December 2012).

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

Amounts in Euro		
Government and other public bodies	2012	2011
Contributions to social security and CGA	1494 057	1821471
Income Tax	653 200	893 544
Other taxes	37	
VAT		2 594 060
	<b>2 147 295</b>	<b>5 309 076</b>

Personal Income Tax and Social Security balances correspond to the December 2012 wages processed that year but settled in January 2013. The decrease recorded in terms of the VAT concerns mainly its reimbursement in twelfth instalments, conversely to what happened in 2011 where the reimbursement was made only in December.

The breakdown of caption other accounts payable is as follows:

Amounts in Euro			
Other accounts payable	Notes	2012	2011
Other accounts payable - Sundry		1254 807	3 390 368
Other accounts payable - Subsidiaries	17.2	75 441	
		<b>1 330 248</b>	<b>3 390 368</b>

The balance shown in **other accounts payable** includes consultancy and advisory expenses in the amount of 185,204 Euros, accounting for 15% of the said balance (69% in 2011).

Pursuant to Regulation 473/2010 of 6 May 2010 concerning the regulations on Performance Improvement, REFER recorded at value the amount of 97,873 Euros (119,363 Euros in 2011) under caption "**Other accounts payable**" relating to the bonuses determined in the current year, to be distributed amongst operators.

**Deferred income** include EUR 444,779 (EUR 595,260 in 2011) relating to the value to be integrated in proportion to respective depreciation of industrial creosoting of wood cross-ties, included in tangible fixed assets in 2007.

Balance of caption **loans from related parties** in 2011, corresponded to the balance of treasury surplus applications made by REFER throughout the year. In 2012 this balance was fully repaid.

## 5.14 Provisions

The changes in the provisions and accumulated impairment losses in the years ended 31 December 2012 and 2011 are as follows:



### 31 December 2012

Amounts in Euro

Description	Opening balance	Increase	Reversal/ Used	Closing Balance
Pending legal proceedings	12 070 326	3 633 338	2 814 400	12 889 264
	<b>12 070 326</b>	<b>3 633 338</b>	<b>2 814 400</b>	<b>12 889 264</b>

### 31 December 2011

Amounts in Euro

Description	Opening balance	Increase	Reversal/ Used	Closing Balance
Pending legal proceedings	11 402 698	1 589 988	922 361	12 070 326
Provision for restructuring	3 974 393		3 974 393	
	<b>15 377 091</b>	<b>1 589 988</b>	<b>4 896 754</b>	<b>12 070 326</b>

Amounts recorded in provisions result from the identification of situations in which REFER deems likely that a reduction in the resources incorporating economic benefits, which can be reasonably estimated, will be required to pay the obligation.

Provisions for **ongoing lawsuits** include civil and labour lawsuits.

## 5.15 Income tax

The amounts receivable / (payable) to the State in 2012/2011 relating to income tax are as follows:

Amounts in Euro

Description	2012	2011
<b>Corporate Income Tax (CIT)</b>		
Recoverable CIT	770 000	700 000
CIT payable	- 274 302	- 306 941

Recoverable tax in the amount of 770,000 Euros concerns special payments on account (2010: 700,000 Euros) made by REFER.

Of this amount, under the terms of the law in force, the company requested the following tax refunds: 200,000 Euros relating to 2003, 40,000 Euros relating to 2004, 40,000 Euros relating to 2005 and 70,000 Euros relating to 2006, totalling 350,000 Euros. As of this date, no information has been provided by the tax authorities.

## 6. Services and operating subsidies

### 6.1 Services rendered

Services rendered are as follows:

Description	Notes	Amounts in Euro	
		2012	2011
Utilisation of fees		68 229 895	58 812 359
Grantor - LTI Revenue	15.	19 403 945	58 487 847
Traction Power		5 145 736	4 431 061
Manoeuvres/Parking Rolling stock		3 463 010	3 541 297
Capacity requested and not used		3 028 309	2 448 740
Performance improvement		184 587	148 211
Crossings		96 630	153 506
Maintenance of private railway lines		75 260	82 535
Third Party Obligations		19 182	5 538
Other services		74 1634	2 620 320
		<b>100 388 188</b>	<b>130 731 415</b>

The amounts recorded under State Grantor – LTI revenue correspond to internal works debited to long term investment activity (see note 15).

This caption also includes revenues associated to the rendering of services, invoiced according to the Network Directory established pursuant to Decree-Law 270/2003, as amended by Decree-Law 231/2007, particularly provisions in Section III of Chapter IV and Regulation 630/2011 (see note 1.2), namely revenues for the use of infrastructures, i.e. the using rate of railway infrastructures approved by the National Railway Transport Institute and charged to CP, CP Carga, Fertagus, Takargo and Comsa.

Following the entry into force on 1 January 2012 of Regulation 630/2011, transposed as 1st Addendum to the Network Directory of 2012, the Public Information System service now includes the fee for essential serviced, which ceased to be invoiced as auxiliary services.

In September 2012, pursuant to Decision URF 1/2012, auxiliary services of the Public Information System and availability of operating premises in stations were also included in the 1st Addendum to the 2012 Network Directory.

This caption further includes services rendered by REFER, namely railway manoeuvring charged to the same entities and the supply of energy traction and parking of rolling stock.

## 6.2 Operating subsidies

Pursuant to the Council of Ministers Resolution 53/2012 of 31 May, the company received 39,600,000 Euros (2011: 36,000,000 Euros), by way of compensatory payments recorded under this caption.

## 7. Supplies and Services

At 31 December 2012 caption supplies and services was made up as follows:

Description	Amounts in Euro	
	2012	2011
Sub-contracts	58 974 915	65 148 640
Electricity	11 294 551	10 166 725
Surveillance and Safety	4 734 057	4 166 387
Specialised works	2 652 716	4 391 352
Cleaning, Hygiene and comfort	1 785 011	1 710 112
Rents and rentals	1 760 388	3 163 554
Royalties	1 111 597	1 166 330
Fuel	1 027 030	1 184 485
Communications	857 676	1 402 628
Transport of personnel	857 580	920 551
Insurance	730 755	1 251 952
Water	710 270	1 102 973
Maintenance and repair	563 418	1 104 899
Tolls	208 534	206 146
Others below 200000 euros	772 692	1 163 022
<b>Supplies and Services</b>	<b>88 041 190</b>	<b>98 249 757</b>

Caption Supplies and services fell by approximately 10% (less 10.2 M€) as against 2011.

With a view to reduce maintenance-related expenses and increase this activity's efficiency and efficacy, REFER renegotiated some contracts and hired services replacing other contracts in more favourable terms, which resulted in a marked decrease in expenses in 2011 with relevant impact in the current year.

In 2012 this reduction absorbed the rise in expenses relating to the termination of the contract for the operation of stations entered with CP. As result, CP ceased to manage a number of stations in Lisbon and Oporto, which are now run by REFER.

Caption **subcontracts** refers mainly to subcontracting track maintenance, signalling, telecommunications and power lines services.

The decrease in caption **specialised works** resulted from the company's efforts to internalise services which used to be outsourced, combined with a decrease in investments that resulted in lower expenses in this type of works.

Caption **Insurance** recorded 730,755 Euros (less 41.63% than in 2011), thanks to an optimisation of civil liability insurance contracts. This change resulted from a significant change in the market combined with a declining accident rate.

### Operating leases

Caption rents and rentals includes EUR 1,585,804 (EUR 1,471,891 in 2011) relating to expenses with car leasing and EUR 132,015 (EUR 173,937 in 2011) with administrative equipment leasing.

As of the date of this report, REFER had 321 service vehicles (346 vehicles in 2011) and 10 administrative equipment (30 administrative equipment in 2011) under lease contracts.

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

Description	Amounts in Euro	
	Less than 1 year	1 to 5 years
<b>According to contract</b>		
Vehicles	1008 960	57 638
Equipment	158 272	188 170
<b>Debt current value</b>		
Vehicles	979 403	55 398
Equipment	153 635	180 857

## 8. Personnel expenses

Personnel expenses for the years ended as of 31 December 2012 and 2011 were made up as follows:

Description	Amounts in Euro	
	2012	2011
Wages	57 988 416	74 688 004
Wage expenses	12 548 466	16 090 152
Other personnel costs	4 334 507	5 462 869
Indemnities	1560 466	26 775 918
Occupational insurance policies	568 214	772 628
Social security expenses	490 004	588 178
Remuneration of the members of governing bodies	309 590	295 896
	<b>77 799 661</b>	<b>124 673 646</b>

Personnel expenses fell by €M 46.9 from 2011 to 2012, corresponding to a drop by 37.6%. A considerable share of this variation resulted of a drop by €M 25.2 in the amount of redundancies, where the decrease in average staff accounted for the remaining impact on wages and corresponding social contributions.

**Other personnel expenses** cover mainly expenses with training, recruitment and transport benefits.

The average number of employees during 2012 was of 2,784 (2011: 3,237), and the number of employees as at 31/12/2012 was of 2,752 (2,815 in 31/12/2011).

2012 was marked by measures started in 2011 concerning wage cuts and the suspension of holiday and Christmas bonuses pursuant to article 21 of the 2012 State Budget.

Note also REFER's expenses with employee representation structures (information referred to by the Dispatch from the Secretary of State of the Treasury, of 25 June 1980). For workers involved full time in these activities (Union Leaders and Employee Committee) the expenses determined for the employee representation structure for the years of 2012 and 2011 totalled EUR 85,591 and EUR 126,586 respectively.

Respective breakdown is as follows:

Amounts in Euro

Description	2012	2011
Monthly wages	50 410	67 287
Long-service wage rises	5 766	6 628
Holiday and Christmas bonuses	1268	15 002
Employer's contribution	15 881	23 896
Other	12 266	13 773
<b>Expenses with Workers' Representation Structures</b>	<b>85 591</b>	<b>126 586</b>

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

Description	2012	2011
<b>Part-time (average no.)</b>		
Union Leaders	144	175
Committees and sub-committees	16	21
<b>Full time</b>		
Union Leaders	5	6
Committees and sub-committees		
<b>No. of employees involved in workers' representation structures</b>	<b>165</b>	<b>202</b>

## 9. Impairments

The breakdown of impairment is as follows:

31 December 2012

Amounts in Euro

Impairments	Notes	Opening balance	Increase	Write back for the year	Transfers	Closing Balance
<b>Infrastructure Management</b>						
Available-for-sale financial assets	5.6	64 494		- 64 494		0
Partners' loans - Associates	5.7	9 002 763	5 052 208			14 054 971
Inventories	5.8	414 723		- 1674		413 048
Other accounts receivable	5.10	2 255 039		- 71736		2 183 303
<b>Long term Infrastructure investments</b>						
Grantor.- State - Account Receivable	4.15	305 200 000				305 200 000
Inventories	4.2	275 033				275 033
		<b>317 212 051</b>	<b>5 052 208</b>	<b>- 137 904</b>		<b>322 126 355</b>

### 31 December 2011

Amounts in Euro						
Impairments	Notes	Opening balance	Increase	Write back for the year	Transfers	Closing Balance
<b>Infrastructure Management</b>						
Available-for-sale financial assets	5.6	64 494				64 494
Partners' loans - Associates	5.7	4 889 014	4 113 749			9 002 763
Inventories	5.8	228 698	461 058		- 275 033	414 723
Other accounts receivable	5.10	2 263 702		- 8 664		2 255 039
<b>Long term Infrastructure investments</b>						
Grantor.- State - Account Receivable	4.15	305 200 000				305 200 000
Inventories	4.2				275 033	275 033
		<b>312 645 908</b>	<b>4 574 807</b>	<b>- 8 664</b>		<b>317 212 051</b>

Change in impairments of available-for-sale assets concerns the disposal of FERNAVE, as disclosed in Note 6. As the said equity holding was fully adjusted, it was decided to cancel the impairment against this investment.

## 10. Other expenses

The breakdown of caption other expenses is as follows:

Amounts in Euro		
Description	2012	2011
IMTT	735 202	2 211 984
Indemnities	562 901	281 943
Direct and indirect taxes	294 261	501 874
Contributions	256 690	183 234
Donations	245 065	266 228
Losses on inventories	39 207	128 043
Irrecoverable debt	28 804	15 693
Fines	22 422	7 698
Operating expenses < 10000 euros	49 721	515 982
<b>Other expenses</b>	<b>2 234 274</b>	<b>4 112 678</b>

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

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

As for donations, we point out the following: Fundação Nacional do Museu Ferroviário in the amount of EUR 212,500 (EUR 213,728 in 2011) and to UNICRI in the amount of EUR 20,000 (EUR 20,000 in 2011).

## 11. Other income

The breakdown of caption other expenses is as follows:

Description	Amounts in Euro	
	2012	2011
Concessions and licences	6 720 897	6 816 599
Miscellaneous sales	3 324 398	611 721
Telecommunications	1 254 906	1 596 036
Sale/assignment of energy and water	551 539	921 119
Gains on inventories	301 379	3 221 253
Gains on non financial instruments	182 794	28 697
Equipment rental	117 492	189 273
Home Conservation Fund	97 252	164 716
Subsidies	69 557	61 609
Other income < 50000 euros	806 928	1 060 290
<b>Other income</b>	<b>13 427 143</b>	<b>14 671 314</b>

Caption **Concessions for the use of licences** includes mainly the concession for the use of commercial areas, accounting for 95% (66% in 2011) of the total.

Sales of residues and railway sleepers recorded a significant increase in 2012, which explains for the positive change in caption **Sundry sales**; 3,324,398 Euros in 2012 as against 611,691 Euros in 2011).

Gains on inventories – recognised in 2012 are those resulting of the difference to the estimate recognised in 2011, relating to the recognition of inventories.

## 12. Financial losses and gains

Caption financial losses and gains is made up as follows:



Amounts in Euro			
Description	Notes	2012	2011
<b>Financial losses</b>			
<b>Interest paid</b>			
Loans		- 256 213 546	- 192 637 526
Derivative financial instruments		- 67 015 042	- 75 463 959
Other interest paid		- 28 555	- 657 320
<b>Changes in fair value:</b>			
Derivative financial instruments	5.9	- 276 456	- 26 121 352
<b>Other financial losses</b>			
		- 10 778 786	- 15 730 293
		<b>- 334 312 385</b>	<b>- 310 610 450</b>
<b>Financial gains</b>			
<b>Income from tradeable instruments and other financial applications</b>			
		16 638	160 325
<b>Interest earned</b>			
Derivative financial instruments		51 558 353	83 327 575
Other interest earned		167 291	169 229
Interest earned - State grantor	4.14	185 100 802	125 018 463
<b>Changes in fair value:</b>			
Derivative financial instruments	5.9	35 098 261	21 910 061
<b>Other operating gains</b>			
			183 897
		<b>271 941 345</b>	<b>230 769 550</b>
(Impairments) / Reversals	13.	- 4 330 397	38 151
Dividends	13.	2 800 000	7 205 720
<b>Gains/(losses) on subsidiaries and associates</b>	<b>13.</b>	<b>- 1 530 397</b>	<b>7 587 231</b>
<b>Financial results</b>		<b>- 63 901 437</b>	<b>- 72 253 669</b>

Interest paid concern interest on debt associated to Investment and Infrastructures Management Activities, namely bond loans, bilateral loans and short term credit lines. It also includes interest relating to paying legs and premiums of swaps at contracted interest rate.

Other financial losses concern expenses with guarantees, stamp duty and commission fees associated to loans obtained to finance Infrastructure Management and Long Term Investment Activities.

Caption Interest Income includes interest earned on financial derivative instruments, specifically swap operations (receiving leg and premiums), other interest on financial applications and interest paid by the State grantor (Note 4.1.4).

The reductions in fair value of derivative financial instrument operations are shown under Financial Losses and the increases under Financial Gains.. The net effect of these changes amounted to EUR 34.82 million in 2012 (EUR 4.2 million in 2011).

### 13. Gains/losses of subsidiaries, associates and joint ventures

In 2012 and 2011, caption Gains / (Losses) of subsidiaries, associates and joint ventures was made up as follows:

Description	Notes	Amounts in Euro	
		2012	2011
(Impairments) / Reversals	5.3 / 12.	-4 330 397	381511
Gains on subsidiaries	12.	2 800 000	7 205 720
<b>Gains/losses of subsidiaries, associates and joint ventures</b>	<b>12.</b>	<b>- 1 530 397</b>	<b>7 587 231</b>

In 2012, impairment concerning investments in AVEP and REFER PATRIMÓNIO was increased by 75,000 Euros (2011: 0 Euros) and 4,255,397 Euros, respectively (2011: a reversal of 381,511 Euros), as explained in Notes 5.3 and 5.4 of this report.

Gains on subsidiaries stemmed from the distribution of dividends of REFER TELECOM (2011: EUR 1,300,000).

### 14. Income tax for the year

#### 14.1 Deferred tax assets and liabilities

REFER did not recognise deferred tax assets or liabilities in the financial statements.

No deferred tax liabilities were identified in the year.

As for deferred tax assets, there are fiscal losses to be used, totalling EUR 792,280,606 (2011: EUR 904,733,293). Considering these tax losses to be used, the current economic environment, budgets for forthcoming years and the nature of

REFER's activity, the Board of Directors does not expect to obtain tax profits in the future that will enable the recovery of temporary asset differences.

Amounts in Euro		
Date of loss	Final reporting date	Amount
2007	2013	222 339 125
2008	2014	208 952 175
2009	2015	236 172 810
2010	2014	45 572 502
2011	2015	79 243 994
		<b>792 280 606</b>

#### 14.2 Income tax for the year

Income tax for the year, recognised in the statement of comprehensive income, refers to the autonomous taxation calculated in accordance with tax rules in force on reporting date, the impact of which was eased by the decrease recorded in vehicle expenses.

Amounts in Euro			
Description	Notes	2012	2011
Current tax for the year	5.15	327 784	386 857
		<b>327 784</b>	<b>386 857</b>

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

The internal work carried out for the investment activity in LTI, which was not recognised in the statement of comprehensive income, is as follows (see Note 6.1).

Amounts in Euro		
Description	2012	2011
<b>Long term Infrastructure investment activity</b>		
Material for investment	2 126 402	31 133 765
Equipment	32 782	37 764
Labour	810 575	769 435
Overhead costs	16 434 186	26 546 882
<b>Total of long term Infrastructure investments activity</b>	<b>19 403 945</b>	<b>58 487 847</b>

The reduction from €M58.5 in 2011 to €M19.4 in 2012, stems from a marked slowdown in investment in LTI this year. Considering the part relating to materials used in works alone, this drop was by 93% in relation to the previous year.

As to remaining overhead costs, the change – from €M26.5 to €M16.4 - is in line with what happened with other overhead costs, namely personnel expenses, where the impact of the cuts in personnel and the suspension of holiday and Christmas bonuses was mostly felt.

## 16. Remuneration of the members of governing bodies

Following changes introduced to the Public Manager Statute (Decree-law 71/2007, of 27 March) by Decree-law 8/2012, of 18 January, and Council of Ministers' resolutions 16/2012 and 36/2012, the structure of remuneration of the members of the board of directors was amended accordingly. The change in the remuneration structure did not imply a change in the amounts paid by way of consideration to the members of the board of directors, taking into account provisions in paragraph 21 of RCM 16/2012 and paragraph 3 of RCM 36/2012.

Amounts in Euro

Board of Directors	Position	Social Security Regime	2012			
			Main Remuner.	Supplementary Remuner.	Social security deductions	CGA deductions
Luis Filipe Melo e Sousa Pardal	Chairman	Normal Regime	46 613		10 893	
Romeu Costa Reis	Member	CGA	47 629	267		4 979
Alberto José Engenheiro Castanho Ribeiro	Member	Normal Regime	47 785	601	9 113	
Carlos Alberto João Fernandes	Member	Normal Regime	47 629	134	9 081	
Rui Lopes Loureiro	Chairman	Normal Regime	24 942	936	4 119	
José Luís Ribeiro dos Santos	Vice Presidente	Normal Regime	23 074	668	4 119	
José Rui Roque	Member	Normal Regime	21 770		3 984	
Amílcar Álvaro de Oliveira Ferreira Monteiro	Member	Normal Regime	21 770	267	3 984	
Alberto Manuel de Almeida Diogo	Member	Normal Regime	21 769		4 846	
<b>Remuneration paid</b>			<b>302 980</b>	<b>2 874</b>	<b>50 138</b>	<b>4 979</b>

Amounts in Euro

Board of Directors	Position	Social Security Regime	2011			
			Main Remuner.	Supplementary Remuner.	Social security deductions	CGA deductions
Luis Filipe Melo e Sousa Pardal	Chairman	Normal Regime	86 495	67	20 543	
Alfredo Vicente Pereira	Vice-chairman	Normal Regime				
Romeu Costa Reis	Member	CGA	75 495	535		5 975
Alberto José Engenheiro Castanho Ribeiro	Member	Normal Regime	75 495	802	14 297	
Carlos Alberto João Fernandes	Member	Normal Regime	75 495	67	14 297	
<b>Remuneration paid</b>			<b>312 979</b>	<b>1 470</b>	<b>49 137</b>	<b>5 975</b>

Supplementary remuneration shown corresponds to travel allowances.

In its session of 30 August 2012, the Council of Ministers appointed effective as of that date the new Board of Directors of REFER – Resolution number 37/2012, published in the Official Gazette 2 Series of 10/9/2012, as follows:

Chairman: Eng.<sup>o</sup> Rui Lopes Loureiro

Vice-Chairman: Eng.<sup>o</sup> José Ribeiro dos Santos

Member Dr. Alberto Almeida Diogo

Member Dr. José Rui Roque

Member Eng.<sup>o</sup> Amílcar Ferreira Monteiro

Figures provided to the Supervisory Committee were as follows:

Amounts in Euro

Entity	2012			2011		
	Monthly Sum	Total	Social security contributions	Monthly Sum	Total	Social security contributions
Hilário Manuel Marcelino Teixeira				951	3 802	903
Barbas, Martins, Mendonça & Associados, SROC	7 028	84 337		5 828	69 937	

Member of the Audit Board, Dr. Hilário Manuel Marcelino Teixeira, decided to suspend his remuneration as from May 2011.

Figures paid to Barbas, Martins, Mendonça & Associados, SROC were recorded as remuneration for specialised work. Figures for 2011 include works carried out that year and invoiced in 2012. Fees for the year include the legal revision of the separate and consolidated financial statements, as well as an audit required pursuant to regulations applicable to REFER, which in previous years was made by external auditors.

## 17. Balances/transactions with related entities

### 17.1 Summary of related entities

The following entities are identified as REFER's related entities:

## 2012

	Relationship
<b>Subsidiaries</b>	
REFER PATRIMÓNIO	REFER holds 99.997% of the share
REFER ENGINEERING (ex-FERBRITAS)	REFER holds 98.43% of the share c
REFER TELECOM	REFER holds 100% of the share cap
RAVE	REFER holds 40% of the share capi
<b>Associated companies</b>	
GIL	REFER holds 33.98% of the share c
<b>Joint ventures</b>	
AVEP	REFER holds 50% of the share capi
<b>Other related parties</b>	
CP	Controlling relationship - State
CP Carga	Controlling relationship - State

## 2011

	Relationship
<b>Subsidiaries</b>	
REFER PATRIMÓNIO	REFER holds 99.997% of the share
REFER ENGINEERING (ex-FERBRITAS)	REFER holds 98.43% of the share c
CP COM	REFER holds 80% of the share capi
REFER TELECOM	REFER holds 100% of the share cap
RAVE	REFER holds 40% of the share capi
<b>Associated companies</b>	
GIL	REFER holds 33.98% of the share c
<b>Other related parties</b>	
CP	Controlling relationship - State
CP Carga	Controlling relationship - State



## 17.2 Balances and transactions with subsidiaries

Balances with **subsidiaries** were made up as follows:

Amounts in Euro			
Company	Notes	2012	2011
<b>Accounts receivable</b>			
REFER PATRIMÔNIO		4 547 631	4 547 631
<b>LTIs - Accounts receivable</b>	4.3	<b>4 547 631</b>	<b>4 547 631</b>
REFER PATRIMÔNIO		6 495 897	3 705 246
REFER TELECOM		111 042	1 638 977
RAVE - EM LIQUIDAÇÃO		1 622	74 703
REFER ENGINEERING (ex-FERBRITAS)		2 931	2 324
<b>Clients</b>	5.10	<b>6 611 492</b>	<b>5 421 250</b>
RAVE - ONGOING LIQUIDATION		1 877	
<b>Other accounts receivable</b>	5.10	<b>1 877</b>	<b>0</b>
		<b>11 161 000</b>	<b>9 968 881</b>
<b>Balances payable</b>			
REFER ENGINEERING (ex-FERBRITAS)		174 557	3 551 603
REFER PATRIMÔNIO			38 280
REFER TELECOM		110 700	20 471
<b>LTIs - Suppliers and other accounts payable</b>		<b>1 825 257</b>	<b>3 610 354</b>
REFER TELECOM		2 856 393	2 583 933
REFER PATRIMÔNIO		7 640	201 079
REFER ENGINEERING (ex-FERBRITAS)		64 846	7 463
<b>Suppliers</b>	5.13	<b>2 928 880</b>	<b>2 792 475</b>
REFER TELECOM			13 500 000
REFER ENGINEERING (ex-FERBRITAS)			6 424 980
REFER PATRIMÔNIO			1 530 000
<b>Borrowings</b>	5.13	<b>0</b>	<b>21 454 980</b>
RAVE - ONGOING LIQUIDATION		75 000	
REFER PATRIMÔNIO		441	
<b>Other accounts payable</b>	5.13	<b>75 441</b>	<b>0</b>
		<b>4 829 578</b>	<b>27 857 809</b>



Transactions with subsidiaries carried out in the period under review were as follows:

Amounts in Euro			
Company	Notes	2012	2011
<b>Investments and Suppliers &amp; Services</b>			
REFER TELECOM		13 435 347	13 910 685
REFER ENGINEERING (ex-FERBRITAS)		3 593 423	12 334 325
REFER PATRIMÓNIO		31577	84 535
CP COM		5 135	
		<b>17 065 481</b>	<b>26 329 545</b>
<b>Rendering of Services</b>			
REFER ENGINEERING (ex-FERBRITAS)		23 883	5 946 113
REFER TELECOM		1317 454	3 116 347
REFER PATRIMÓNIO		6 179 556	2 347 567
RAVE - ONGOING LIQUIDATION		48 157	551095
CP COM			
		<b>7 569 050</b>	<b>11 961 122</b>
<b>Financial expenses</b>			
REFER TELECOM		23 452	28 248
REFER ENGINEERING (ex-FERBRITAS)		7 576	21649
RAVE - ONGOING LIQUIDATION			5 437
REFER PATRIMÓNIO		3 804	2 492
		<b>34 832</b>	<b>57 826</b>
<b>Gains on subsidiaries</b>			
REFER TELECOM	13.	2 800 000	1300 000
REFER ENGINEERING (ex-FERBRITAS)	13.		5 905 720
		<b>2 800 000</b>	<b>7 205 720</b>

### 17.3 Balances and transactions with associated companies

Balances with **associated companies** were made up as follows:

Amounts in Euro			
Company	Notes	2012	2011
<b>Accounts receivable</b>			
GIL			
<b>Loans and accounts receivable</b>	5.7	0	0
GIL			37 696
<b>Clients</b>	5.10	0	<b>37 696</b>
			<b>37 696</b>
<hr/>			
<b>Balances payable</b>			
GIL			279 438
<b>Suppliers</b>	5.13	0	<b>279 438</b>
		0	<b>279 438</b>

Transactions with associated companies carried out in the period under review were as follows:

Company	Amounts in Euro	
	2012	2011
<b>Investments and Suppliers &amp; Services</b>		
GIL	841371	908 741
	<b>841 371</b>	<b>908 741</b>
<hr/>		
<b>Rendered Services</b>		
GIL	40 863	40 863
	<b>40 863</b>	<b>40 863</b>
<hr/>		

#### 17.4 Balances and transactions with other related entities

Balances with **CP** and **CP Carga** are made up as follows:

Amounts in Euro			
Company	Notes	2012	2011
<b>Accounts receivable</b>			
CP - Comboios de Portugal, E.P.E.		73 383 450	46 418 011
CP Carga - Log.Tr.F.Mercadorias, S.A.		13 866 625	13 442 073
<b>Clients</b>	5.10	<b>87 250 076</b>	<b>59 860 085</b>
		<b>87 250 076</b>	<b>59 860 085</b>

<b>Balances payable</b>			
CP - Comboios de Portugal, E.P.E.			215 250
CP Carga - Log.Tr.F.Mercadorias, S.A.			27 798
<b>LTIs - Suppliers and other accounts payable</b>			<b>243 048</b>
CP - Comboios de Portugal, E.P.E.		3 242 070	961558
CP Carga - Log.Tr.F.Mercadorias, S.A.		93 592	37 742
<b>Suppliers</b>	5.13	<b>3 335 662</b>	<b>999 300</b>
		<b>3 335 662</b>	<b>1 242 348</b>

Transactions with CP and CP Carga in the period under review were as follows:

Amounts in Euro			
Company	Notes	2012	2011
<b>Investments and Suppliers &amp; Services</b>			
CP - Comboios de Portugal, E.P.E.		5 808 850	6 473 375
CP Carga - Log.Tr.F.Mercadorias, S.A.		58 477	114 861
		<b>5 867 327</b>	<b>6 588 236</b>
<b>Rendering of Services</b>			
CP - Comboios de Portugal, E.P.E.		64 736 858	52 016 232
CP Carga - Log.Tr.F.Mercadorias, S.A.		10 053 864	14 340 728
		<b>74 790 723</b>	<b>66 356 960</b>

## 17.5 Balances and invoicing with public entities

As of 31 December 2012, protocols of significant amount in force are as follows:

Amounts in Euro			
Municipality	Description of Protocol/ Related entity	Cumulative Issued Invoices up to 31/12/2012	Amount Due at 31/12/2012
<b>Accounts receivable</b>			
Espinho	Intervention in Espinho Urban regeneration and levelling of track	15 750 890	619 682
Aveiro	Construction of the New Station of Aveiro - Road Interface, Urban Regeneration of Surrounding Area, Financing of the Undertaking	13 350 792	13 350 792
EP - Estradas de Portugal	Protocol for the management of road and rail engineering works maintenance	5 730 346	670 415
Viana do Castelo	Closure of railway crossings in the Municipality of Viana do Castelo	3 239 801	2 432 484
Sintra	Technical and financial collaboration of REFER and the Municipality of Sintra for the construction of the "Túnel de Aqualva"	2 900 163	843 726
Cascais	Regeneration and Improvement of the Cascais railway line - Carcavelos/Estoril stretch (Revision)	3 132 348	2 743 161
Fundão	Road and rail infrastructures in the urban area of Fundão - 2nd addenda	2 922 458	2 922 458
Coimbra	Final closure of 25 railway crossings and respective access roads in the Municipality of Coimbra	2 708 429	2 708 429
Ovar	Closure of 6 railway crossings and respective access roads in the Municipality of Ovar,	1 523 233	2 210
		<b>51 258 460</b>	<b>26 293 357</b>

## 18. Recently issued accounting standards and interpretations

REFER decided not apply any standard earlier to its approval by the European Union, however, the main changes occurred in the year and those expected in the near future are as follows:

### Standards and interpretations which became effective during 2012

- **Amendment to IAS12 Income Tax – (EC) Regulation 1255/2012 of 11 December 2012**

The change requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. However, it introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. *Effective date: annual periods beginning on or after 1 January 2012.* REFER has no investment property.

### Standards and interpretations which will become effective in 2013 and following years

#### Standards already endorsed by the European Union

- **Amendment to IAS1 Financial Statements Presentation – (EC) Regulation 475/2012 of 5 June 2012**

This amendment introduces a new terminology where the Statement of Comprehensive Income will be called Statement of Results and Comprehensive Income, but does not prevent the two previous statements to be prepared separately, as it used to be. However, there are new disclosure requirements, namely items that could be recycled to profit and loss at a future point in time may be presented separately from items which will never be reclassified. – *Effective date: annual periods beginning on or after 5 June 2012.* Impact on REFER will be irrelevant.

- **IAS19 (2011 Revision) Employee benefits – (EC Regulation 475/2012 of 5 June 2012.**

This amendment introduces significant changes to the recognition and measurement of expenses with defined benefits and employment termination benefits, as well as disclosures to be made concerning all benefits granted to employees. Actuarial deviations started to be immediately recognised under other comprehensive income only (the corridor method is no longer permitted). The financial cost of funded benefit plans is determined on the net basis of the non funded liability. *Effective date: annual periods beginning on or after 01 January 2013.* There will be no impacts on REFER.

- **Amendments to IAS32 Financial Instruments: offsetting financial assets and liabilities – (EC Regulation 1256/2012 of 13 December 2012).**

This amendment is part of IASB project "offsetting financial assets and liabilities" clarifying the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. *Effective date: annual periods beginning on or after 01 January 2014.* The adoption of this standard will have no material impact on REFER's financial statements.

- **IAS 27 (2011 Revision) Separate financial statements – (EC Regulation 1254/2012 of 11 December 2012).**

IAS 27 was revised following the issuing of IFRS 10 and only includes accounting and disclosure requirements for investments in equity holdings where an entity prepares separate financial statements. *Effective date: annual periods beginning on or after 01 January 2013.* the impacts of this standard on REFER will be irrelevant since the said standard only eliminated everything that related to the consolidation of the accounts.

- **IAS28 (2011 Revision) Investments in associates and joint ventures – (EC Regulation 1254/2012 of 11 December 2012).**

IAS 28 was revised following the issue of IFRS 11 and it outlines how to apply, with certain limited exceptions, the equity method to investments in associates and joint ventures. *Effective date: annual periods beginning on or after 01 January 2013.* The standard does not bring anything new to REFER, since the company prepares consolidated accounts and is therefore exempted from applying the equity method in its separate accounts.

- **IFRS1 First-time adoption of international financial reporting – (EC) Regulation 1255/2012 of 11 December 2012.**

This amendment includes a specific relief for first time adopters of IFRS that formerly operated in economies classified as hyperinflationary. Thus, when transition date to IFRS is a date equal or subsequent to the date in which the entity's operating currency has "standardised", the entity may opt to measure all assets and liabilities held at standardisation date at fair value, in the transition to the IFRS. Another amendment introduced concerns the removal of dates in the exceptions to the retrospective application of IFRS for the first time. *Effective date: annual periods beginning on or after 01 January 2013.* This amendment has no impact on REFER's financial statements.

- **IFRS 7 Financial instruments: Disclosures - transfer of financial assets. - (EC) Regulation 1256/2012 of 13 December 2012.**

This amendment to IFRS 7 addresses disclosure requirements of financial assets transferred to third parties but not derecognised in the balance sheet because the company still holds obligations or continued involvement with such assets. *Effective date: annual periods beginning on or after 01 January 2013.* This amendment has no impact on REFER's financial statements.

- **IFRS 10 Consolidated financial statements – (EC Regulation 1254/2012 of 11 December 2012.**

It replaces all principles relating to control and consolidation included in IAS27 and SIC12, altering the definition of control but maintaining unchanged the base principle that consolidation statements present the parent company and subsidiaries as a single entity. This standard will become effective jointly with IFRS11 and IFRS 12. *Effective date: annual periods beginning on or after 01 January 2013.* This standard may have relevant impacts on the future relationship of REFER with its associates, since the definition of control will be broader, based mainly on three elements: i) Power over the investee; ii) exposure to, or rights over variable returns deriving from involvement with investee iii) ability to use the power over the investee to affect its returns.

- **IFRS11 Joint arrangements – (EC Regulation 1254/2012 of 11 December 2012.**

This standard replaces IAS31 and SIC13, and classifies joint arrangements on the basis of the substance of the arrangement as opposed to simply their legal form. Joint arrangements may be: "joint operations" (rights over assets and obligations that must be subject to proportionate consolidation) or joint ventures (rights to the net assets applying the equity method). This standard will become effective jointly with IFRS10 and IFRS 12. *Effective date: annual periods beginning on or after 01 January 2013.* This standard will have impacts on REFER that may give rise to restatements in 2013 at consolidated level.

- **IFRS12 Disclosure if interests in other entities – (EC) Regulation 1254/2012 of 11 December 2012.**

This standard replaces IAS27 and SIC12 in what concerns disclosures. The standard outlines disclosure requirements for all types of interests in other companies, including subsidiaries, joint arrangements, associates and unconsolidated 'structured entities' in order to evaluate the nature, risk and financial impacts associated with its interests in other entities. *Effective date: annual periods beginning on or after 01 January 2013.* Possible impacts of this standard on REFER financial statements will be safeguarded when it will become effective.

- **IFRS13 Fair Value Measurement – (EC) Regulation 1255/2012 of 11 December 2012.**

The objectives of this standard are:

a) Improve consistency by establishing a more precise definition of fair value, as the previous definition: i) did not specify if the entity was buying or selling the asset; ii) was not clear about what it means to settle a liability, as it did not mention the creditor but knowledgeable interested parties; and iii) it did not explicitly disclosed if the swap or replacement took place on measurement date or any other date;

b) Constitute the only source of measurement and disclosure requirements of fair value applicable to all IFRS, since historically, different requirements were spread throughout various standards.



*Effective date: annual periods starting on or after 01 January 2013.* The adoption of this standard should have reduced impact on REFER.

### Interpretations already endorsed

- **IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine – (EC) Regulation 1255/2012 of 11 December 2012.**

This interpretation concerns the recording of costs with the stripping of mine waste materials during the initial phase of surface mining operations as an asset, considering that two benefits are associated to such stripping: immediate extraction of mineral resources and access to additional quantities of mineral resources to be extracted in the future. *Effective date: annual periods starting on or after 01 January 2013.* The adoption of this standard will have no impact on REFER.

### Standards pending endorsement

- **IFRS9 Financial Instruments – Classification and measurement** – This standard views a simplification of IAS39 and concerns the first phase of the new standard on financial instruments, which reduces to two the four current categories (amortised cost and fair value). As a rule, all financial instruments are measured at fair value, and amortised cost will be restricted to situations where the entity holds the instrument to receive contractual cash-flows and these correspond to nominal amounts and interest. Otherwise, financial instruments are measured at fair value via profit and loss. *Effective date: annual periods beginning on or after 01 January 2015.* This standard will have impact on REFER financial statements, which will be safeguarded in the future.

## 19. Investment commitments

The estimated value of investments to be made in 2013 in Long Term Infrastructures (LTI) for the public railway domain, and other investments that are not part of LTI (IEAG – Support and Management Structures integrating the investments of operation, studies and other fixed assets) necessary for developing the planned activities, is of EUR 69 million.

Of the total investment planned, 93% (EUR 64 million) corresponds to investments in LTI; the remaining 7% (EUR 5 million) corresponds to investments in Support and Management Structures.

Amounts in Million Euro

Programmes/Projects	2013 Estimate
<b>Investment in LDI</b>	
<b>included in PIDDAC</b>	<b>64</b>
Minimum investment programme in National Railway Network	64
<b>Not included in PIDDAC</b>	<b>0</b>
<b>Investment in LDI</b>	<b>64</b>
<b>Investment in EAG</b>	<b>5</b>
<b>Total Investment REFER</b>	<b>69</b>

Note: investment at technical costs

## 20. Guarantees and State guarantees

On 31 December 2012, **loans which benefited from State guarantees** amounted to EUR 2,711,877,704 (2011: EUR 2,974,254,844), as per note 4.4.

**Total bank guarantees received from suppliers** came to EUR 160,240,399 (2011: EUR 187,407,517). These guarantees aim at ensuring the proper, complete fulfilment of the concession contract in favour of REFER, in compliance with the specific legislation for public works contracts.

Total **bank guarantees received from clients/debtors** amounted to EUR 9,711,758 (2011: EUR 11,363,720).

At 31 December 2012, REFER had liabilities for **guarantees given to courts** in the amount of EUR 296,552 (2011: 171,552) and **other guarantees** EUR 2,629,092 (2011: EUR 2,629,092).

As major shareholder of FERBRITAS ENGINEERING (formerly FERBRITAS), REFER signed a comfort letter in favour of Banco Millennium covering medium- and long-term financing up to a level of EUR 163,955.

## 21. Contingencies

### Pending lawsuits

In the year ended at 31 December 2012, pending lawsuits concerning expropriation proceedings totalled EUR 1,950,381 (2011: EUR 359,586). This amount has no impact on the statement of financial position.

To this end, 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, and the settlement of these proceedings does not represent a cost but rather an investment in railway infrastructures. The Company also has pending proceedings relating to railway accidents at infrastructures managed by the company, damages caused to third-party property, and some lawsuits in progress in the Labour Court, which are covered by provision, according to Note 5.14..

In what concerns the lawsuit against REFER, filed by the Teixeira/Duarte/EPOS consortium following REFER's termination of the Rossio Tunnel Rehabilitation Contract and published in 2008, at the date of this report, there are no relevant additional conclusions or information about these proceedings which may influence the accounts presented herein.

### 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.

## 22. Subsequent events

Group REFER is part of a joint undertaking via a company set up for the purpose (IFERVISA) held in equal shares by subsidiary REFER PATRIMÓNIO and a private group (VISABEIRA).

In February 2012, the company requested ministerial authorisation to sell the 50% stake in IFERVISA, held by REFER PATRIMÓNIO, this transaction including the purchase by REFER of the land "Tomar-railway station" for 1,400,000 Euros resulting from the evaluation of the Finance Ministry to be partially or fully included in the public railway domain. This authorisation was awarded by joint ministerial order on 19 November 2012. The transaction and payment of 1,400,000 Euros were made in February 2013.

Negotiations for the setting up of an EEIG, called Freight Railway Corridor no. 4 were started in 2012. The founding members of this EEIG are REFER, EPE, Administrador de Infraestructuras Ferroviárias – ADIF – with head-office in Spain and Réseau Ferré de France – RFF – with head-office in France. The setting up of this European economic interest grouping called Freight Railway Corridor no. 4 views to improve competitiveness of rail freight on the Atlantic seaboard.

Activities planned within the scope of this EEIG for 2013 to 2015 will involve an annual sum of 170,000 Euros granted by way of contribution to the Grouping's operating costs.

**PART III**  
**LEGAL CERTIFICATION OF ACCOUNTS**



## LEGAL CERTIFICATION OF THE ACCOUNTS AND AUDIT REPORT issued by CMVM registered auditor

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### » INTRODUCTION

1. Under the terms of the relevant law, we hereby submit the Legal Certification of the Accounts and Audit Report on the financial information included in the Management Report and separate financial statements for the year ended at 31 December 2012 of **Rede Ferroviária Nacional – REFER, E.P.E.**, which comprise the Statement of Financial Position (showing a total of 5,266,452,353 Euros and total negative equity of 1,884,257,705 Euros, which includes a net loss of 92,113,782 Euros), the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the financial year ending on that date as well as the notes to the financial statements.

### » RESPONSIBILITIES

2. It is the responsibility of the board of directors to prepare such financial statements
  - a) that will present in a true and appropriate manner the financial position of the Company, the result of its operations and cash flows;
  - b) ensuring that the historic financial information is prepared in accordance with generally accepted accounting principles and that the same is complete, accurate, up to date as legally required by the Securities Code;
  - c) the adoption of appropriate accounting policies and principles;
  - d) the maintenance of appropriate systems of internal control;
  - e) the disclosure of any significant facts that have influenced its operation, financial position or results;
  - f) and finally ensuring that prospective financial information is drawn up and presented based on adequate and consistent assumptions and criteria, supported by an adequate information system.
3. Our responsibility is to verify the financial information contained in the above mentioned accounting documents and to confirm that it is, in materially relevant respects, complete, true, timely, clear, objective and lawful as required by the Securities Code. It is our duty to issue a professional and independent report based on our examination.

### » SCOPE

4. Our examination has been conducted in accordance with the technical standards and auditing guidelines of the Portuguese chartered accountants' society, that require that the examination shall be planned and executed with a view to obtaining an acceptable degree of comfort about the absence of materially relevant distortions in the financial statements. To that end, our examination has included:
  - The examination includes the verification, by sampling methods, of the basis for the amounts and information contained in the financial statements, and the evaluation of the estimates that were used in their preparation, based on judgements and criteria defined by the board of directors.
  - the evaluation of the adequacy of adopted accounting principles and their disclosure, in view of the circumstances;
  - the verification of the applicability of the continuity principle;
  - the evaluation of the overall adequacy of the presented financial statements; and
  - an assessment of whether the financial information is complete, true, up-to-date, clear, objective and lawful.
5. Our audit also included the verification that the financial information contained in the management report is consistent with the financial statements presented, as well as the verification as provided in paragraphs 5 and 5 of article 451 of the Companies Code.
6. We consider that the conducted examination provides an acceptable basis for the expression of our opinion.

» **OPINION**

7. In our opinion, the financial statements mentioned above present in a true and appropriate manner, in all materially relevant respects, the financial position of Rede Ferroviária Nacional - REFER, E.P.E, at 31 December 2012, the net income from its operations, the changes in equity and the cash flows in the financial year ending on that date, in accordance with International Financial Reporting Standards. The information contained therein is, according to the definitions included in the guidelines mentioned in paragraph 4 above, complete, true, timely, clear, objective and lawful.

» **REPORTING ON OTHER LEGAL REQUIREMENTS**

8. In our opinion, the information contained in the management report is consistent with the financial statements for the year; and, the Company's Governance Report includes the information required under the relevant law.

» **EMPHASES**

9. Without affecting the opinion expressed in previous paragraphs, we would draw attention to the following:

- a) Over the years, REFER has accumulated important losses (2.3 billion Euros up to the end of 2012), having recognised considerable operating deficits and huge losses, resulting in a negative equity of approximately 1.9 billion Euros as at 31/12/2012, whilst liabilities at this date total 7.2 billion Euros. As a result, the company's (state-owned company) ability to maintain an ongoing concern depends exclusively from the financial support provided by the shareholder (Portuguese State), whilst measures are under way regarding the rationalisation of management and adequacy of public service compensation. However, it is worth noting the positive effect shown in results as from 2011, following the application of such measures and restrictive provisions in the State Budget Law, namely in terms of wage cuts, and the implementation of Government directives which jointly led to a significant fall in operating expenses, contributing to improve operating deficit, which went from 109 million Euros in 2010 to 28 million Euros in 2012.
- b) Associate company "GIL – Gare Intermodal de Lisboa, S.A."; 34% held by REFER, shows a negative equity of approximately 11 million Euros, deriving from the company's high liabilities (nearly 87 million Euros) as against a low income (approx. 5 million Euros), requiring continuous financial aid from shareholders, with REFER having contributed with a cumulative amount of 14 million Euros fully adjusted by impairment, as mentioned in Note 5.7 of the notes to the financial statements.

Lisbon, 28 March 2013

**Barbas, Martins, Mendonça & Associados, S.R.O.C., Lda.**

*Certified Firm no. 100*

*(CMVM registration 8968)*

Represented by:

*Issuf Ahmad, ROC nº 779*