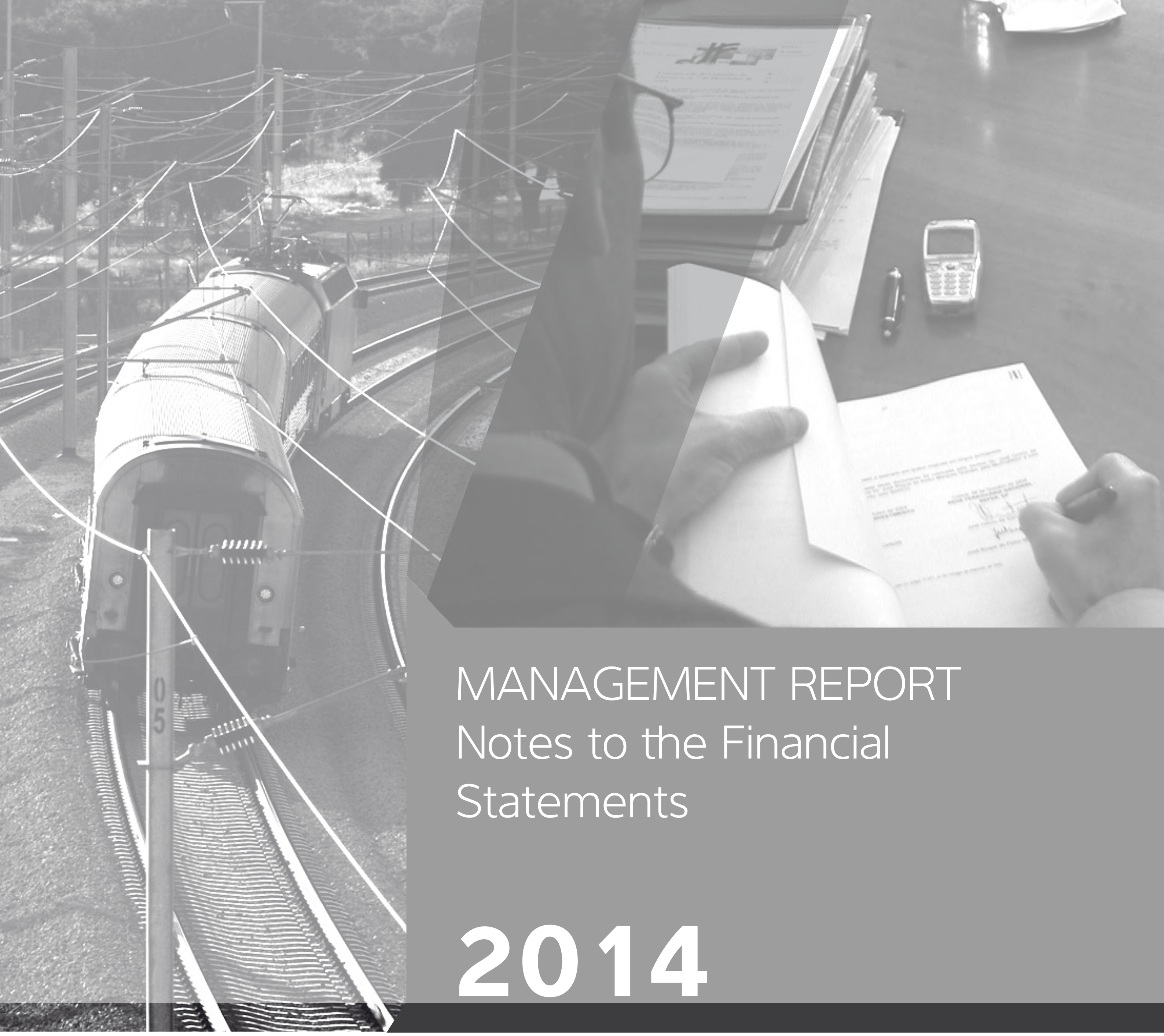
MANAGEMENT REPORT
Notes to the Financial Statements

2014

REFER



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PART I
MANAGEMENT REPORT

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

Rede Ferroviária Nacional – REFER, E.P.E.
Estação de Santa Apolónia
1100-105 Lisboa
www.refer.pt
Statutory capital: € 1 486 000 000
Corporate Tax Nr.: 503933813

Contents

STATEMENT OF THE BOARD OF DIRECTORS

Performance in the year

At the REFER Group the year was marked by the consolidation of its reorganisation process, in line with the SUSTAINABILITY strategy outlined in 2013.

With a view to provide directives to convergence efforts, in June 2013 the Group prepared its Business Plan for the 2014-2016 period, having established 10 key goals, policies and strategies to achieve them.

Despite the current state of affairs, an opportunity now emerges for the modernisation and expansion of the national railway, as established in the Strategic Plan for Transport Infrastructures (PETI3+), which favours significant investment in railways for the 2014-2020 period.

The plan was revised in June 2014, taking into consideration the streamlining already accomplished. The PETI 3+, which represents further challenges in terms of balanced accounts, will have to be based on a transparent contract with the State and transparent responsibilities if sustainability goals are to be achieved.

While pursuing its key mission as manager of the national railway infrastructure, REFER continued to invest in high safety and environmental standards. These are the requirements for improving the quality of life of passengers and citizens. The attractiveness of the railway transport service is one of the Group's strengths.

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

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

In what concerns the financing of its operations, we point out the payment by CP of an amount close to € 205 million made over the year, and the increase in statutory capital by € 1,035 million.

Finally, we thank all employees and stakeholders, whose relevant and distinct contribution was the key driver to achieving the above mentioned transformation; Railway may well become the favoured transport mode of an increasing number of citizens and REFER wants to provide benchmark services at national and European level.

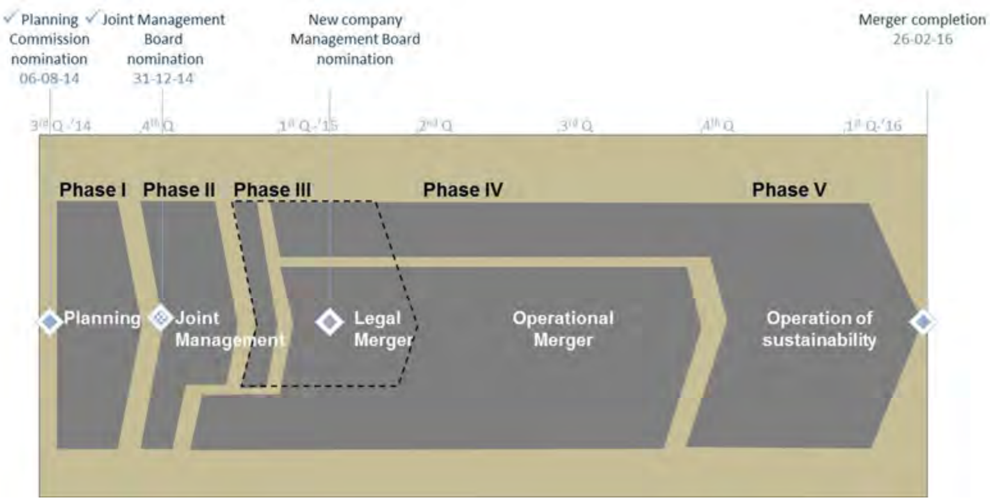
This can only be achieved through the hard work of the entire team of Refer. We also express our appreciation to the board of directors, which ceased its term of office at the end of the year.

REFER / EP Merger

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

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

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



Phase 1 - Planning: During this phase, which is already completed at this stage, the Planning Committee planned the entire merger process;

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

Phase 3 - Legal Merger: This phase will correspond to the legal incorporation of the company arising out of the merger, under name "Infraestruturas de Portugal, S.A." (hereinafter referred to as “IP, S.A.” or “IP”); it will be finalised following publication of the Decree-law on the merger, the by-laws of IP and the ministerial order establishing the company's share capital;

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

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

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

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

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

In overall terms, these objectives comprise the following:

Integrated planning and investments

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

Increased efficiency

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

Economies of scale in procurement

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

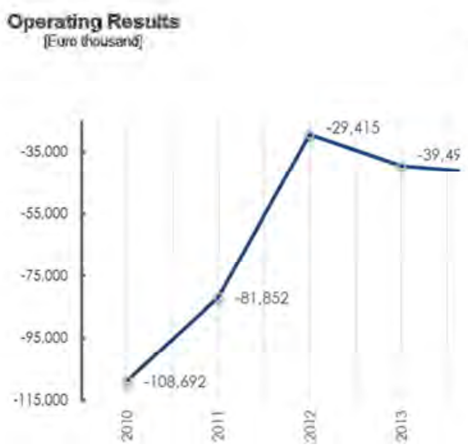
Achieve financial sustainability

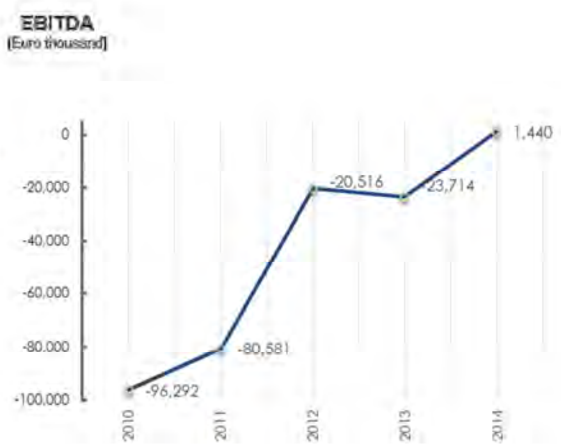
The combination of the different actions referred to above with critical actions concerning, for instance, the remuneration of the railway services provided (redefinition of track access charges, investment program with the government, etc.), or the renegotiation of existing road PPPs and conversion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

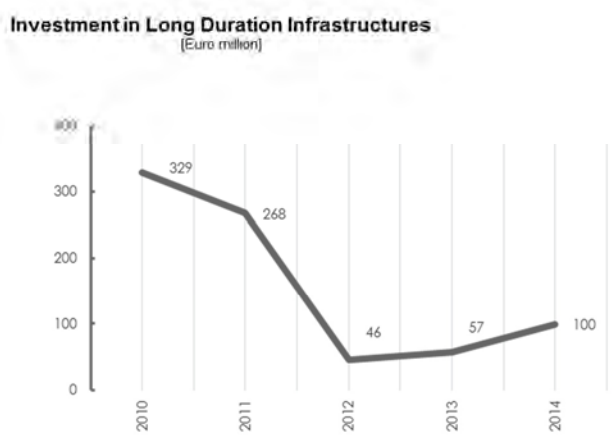
Strategic positioning of European / global energy programs

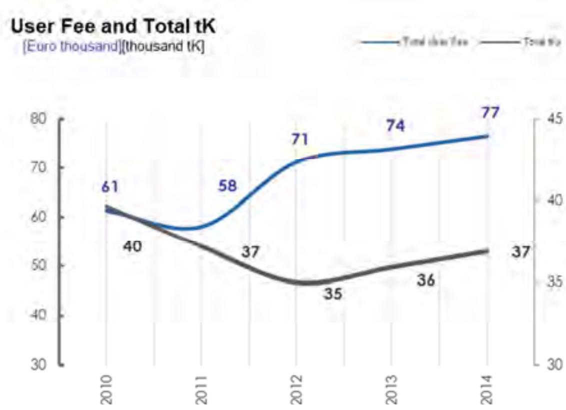
The definition of long term concessions granted by the State to IP for road and rail infrastructures should allow the company to align its investments with EU guidelines. Mobility generates waste. Presently, energy policies, particularly as far as their environmental aspects are concerned, are likely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

MAIN INDICATORS








User Fee and Total tK
[Euro thousand][thousand tK]
80
70
60
50
40
30
45
40
35
30
61
58
71
74
77
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37
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36
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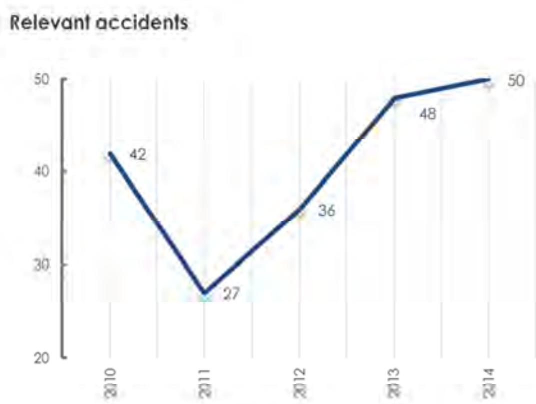
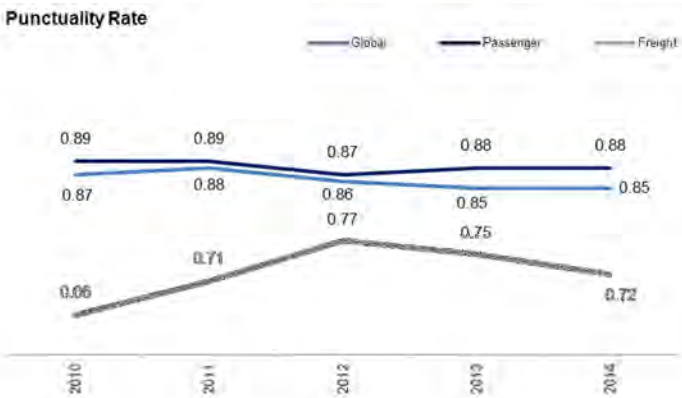
2010
2011
2012
2013
2014


Relevant accidents
50
40
30
20
42
27
36
48
50
2010
2011
2012
2013
2014


Punctuality Rate
Global
Passenger
Freight
0.89
0.89
0.87
0.88
0.88
0.87
0.88
0.86
0.85
0.85
0.77
0.75
0.71
0.66
0.72
2010
2011
2012
2013
2014

REFER IN 2014

January

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

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

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

IUR chose the Portuguese proposal for its quality and comprehensive nature, amongst other proposals coming from Czech Republic, Russia or Turkey.
It is the first time REFER is involved in the organisation of an IUR world congress.

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

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

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

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

February

REFER welcomes the Ministry for Transport and Communications of Mozambique

During his official visit to Portugal, the Mozambican Ministry for Transport and Communications, Mr. Gabriel Muthisse had a work meeting at REFER, where he was given an overview of the consolidated skills and know-how held within REFER's universe.

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

Lisbon V-day at Rossio Station

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

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

March

Electrification works of the Caíde-Marco stretch

The International Public Tender for the Electrification Works of the Caíde-Marco stretch on the Douro Line was published on the Official Gazette on 10 March.

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

Presidential Train travels to Famalicão

The National Railway Museum Foundation (NRMF) and the Local Council of Vila Nova de Famalicão organised a trip on board the presidential train. The trip started at Entroncamento station with a visit to the Railway Museum, and then headed to Lousado.

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

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

Valença International Bridge

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

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

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

This relevant investment permitted the reinforcement of the bases of the pillars and the stabilisation of foundation soil, particularly, the submerged areas in order to prevent undermining phenomena likely to jeopardize the stability of foundations.
Valença International Bridge secures the railway and road links between Portugal (Valença) and Spain (Tuy); the bridge consists of a steel multi-girder beam superstructure running on five continuous spans. The bridge is jointly owned by REFER, Estradas de Portugal and, on the Spanish side, by ADIF (railway infrastructure manager) and Dirección General de Carreteras.

Monitoring plan of the Alcácer by-pass

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

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

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

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

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

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

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

April

REFER's anniversary

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

PETI 3+

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

REFER Group on the "European Railway Review"

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

May

Internationalisation

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

June

International Level Crossing Awareness Day

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

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

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

Joint Undertaking Shift2Rail (S^2R) was created by (EU) Regulation (UE) 642/2014 published in (EU) Official Journal - it is a public-private partnership made up of sector peers and the European Commission.

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

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

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

Tunnel Digitalisation Campaign

The "3rd Tunnel Digitalisation Campaign through Laser Scanner" occurred from 26 May to 16 June.

These campaigns - carried out every five years since 2004 on all railway tunnels - are one of the most important methods of diagnosis and evaluation of the global management system of engineering structures.

July

Tripadvisor awards Excellence Certificate to Aveiro Station

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

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

Falling blocks detection system - monitoring through video surveillance

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

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

Baixa railway lines.

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

Completion of automation works at eight level crossings

Minho Line and Algarve Line

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

These works represented an investment of nearly € 883 thousand.

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

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August

Appointment of "Infrastruturas de Portugal" Planning Committee

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

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

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

REFER Group present at FILDA

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

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

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

September

Commemoration of the 125 years of the Cascais Line

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

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

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

October

Reinforcement of safety conditions in level crossings of the Cascais Line

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

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

Railway estate at the Lisbon Real Estate Exhibition

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

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

REFER distinguished with a Brunel award

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

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

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

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

Algarve Line | Completion of contract works

Electronic signalling, speed control and telecommunications contract works

The contract works for the electronic signalling, speed control and operation telecommunications on the Olhão – Vila Real de Santo António Stretch on the Algarve Line were completed.
These works aim at increasing safety levels and improving railway services. Total investment was of € 2.9 million

November

Electrification works of railway branch to the Aveiro harbour

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

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

2014 Customer Satisfaction Survey

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

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

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

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

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

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

December

2016 Network Directory

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

Terminals

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

APNCF Certification

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

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

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

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

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

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

ECONOMIC SITUATION

The year was marked by the official conclusion of the economic and financial assistance programme (EFAP) agreed in May 2011 between the Portuguese Government, the European Union (EU), the International Monetary Fund (IMF) and the European Central Bank. Viewing to regain the confidence of international financial markets and promote competitiveness and sustainable economic growth, the EFAP programme was based on three pillars: fiscal consolidation, stability of the financial system and structural change of the Portuguese economy. The financial assistance package totalled € 78 billion, of which € 52 billion were supported by European mechanisms and € 26 billion based on extended financing facility provided by the IMF.

The decision made by the Portuguese Government to exit the EFAP without recourse to a precautionary programme led rating agencies to improve their rating of the Republic, thus allowing a return to the markets. Ten-year public debt rates recorded a sharp decline.

2014 was also marked by a reversal in the recessive trend which the country has experienced over the past few years: GDP increased by 0.9% in volume, following a 1.4% drop in 2013. This was the first year of economic growth since 2011, on the back of a recovery in domestic demand.

Notwithstanding the favourable performance of debt markets, the public debt-to-GDP ratio in 2014 stood at 128.7% failing the 127.2% target envisaged in the State Budget for 2014. In spite of the decrease in debt recorded during the third and fourth quarters of 2014, the effect was not enough to offset the increase by 0.7% recorded as against 2013 (128%). The still hesitant level of economic growth combined with an implicit interest rate on debt above GDP nominal growth rate explain this performance.

Projections for the Portuguese economy reflect the continued adjustment process of macro economic imbalances. Business activity and prices are expected to grow at moderate pace, permitting a reduction of external debt.

The evolution of economic activity - presupposing that exports will maintain their growing pace - should translate in an annual average rate of change in GDP growth of 1.5% in 2015 and 1.6% in 2016. Domestic demand is likely to continue restrained by the indebtedness of the private sector and the fiscal consolidation process.

As far as public consumption is concerned, in effective terms, the current estimate points to a decrease by 0.9% in 2014. Projections for 2015 suggest an additional drop in the volume of public consumption, on the back of continued decrease in public administration jobs, albeit less marked than in the previous year, offset in part by a positive change in the acquisition of goods and services. In terms of the public

consumption deflator it should be noted that the current projection for 2015 takes into account a 20% reversal of the 2011 wage cuts in force since mid September 2014, and their full reversal in 2016.
Public investment on the other hand, after cumulative marked drops in the past few years, is expected to record a positive change in 2014 and stabilise in 2015-2016.

Projections for private consumption point to a slowdown in 2015 and 2016, by 2.1% and 1.3%, respectively. This slowdown reflects a decline in durable goods consumption, which is estimated to stand below 2008's levels in 2016.

MACROECONOMIC SCENARIO 2014-2016

[Banco de Portugal projections for 2014 - 2016]

[%]

	Change rate		
	2014	2015	2016
Gross Domestic Product	0,9	1,5	1,6
Private Consumption	2,2	2,1	1,3
Public Consumption	-0,5	-0,5	0,5
Contribution to GDP growth (in p.p.)			
Net exports	-0,3	0,9	0,9
Internal demand	0,6	0,6	0,6
Harmonised Index of Consumer Prices	-0,1	0,7	1

Source: Economic Bulletin: December 2014, Banco de Portugal

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. To this end, REFER ensures the maintenance works and investment as established by the Government for the development of the network.

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

INFRASTRUCTURE MANAGEMENT
This area covers the management of capacity, maintenance, upkeep and management of command and control systems, including signalling, regulation and dispatching, in order to ensure the safety and quality levels required from a public railway transport service.

INVESTMENT
The investment area encompasses the construction, installation and modernisation of the infrastructure, made on behalf of the State (assets belonging to the public railway domain).

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

INFRASTRUCTURE MANAGEMENT

I. National Railway Network

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

Characterisation of the National Railway Network

[km]

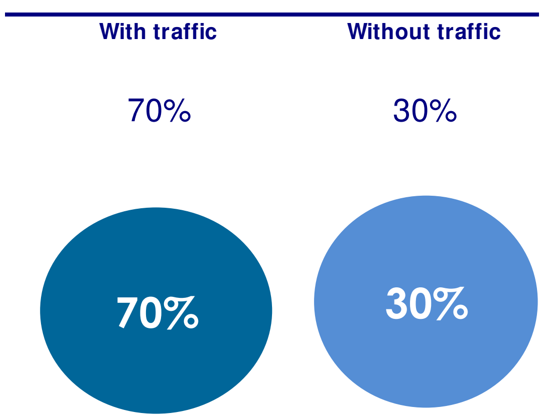
	With railway traffic					Without railway traffic	National Railway Network
	Electrified			Non electrified	TOTAL		
	25,000V	1,500V	Sub-total				
Wide track	**1 605**	**25**	**1 630**	**802**	**2 432**	**547**	**2 979**
Single track	1 020	0	**1 020**	802	**1 822**	547	2 369
Double track	537	25	**562**	0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

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

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

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

National Railway Network



REFER has sophisticated speed control systems deployed throughout the network. The Convel system, which is shared by Operators and REFER, provides the highest possible traffic safety levels, in compliance with signalling and 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 (65% of the network under operation).

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 train drivers of two trains.

This safety system is deployed in 1,506 km of the railway network (59% of the network under operation).

LEVEL CROSSINGS

The Plan for the Elimination and Reclassification of Level Crossings (LC) completed in 2014 - as provided under the terms of article 2 of Decree-Law 568/99 of 23 December - resulted in the elimination of 15 level crossings and reclassification of 28 (of which 23 became automated), and corresponded to a total investment of € 4,542 thousand.

At the end of 2014 there existed 856 LC under operation, as follows:

Type of Level Crossing

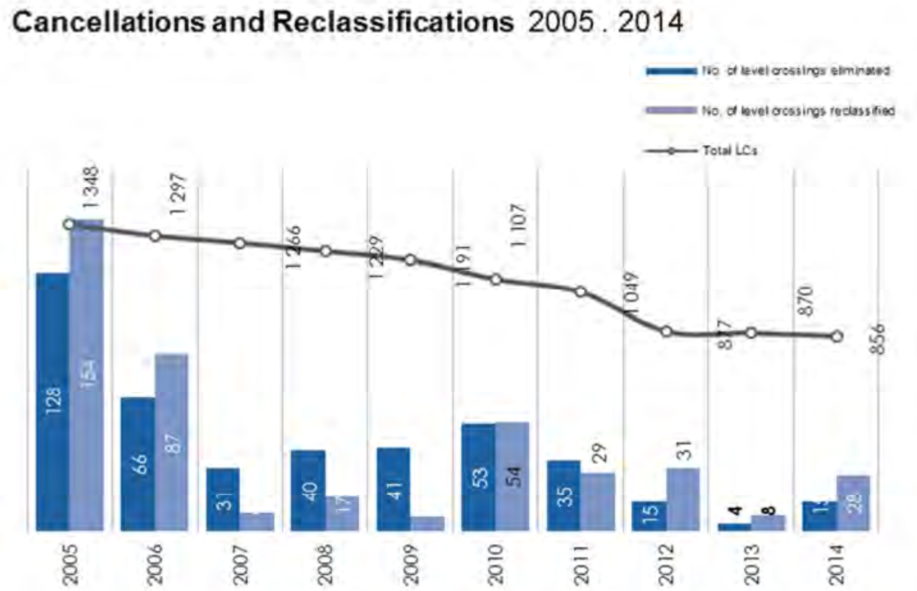
LC per typology	Quantity
Public LC	**772**
Automatic (Road):	**378**
Automatic with double half barriers	3
Automatic with half barriers	365
Automatic with no barrier	10
Guarded	**45**
Unguarded	**216**
Type D	170
5th Cat.	46
Pedestrians	**133**
Automatic	27
Non automatic	106
Private LCs	**84**
Automatic	8
Non automatic	76
Total LCs	**856**

Fifty four percent (54%) of these level crossings have active protection, ensured either by personnel or automatic signalling.

At the end of 2014 the average level crossing density was of 0.336 LC/km.

The safety awareness raising campaign "Stop, look both ways and listen before crossing" continued during the year. Within this scope, on 3 June REFER held the international conference marking the “International Level Crossing Safety Day”.

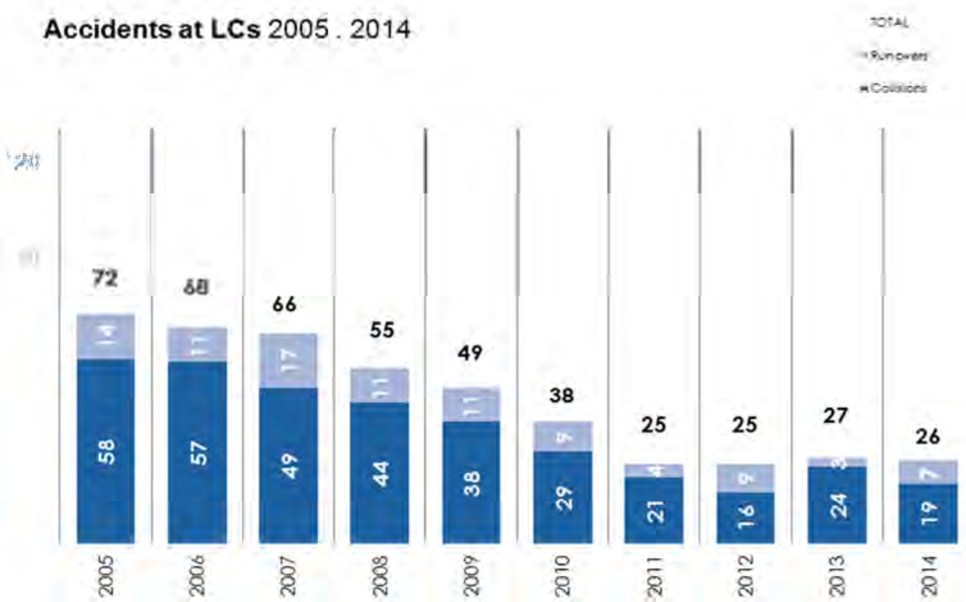
The following graph illustrates how the number of Level Crossings evolved over the past ten years:



As far as the accident rate is concerned, in 2014 the number of accidents at level crossings totalled 26 (19 collisions and 7 people hit by trains), resulting in 4 fatalities, 5 serious injuries and 2 minor injuries, corresponding to a FWI (Fatalities and Weighted Injuries) of 4.520.

The 26 accidents recorded in 2014 involved a total of 198 trains, accumulating 5794 minutes of delay, resulting naturally in losses for both passengers and railway traffic.

At level crossings the accident rate has evolved as follows:



The adopted policy on closing and improving safety conditions at level crossings has contributed to a sustained decrease in the accident rate, by 83%, whereas the fatalities rate dropped by 85% as compared to 1999. The goal set forth for 2015 in the strategic guidelines for the railway sector, specifically to achieve a reduction in the accident rate by 60% over 2005 was successfully met (less 29 accidents).

On the other hand, 62% of accidents have occurred in LCs equipped with active protection, which shows a clear disrespect for existing signs; the efficacy of measures introduced to increase safety depends on the behaviour and accountability of LC users.

In view of these evidences, REFER will continue to bank on the "Stop, look both ways and listen before crossing" campaign and will continue involved in other institutional activities, such as the "International Level Crossing Safety Day" which will be held on 3 June 2015.

REFER is also committed to its ongoing action plan to reduce accidents at railway crossings, having set as goals to be achieved until 2020 an over 40% decrease in LC accidents as compared to 2013, i.e. less 17 accidents per year.

II. Business Development

REFER promotes and develops strategies for the creation and reinforcement of business opportunities in the railway market, consolidating and enhancing the position of the Group at national and international levels.

Domestic Background

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

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

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

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

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

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

REFER provides the following services to operators:

ESSENTIAL SERVICES

These include all services required to provide right of access to the infrastructure.

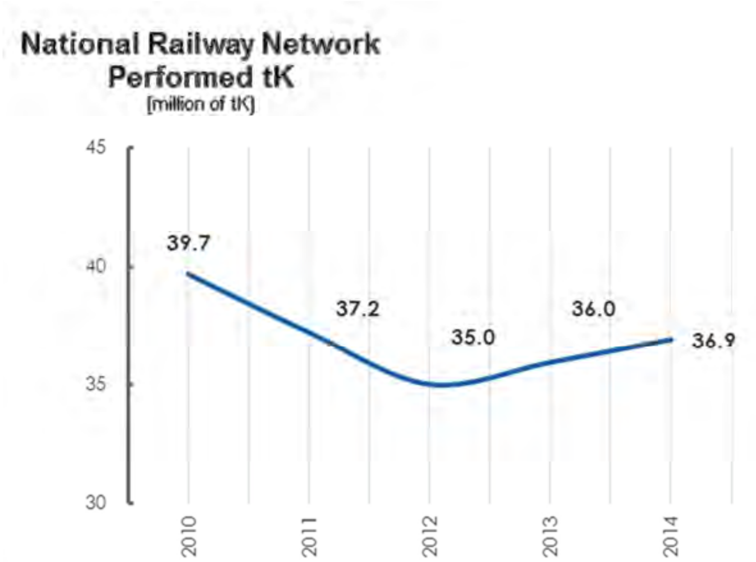
ADDITIONAL SERVICES

These are the additional services which may be provided by REFER: electric power for traction under the terms of the relevant law; shunting, parking of rolling stock; and, contracts relating to uncommon transport operations.

AUXILIARY SERVICES

Services to be provided in specific facilities, including: marketing information; availability of operational facilities at stations; availability of areas for the installation of equipment at stations; supply of labour force for operational activities (fuel and other supplies); access to telecommunications (as provided in specific document, to be supplied upon request); authorisations for train movement; studies on capacity and viability of supply.

In 2014 train operators performed 37 million Tk (train x kilometre) on the network managed by REFER, corresponding to an increase by 1 million Tk over 2013:

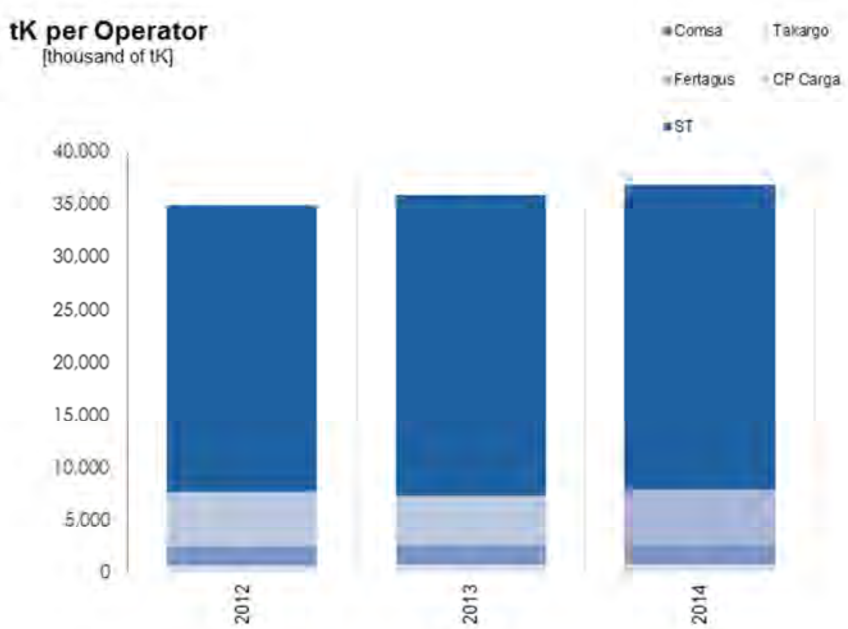


The freight transport segment was the main driver of this performance (575 thousand Tk, corresponding to an increase by 11% over 2013), although passenger transport also grew (by 338 thousand Tk, i.e. 1.3% over 2013).

Unit: million of tK

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

The railway line posting the highest traffic in overall terms was the Northern Line, accounting for 39% of the network's use.



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

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

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

Finally, we point out the official start-up of the Railway Freight Corridor (or Atlântico corridor) on the 10th of November 2013. In view of the extension of the corridor up to Germany, the company is working actively to integrate DB Netz AG - the German infrastructure manager - in the management structure of the corridor - AEIE CFM4.

International background

The Group's internationalisation strategy is clearly established in REFER's plans for 2014-2016 and 2015-2017, which views the “supply of new products and services, market diversification and international expansion”.

In May 2014 the REFER Group approved its Strategic Plan for the Development of International Operations, to be used as guideline in the search of news markets, while establishing a set of consistent and structured action principles.

In overall terms, the Strategic Plan identifies target markets; sets forth the Group's services and skills with international potential; privileges institutional cooperation; favours the setting up of partnerships with local companies in respective markets and promotes the railway cluster in order to reach the entire value chain.

A summary of main developments is presented below:

- **Commercial action**- REFER established contacts with public entities and companies holding responsibilities in the railway management of respective target markets, as well as with Portuguese companies of the sector operating abroad, viewing to present REFER's new commercial strategy. By way of example, REFER was present at the Angola International Fair - FILDA – held in Maputo, in August.

- **Technical visits and Entrepreneurial missions** - a delegation of the REFER Group went to Brazil in the beginning of June, specifically to Brasília and Salvador da Bahia, Brazil, where it held various meetings with a view to set up partnerships in this market. In October/November, the REFER Group integrated the entrepreneurial mission to Cuba organised by AICEP.

- **Partnerships** - REFER entered business cooperation protocols with Portuguese businesses which are complementary to REFER's activity and will add value to its product. The Group works actively with these companies in the search of business opportunities and the presentation of joint business proposals.

Proposals and Projects – In 2014 the Group increased gradually its response to invitations and tenders launched in target markets, especially in Mozambique.

Namely, in 2014 the REFER Engineering / ECM / PROMAN joint-venture won the "Project for the renovation, modernisation and expansion of the railway system of the Ressano Garcia, Maputo and Matola Harbours and goods terminal" awarded by CFM - Portos e Caminhos de Ferro de Moçambique.

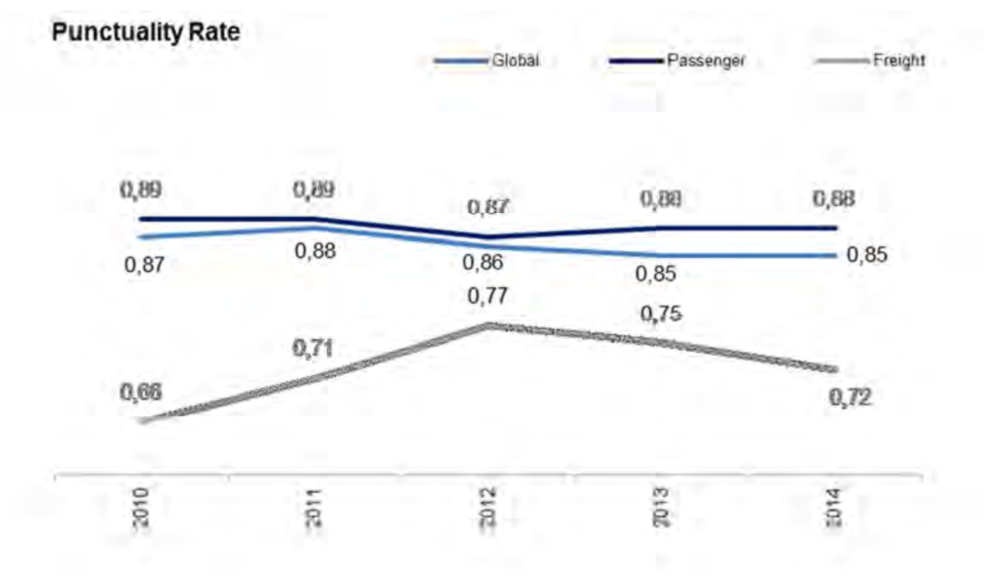
In line with the work started in 2013, REFER Engineering, in partnership with PROFICO, has carried out a series of studies and projects for the Brazilian mining company VALE; this company holds coal mining concessions in Moatize (Tete province), in Mozambique.

III. Service Level

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

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

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



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

IV. Maintenance and upkeep

This area develops management and maintenance coordination policies and strategic planning for the maintenance of the railway network, ensuring maintenance is adequately made, thus:

- contributing to a sustainable national railway network;
- optimising the cost of the assets life cycle;
- ensuring availability and safety in operations;
- developing technical and management skills.

– creating value

While complying with these goals, several activities were developed or continued, amongst which we highlight the following:

Signalling Maintenance Strategy - with a view to ensure the implementation of suitable quality and safety standards, strengthen internal skills and reduce operating costs, 1st line signalling maintenance based on state-of-the-art technology, and inspection of the infrastructure will be made using internal resources.

Development of the Asset Management Plan - this plan covers maintenance and renovation and eventually modernisation investments, viewing the fulfilment of strategic goals.

This is a long term plan covering the 2015-2034 period.

Revision of Service and Quality Levels viewing to ensure a reliable and safe infrastructure to end users. Traffic data analysis allows monitoring the direct performance of the network, but also the management of railway assets.

Certification of REFER as responsible wagon maintenance company, pursuant to EC Regulation 445/2011.

Inspection and Diagnosis - Goals set forth for the overall quality of the railway infrastructure were met:

Classification of the Network	% analysis of quality indexes			No. of sections analysed
	QN1	QN2	QN3	
Main	82%	13%	5%	9 120
Complementary	83%	12%	5%	4 393
Secondary	76%	14%	11%	1 723
Global	**82%**	**13%**	**6%**	**15 236**

In general terms, QN1 represents a stretch in good conditions; QN2 reveals maintenance needs in the medium term; and, QN3 translates an urgent need for intervention, although the safety of railway traffic is never at stake.

V. Safety

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

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

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

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

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

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

- Analysis and Risk Assessment, with a view to publish the Risk Analysis Cards and define prevention measures for the activities to be developed, within the scope of occupational safety;
- Creation and development of training actions in the areas of occupational safety and emergency management;
- Analysis and inputs to tender documents and preparation of the relevant safety management tool;
- Taking over of coordination functions concerning project and work safety and railway maintenance services at national level;
- In the fields of occupational safety and emergency management, follow-up of preventive measures through inspections and audits, promoting their efficiency and operability;
- Awareness raising campaigns/actions to consolidate a safety culture within the company (Brigades Challenge and "Report, Analyse, Prevent" project);
- Within the scope of Emergency Management, specifically in what concerns the planning of emergency management procedures for the National Railway Network, the General Emergency Plan (IET nr. 96) was finalised; this plan establishes the rules and procedures to adopt in emergency situations as well as an efficient articulation between the Infrastructure Manager and railway operators;
- In compliance with DL nr. 220/2008, safety plans (self protection measures) were conducted in buildings managed by REFER, in articulation with the National Civil Protection Authority;
- Emergency procedures to ensure ongoing activity in contingency situations were tested at nationwide level.
- In order to comply with DL nr. 188/2009 and DL nr. 184/2012, REFER implemented the External Automatic Defibrillation programme, starting at the following stations:

- São Bento
- Cais do Sodré

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

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

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

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

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

The activity of the **Safety Division** aims at encouraging a proactive personal stance, in terms of railway operation safety and the suitability of behaviours, to improve personal safety and security in general; this strategy should result in increasing collective awareness to security and safety issues, particularly in railway operation, which should ultimately have a positive impact on performance.

INVESTMENT

REFER's core object is the management and development of the railway infrastructure, in a sustainable way, delivering added value to the community and the economy.
REFER develops its operations based on the most suitable management techniques, guided by high quality, environmental and safety standards.

In 2014 the **overall investment volume** at technical costs carried out by REFER was of € 102,659 thousand, of which € 99,851 thousand corresponded to investment in Long Duration Infrastructures (LDI).

Estimated total investment in 2014 amounted to € 77,625 thousand, corresponding to an achievement level of 132% as against projections.

Summary of investments in LDI and MSS - 2014

Investment at technical costs — Unit: euro thousand

2014 Investment	2014 Budget	Effective 2014	Implementation %	Effective 2013	% Change 2014/2013
Total	**77,625**	**102,659**	**132%**	**57,836**	**177%**
Long term infrastructures investment	**74,817**	**99,851**	**133%**	**57,119**	**175%**
Network Safety and Efficiency [(a)]	18,753	13,146	70%	20,849	63%
Infrastructure renovation	18,206	9,030	50%	6,006	150%
Regional connections	22,211	8,479	38%	10,956	77%
Links to logistics platforms and harbours	11,961	5,157	43%	3,671	140%
Total Metropolitan Areas	3,595	1,095	30%	12,031	9%
Mondego Mobility System	90	185	205%	3,605	5%
Transfer of railway terminals	0	62,760	---	0	
Management Supporting Structures	**2,809**	**2,809**	**100%**	**718**	**391%**
Investments in Fixed Assets	1,711	2,595	152%	41	6350%
Operating expenditure	878	214	24%	682	31%
Studies [(c)]	220	0	0%	-5	---

[(a)] Includes €3,049,151.13 relating to the transfer of optical fibre and GSM-R assets from Refer Telecom to Refer

- **Railway Terminals**

The Council of Ministers held in April 2014 approved the Strategic Infrastructures and Transport Plan (PETI3+); according to this Plan the management of railway terminals formerly managed by CP Carga were transferred to REFER, in order to implement the principle of free and non discriminatory access to all operators.

Transfer of railway terminals

Unit: euro thousand

Project	Effective
Poceirão	1,589
S. Mamede Infesta	402
Leixões	4,720
Mangualde	2,403
Guarda	1,541
Fundão	2,049
Leiria	970
Praias do Sado	987
Bobadela	20,988
Loulé	1,314
Estremoz	558
Vale Rosa	1,047
São Romão	196
Darque	1,687
Assessment of machinery and equipment	22,309
Total	**62,760**

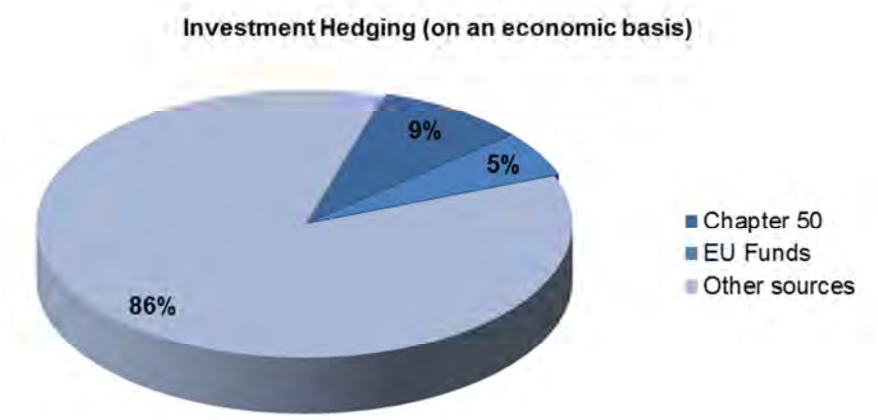
Accordingly, of the total investment in ILD in 2014, € 62,760 thousand correspond to the transfer of the railway terminals ownership to REFER, as provided in Joint Order of the State-Secretary for the Treasury and the State-Secretary for Infrastructures, Transport and Communications dated 23 April 2014; € 3,049 thousand related to the transfer of optical fibre and GSM-R assets from REFER Telecom to REFER.

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

Investment in Management Supporting Structures accounted for nearly 3% (€ 2,809 thousand) of total investment, of which 67% related to the purchase of Microsoft licences and software.

HEDGING (ON AN ECONOMIC BASIS) OF THE INVESTMENT PLAN

2014 investment was hedged as follows:



RESULTS AND EQUITY STRUCTURE

RESULTS

Unit: euro thousand

INCOME AND LOSS STATEMENT	2013	2014	% Change
Sales and services	100,121	99,708	0%
Operating subsidies	43,700	40,493	-7%
Other income	25,811	51,463	99%
Operating Revenues	**169,631**	**191,664**	**13%**
Expenses w ith material usage	6,402	5,100	-20%
Supplies and Services	94,404	95,456	1%
Personnel expenses	90,559	81,409	-10%
Depreciation and amortisation for the year	2,762	3,106	12%
Impairments	4,750	37,110	681%
Provisions for other risks and charges	8,272	3,272	-60%
Other expenses	1,982	8,259	317%
Operating expenses	**209,130**	**233,711**	**12%**
Operating profit/(loss)	**-39,499**	**-42,047**	**6%**
EBITDA	**-23,714**	**1,440**	**-106%**

In relation to 2014 the following is worth mentioning:

- Increase in **Operating Income** (+€22,033 thousand) over 2013;
- **Operating Results** -€42,047 thousand in 2014 as against -€39,499 thousand in 2013;
- **Positive EBITDA** -€1,440 thousand in 2014 as against -€23,744 thousand in 2013;

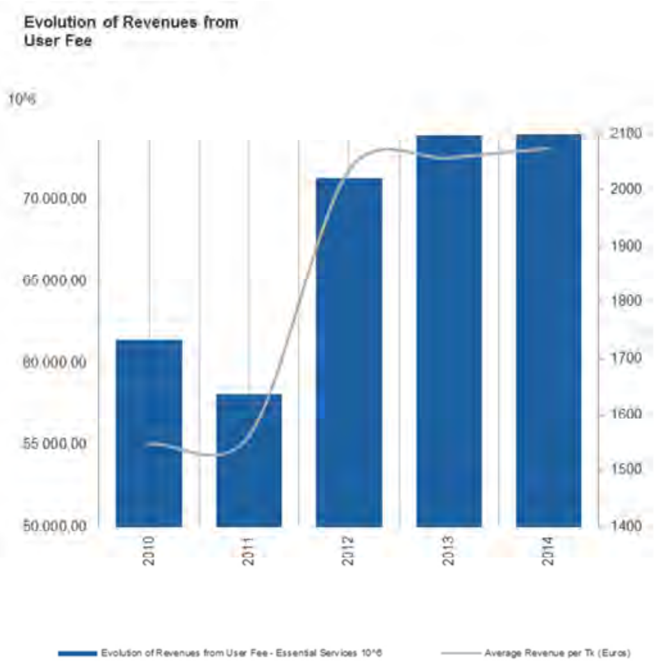
Unit: euro thousand

Operating Revenues	2013	2014	Deviation	%
User Fee	73,929	76,563	2,634	4%
Other services rendered	9,465	9,925	460	5%
Other income	25,811	51,463	25,653	99%
Sub-total	**109,205**	**137,951**	**28,746**	**26%**
Compensatory indemnities	43,700	40,493	-3,207	-7%
State Grantor	16,727	13,220	-3,507	-21%
Operating Revenues	**169,631**	**191,664**	**22,033**	**13%**

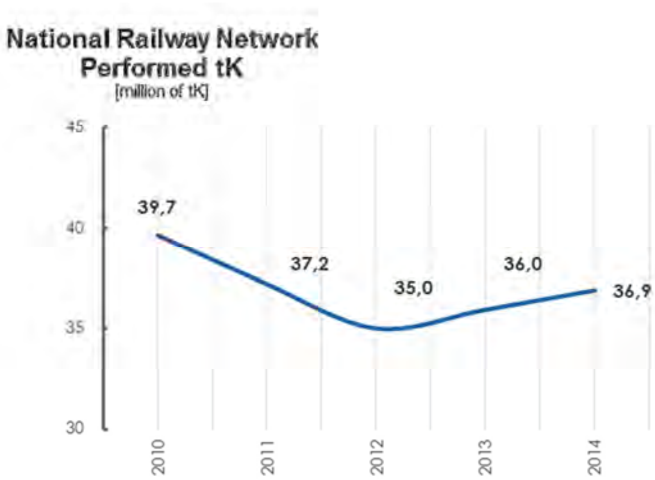
Operating income rose by € 22,033 thousand over 2013, as result of the combined effect of an increase in **User Fees** (+€2,634 thousand), an increase in **Non Core Income** (+€25,653 thousand) and a decrease in Redundancies and State Grantor (-€6,714 thousand).

REFER's **core** activity is to make the railway infrastructure available to operators. This access and use is made against the payment of fees (User Fee or Track Access Charge) as determined by the relevant official authority - Instituto da Mobilidade e Transportes (IMT) - as provided in Regulation 630/2011.
The User Fee accounts for approximately 77% of the turnover of REFER.

The increase (by +€ 2,634 thousand over 2013) in income stemming from User Fees was due to the combined effect of the use of the railway infrastructure (+5% of trains–kilometre (Tk)), 37,923 thousand Tk in 2014 as against 35,952 thousand Tk in 2013, and an increase by 2% in the base fee per Tk (€ 2.0 in 2013 to €2.04 in 2014).



From a 5-year period historic perspective, the use of the network decreased in terms of volume, particularly in 2012 (35,022 thousand Tk in 2012 as against 39,672 thousand Tk in 2010); notwithstanding, this decrease in volume was offset by an increase in the base fee per Tk. This rise in the base fee resulted from the application of new rules to determinate 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.



Unit: euro thousand

USER FEE	2013	2014	Ch. 2014/2013	%
Passenger	62,939	65,102	2.163	3%
Freight	7,475	8,486	1.011	14%
Unladen	1,516	1,638	122	8%
TOTAL USAGE CHARGE	**71,930**	**75,226**	**3,296**	**5%**
Capacity requested and not used	1,999	1,337	-662	-33%
TOTAL	**73,929**	**76,563**	**2,634**	**4%**
BASE TARIFF / CK	**2,00 €**	**2,04 €**	**0,04 €**	**2%**

The freight segment used more 575 thousand Tk in relation to 2013, whereas the passenger segment only grew by 338 thousand Tk, suggesting a reversing trend in economic activity.

The drop occurred in Capacity Requested and Not Used (-€662 thousand) translates the decrease in labour conflicts and consequent fall in trains cancelled.

In 2014 the amount received from the State by way of **Compensatory Allowance** for the rendering of public services dropped by € 3,207 thousand. This allowance amounted to € 40,493 thousand in 2014 as provided in the State Budget for 2014 and confirmed by Council of Ministers Resolution 52/2014.

Non Core income, except for dividends of subsidiaries, evolved favourably in relation to 2013:

Unit: euro thousand

Non core income	2013	2014	Deviation	%
Concession of Commercial Areas - RP	5,080	5,879	799	16%
Other concessions	636	636	0	0%
Telecommunications Concessions - RT	2,885	3,285	401	14%
Lease of fibre	139	139	0	0%
Waste	10,237	2,747	-7,490	-73%
Supply of energy and water	1,086	649	-437	-40%
Assignment of personnel and materials	1,220	203	-1,018	-83%
Other income	1,735	28,858	27,123	1564%
TOTAL	**23,018**	**42,395**	**19,377**	**84%**

Income from **Telecommunications Infrastructure and Commercial Area** increased by €1,199 thousand as against 2013 due to a surge in the turnover of REFER Telecom, extra clients and concessions for commercial areas contracted by REFER Património.

The **Residues caption** recorded a significant fall in relation to 2013 (€ 10,237 thousand in 2013 to € 2,747 thousand in 2014) as the contract entered with Siderurgia Nacional for the disposal of rail and ferrous materials waste reached its peak in 2013. This contract, which was scheduled to end in March 2014, thus terminated in January of the said year.

The **Other Income** caption rose by €27,123 thousand following the acquisition of the entire share capital of GIL, which also included the acquisition of loans to former shareholders of this subsidiary (Parque Expo and Metro Lisboa), totalling € 26,929 thousand.

REFER's **Operating Results** decreased by € 2,548 thousand in 2014.

Unit: euro thousand

Operating profit/(loss)	2013	2014	% Change
Operating Revenues	169.631	191.664	13%
Operating expenses	209.130	233.711	12%
Operating profit/(loss)	**-39.499**	**-42.047**	**6%**

Despite an improvement in operating income (+€22,033 thousand), **Impairments** and **Other Expenses** rose (by +€38,637 thousand), thus negatively affecting Operating Results.

EBITDA in 2014 stood at € 1,440 thousand, reflecting a considerable recovery in relation to 2013, by € 25,445 thousand. To a large extent, this increase reflects an accounting effect on other operating income (€ 26,929 thousand), stemming from the acquisition of the loans granted to GIL by Parque Expo and Metro Lisboa.

In overall terms, remaining operating expenses recorded a downward trend in relation to 2013:

Unit: euro thousand

Operating expenses	2013	2014	Deviation	%
Expenses w ith material usage	6,402	5,100	-1,301	-20%
Supplies and Services	94,404	95,456	1,052	1%
Personnel expenses	90,559	81,409	-9,151	-10%
Depreciation and amortisation for the year	2,762	3,106	0,344	12%
Impairments	4,750	37,110	32,359	681%
Provisions for other risks and charges	8,272	3,272	-5,000	-60%
Other expenses	1,982	8,259	6,278	317%
Operating expenses	**209,130**	**233,711**	**24,581**	**12%**

Unit: euro thousand

Supplies and Services	2013	2014	Deviation	%
Sub-contracts	63,336	65,612	2,276	4%
Car fleet	2,447	2,353	-93	-4%
Communications - fixed and mobile	763	592	-171	-22%
Cleaning	2,012	1,957	-55	-3%
Surveillance	4,598	4,857	258	6%
Electricity	6,239	5,875	-364	-6%
Traction Power	5,302	5,009	-293	-6%
Other supplies and services	9,706	9,201	-506	-5%
Total Supplies and Services	**94,404**	**95,456**	**1,052**	**1%**

Subcontracts - this caption accounts for nearly 69% of Supplies and Services. It increased by € 2,276 thousand over 2013 due to a surge in engineering services, specifically a contract entered with REFER Engineering in the amount of € 1,782 thousand for the development of a set of modernisation and innovation measures viewing providing the REFER Group with proactive, technically independent and highly performing engineering services.

This caption is made up of subcontracted maintenance works, namely maintenance of tracks, signalling, and telecommunications, overhead line, all of which account for 84% of subcontracting expenses.

Car fleet

Unit: euro thousand

CAR FLEET	2013	2014	Deviation	%
Car lease rents	1.210	1.069	-140	-12%
Fuel	742	750	8	1%
Tolls	184	224	39	21%
Maintenance	184	199		
Insurance	117	102	-14	-12%
Car tax	11	10	-1	-11%
Total	**2.447**	**2.353**	**-109**	**-4%**

Number of cars	2013	2014	Change
	353	**339**	**-14**
Leases	101	227	126
Company	252	112	-140
Car Fleet/Vehicle expenses	**0,007**	**0,007**	**0%**

Expenses with the company's car fleet totalled approximately € 2,353 thousand in 2014, i.e. 4% less than in 2013 (€109 thousand); this performance was driven by a decrease in the number of vehicles (from 353 to 339) and consequently a decrease in fuel and leasing rents. The car fleet of REFER is mainly composed of vehicles needed for its operational activity.

Expenses with the car fleet stood 11% below estimates, i.e. less € 303 thousand.

Staff expenses - staff expenses fell by € 9,151 thousand (-10%) in relation to 2013, as that year the company had to recognise expenses with the reinstatement of holiday pay relating to 2012, in the amount of € 5 million; the number of employees also decreased.

However, following the Constitutional Court's decision requiring the full reinstatement of wages, these expenses recorded a rise € 6,036 thousand (8%).

Unit: euro thousand

Personnel expenses	2013	2014	Deviation	%
Personnel expenses (without redundancies)	86.301	78.149	-8.152	-9%
Redundancies	4.258	3.260	-998	-23%
Total	**90.559**	**81.409**	**-9.151**	**-10%**
Average employees	**2.642**	**2.513**	**-129**	**-5%**

In 2014 provisions in article 33 o Law 83-C/2013 of 31 December, approving the State Budget for 2014 had to be applied; these referred to wage cuts for public companies employees.

Net Results

Net Result remained practically unchanged in relation to 2013, recording a minor positive change of € 71 thousand.

Unit: euro thousand

Net Results	2013	2014	% Change
Operating Revenues	169,631	191,664	13%
Operating expenses	209,130	233,711	12%
Operating profit/(loss)	**-39,499**	**-42,047**	**6%**
Financial Result	**-55,860**	**-72,087**	**29%**
Tax for the year	6,223	25,069	303%
Net Results	**-89,136**	**-89,065**	**0%**

On par with the deterioration in Operating Results (-€ 2,548 thousand), Financial Results also worsened (-€ 16,227 thousand), though they were offset by a positive effect of Tax Income for the year (+€ 18,846 thousand). This effect resulted from the accounting of deferred taxes relating to reportable tax losses deductible in future tax profit.

Chapter "Management of Financial Debt and Debt" describes Financial Results in more detail.

CASH FLOWS

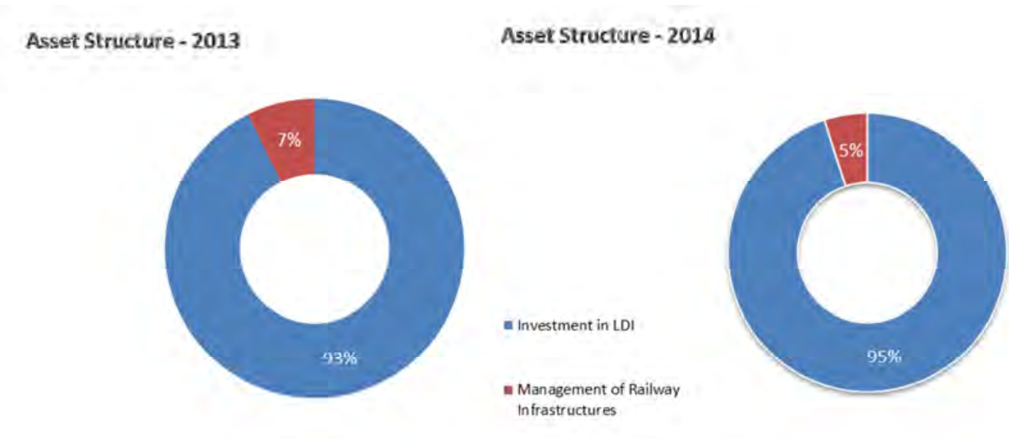
REFER's activity in 2014 was funded by operating subsidies (€ 49,493 thousand), by PIDDAC (€ 9,823 thousand), State Loans (€ 64,000 thousand) and statutory capital increases (€ 1,034,800 thousand).

EQUITY STRUCTURE

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

Assets

REFER's capital structure did not change much in relation to 2013, i.e., Investment in Long Duration Infrastructures continues to be the activity bearing the largest weight in overall terms, accounting for 93% and 95% of total assets in 2013 and 2014, respectively.



Assets allocated to the Management of the Railway Infrastructure fell by €118,274 thousand as result of the following:

- decrease in the balance of **cash and cash equivalent** (-€ 4,965 thousand). At 31 December 2014 the balance of this heading was of € 75,469 thousand.
- decrease in the balance of **Clients and other accounts receivable** (-€ 119,981 thousand) resulting mainly from the settlement of user fees by CP in the amount of € 209,387 thousand and other users.

- Assets allocated to Investment in Long Duration Infrastructures rose by € 286,271 thousand, mainly due to an increase in financial assets Grantor - State - Account Receivable (+ € 283,667 thousand). This increase resulted from the combined effect of a surge in assets under concession, a decrease in subsidies to cover such assets, and higher interest paid.

thousand euro

Assets	31.12.2013	31.12.2014	Change	% Ch.
Management of Railway Infrastructure	**395 869**	**277 595**	**- 118 274**	**-30%**
Non current	62 504	71 595	9 091	15%
Current	333 365	206 001	- 127 364	-38%
Investment in Long Duration Infrastructure investments	**4 989 628**	**5 275 899**	**286 271**	**6%**
Total assets	**5 385 497**	**5 553 494**	**167 998**	**3%**

Liabilities

Total liabilities decreased by € 777,737 as against 31 December 2013. This performance was mainly driven by the repayment of loans in the amount of € 752,296 thousand.

Borrowings decreased by € 91,261 thousand, including with the European Investment Bank (€ 715,774 thousand).

(thousand euro)

Liabilities	31.12.2013	31.12.2014	Change	% Ch.
Management of Railway Infrastructure	**2 329 080**	**2 624 356**	**295 276**	**13%**
Non current	1 514 836	1 160 264	- 354 572	-23%
Current	814 244	1 464 093	649 849	80%
Investment in Long Duration Infrastructure investments	**5 035 070**	**3 962 057**	**-1 073 013**	**-21%**
Non current	4 879 119	3 801 786	-1 077 333	-22%
Current	155 951	160 271	4 320	3%
Total Liabilities	**7 364 150**	**6 586 413**	**- 777 737**	**-11%**

Equity

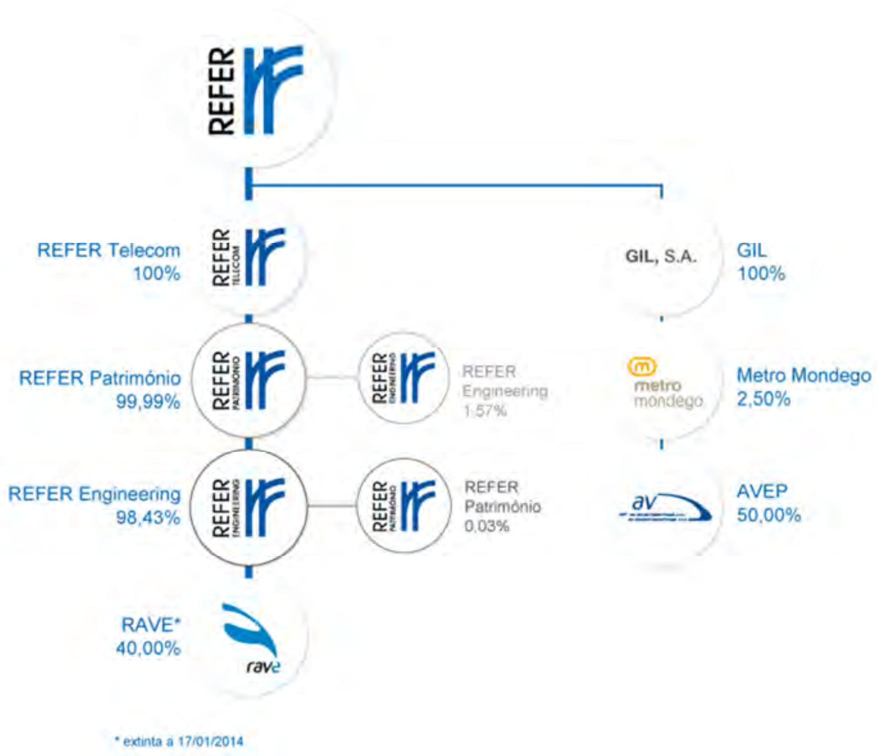
(thousand euro)

Equity	31.12.2013	31.12.2014	Change	% Ch.
Share capital	451 200	1 486 000	1 034 800	229%
Other changes in equity - deferred taxes	- 26 260		26 260	---
Cumulative results	-2 314 458	-2 429 854	- 115 396	5%
Net profit/(loss) for the year	- 89 136	- 89 065	71	0%
Total equity	**-1 978 654**	**-1 032 919**	**945 735**	**-48%**

Statutory capital was increased by € 1,034,800 thousand as follows: € 795,056 thousand through conversion of the debt service associated with State Loans and € 239,744 thousand through cash entries to meet the remaining debt service and part of investment.

THE GROUP

REFER has equity holdings in companies for profit-making purposes, though not allocated to railway operation.



AFFILIATE 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 equity holdings in other companies.

Its sole shareholder is REFER, EPE. and its share capital is of €m10.

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 nomadic **VoIP service provider**, licensed to operate the GSM-R system in frequency bands of 876 – 880 MHz e 921 – 925 MHz.

REFER Telecom is also a railway telecommunications operator. Its mission consists of ensuring an efficient management of the telecommunications concession granted by the Shareholder, providing a wide range of state-of-the-art and high quality services in the field of Information Technology and Communications, viewing to obtain market gains. In addition to rendering railway telecommunications services, REFER Telecom provided technical advisory to its shareholder.

The merger of the Information Systems Department of REFER, EPE (DSI) into REFER Telecom consolidated this company's skills in key and value added areas in support of the Group's core business.

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

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

Its shareholders are REFER, EPE and REFER Engineering and its share capital is of €15 million.

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 continuous access to all information available concerning REFER's real estate assets.
- Management, maintenance and current administration of stations, real estate undertakings and remaining property not allocated to railway operation.

These services affect all users, whether railway passengers, concessionaires or users of deactivated and requalified property, as for instance ecotracks.

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

Its shareholders are REFER, EPE and REFER Património and its share capital is of € 1.5 million.

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 transport, 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, SA

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 linking Portugal to the Spanish network. The merger of the company's activity into REFER started in 2011 was completed in 2013.

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

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

2014 INDICATORS

REFER subsidiaries' main indicators for 2014 are as follows:

2014 Indicators
Euro thousand

Associates	December 2014				
	REFER Engineering	Refer Património	Refer Telecom	G.I.L.	Metro Mondego
Equity Holding	98.43%	99.99%	100.00%	100.00%	2.50%
Non current assets	4 536	7 502	7 170	69 969	37 429
Current assets	7 059	17 453	24 070	6 195	1 065
Total assets	11 595	24 955	31 239	76 164	38 494
Equity(non including net profit/(loss))	5 612	8 771	16 799	- 11 691	29 686
Net results	943	513	2 566	192	- 25
Liabilities	5 040	15 671	11 873	87 663	8 833
Operating income	10 052	12 530	26 007	4 360	558
Operating expenses	9 670	12 122	22 517	3 602	581
NV	9 612	11 727	25 527	2 772	0
Average number of employees	160	65	178	6	
Turnover / no. of employees	30 202	169 040	129 566	783 677	n.a.
Cost to Income Coverage	104%	103%	115%	121%	96%
Gearing	48%	35%	54%	-15%	77%
EBITDA	291	207	775	- 161	- 34

FINANCIAL MANAGEMENT AND DEBT

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

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

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

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

Pursuant to Law nr. 18/2013 of 18 February, Decree-law 133/2013 of 3 October "...*establishes the principles and rules applicable to the corporate public sector, including the general bases of the status of public enterprise*…". In addition to establishing reporting and disclosure obligations, or the setting up of a new organizational structure in line with the State entrepreneurial sector, this Law establishes and imposes clear rules on indebtedness levels and management of derivative financial instruments for Reclassified Public Companies. As a matter of fact, Article 29 of the said Law determined that these companies (RPCs) cannot access funding with financial institutions except for those of multilateral nature (e.g. European Investment Bank), while article 72 provides the transfer of these companies' derivatives portfolios to the Public Debt and Treasury Management Agency (Agência de Gestão da Tesouraria e da Dívida Pública – IGCP, EPE (IGCP)).

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

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

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

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

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

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

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

- Early settlement of the last existing swap, which had a notional value of €150,000 thousand. This operation viewed to recover the market value of the swap, allowing a cash inflow of € 3,417 thousand.

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

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

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

EVOLUTION OF FINANCIAL DEBT

As mentioned above, in 2014 the company carried out increases in statutory capital by a total amount of € 1,034,800 thousand. The operations consisted of conversion of credit and cash contributions and they aimed at covering the following financing needs:

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

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

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

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

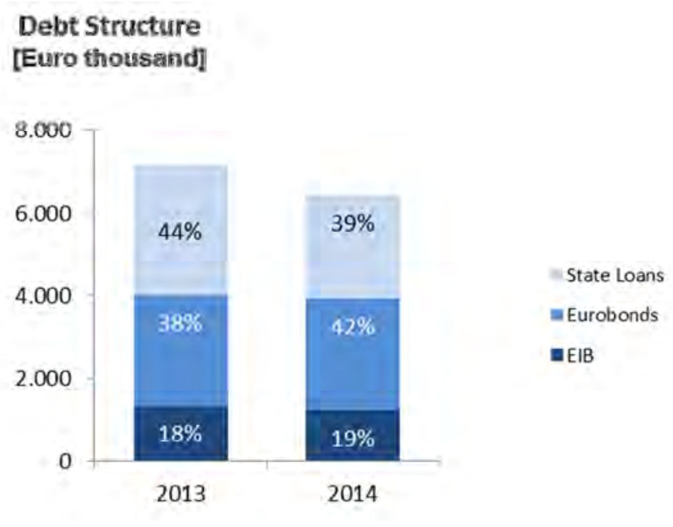
As result, REFER's debt stock improved by € 743,035 thousand, falling from € 7,160,943 million, in nominal terms, in 2013, to € 6,417,908 in 2014.

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

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

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

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



Loans entered with the State since 2011 are due in 2016, 2017 and 2021; they are subject to an interest grace period of 12 months and have a repayment plan

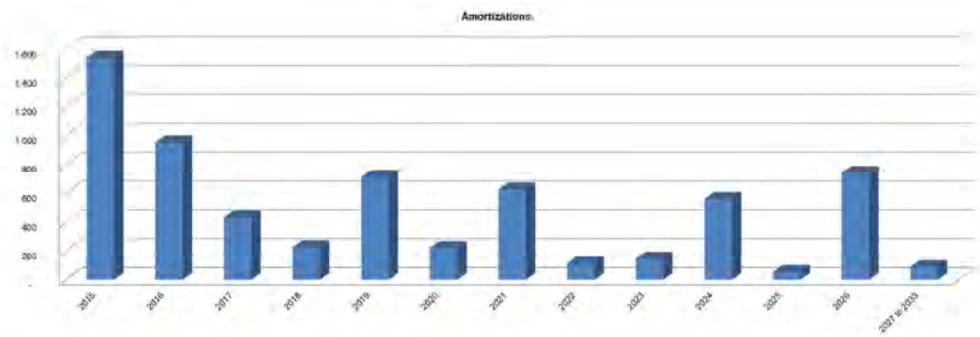
[2] According to notice nr. 7035 of 21 November, DGTF provides instructions to prepare provisional management tools for the 2014-2016 period, including the formula to calculate the increase in indebtedness and respective threshold for 2014 – 4%

consisting of 8 to 12 equal and consecutive principal instalments. These loans are subject to fixed interest rate.

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

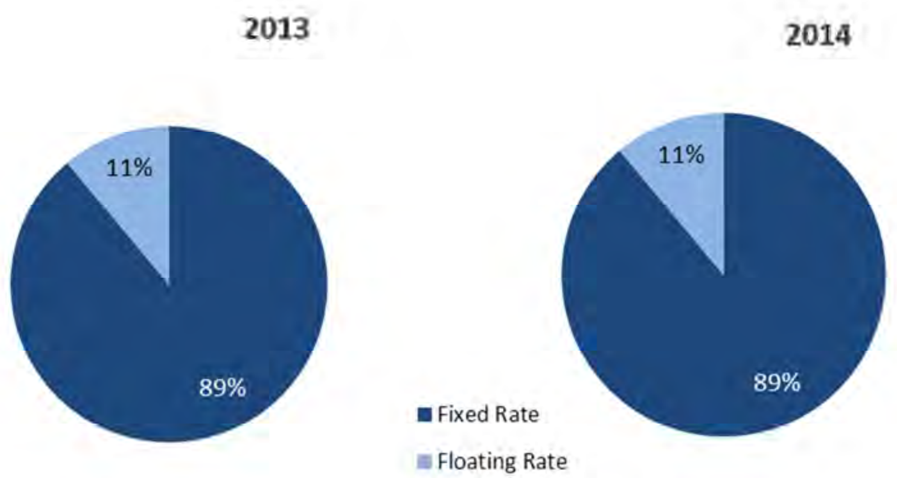
The repayment of Eurobonds is made in a single principal instalment at maturity (bullet). As of the date of approval of this report REFER had already repaid the Eurobond 05/15 loan due in March 2015, in the amount of € 600 million; this payment was financed by a capital increase in the amount of € 685,000 thousand carried out in March.

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



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

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



CASH AND LIQUID ASSETS

As far as its cash and liquid assets are concerned, REFER ended the year with a balance of € 75,469 thousand, of which € 70,000 thousand were applied in CEDIC with IGCP, in compliance with the Principle of Unity of the State Treasury.

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

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

ANALYSIS OF THE FINANCIAL FIGURES

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

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

PROFIT AND LOSS STATEMENT	2013	2014	Change
Financial Results from Investment Activity	**-156,857**	**-148,231**	**8,626**
Financial gains			
Financial losses*	-156,857	-148,231	8,626
Financial Results from Infrastructure Management Activity	**-69,897**	**-72,121**	**-2,224**
Financial gains	89	1,208	1,119
Financial losses	-69,987	-73,329	-3,342
Financial Results from Hedging Activity	**14,037**	**34**	**-14,003**
Interest earned on derivatives	36,708	5,440	-31,268
Interest paid on derivatives	-54,777	-2,023	52,754
Change in the fair value of derivatives - Gains	48,350		-48,350
Change in the fair value of derivatives - Losses	-16,244	-3,383	12,861
Overall Financial Result	**-212,718**	**-220,318**	**-7,600**
Allocated amount - State Grantor*	156,857	148,231	-8,626
Financial result (Comprehensive Income Statement)	**-55,860**	**-72,087**	**-16,227**

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

- Financial Results allocated to Infrastructure Management Activity (IM): - € 72,121 thousand;
- Financial Results allocated to Investment Activity (LDI): -€ 148,231 thousand;
- Financial Results from Hedging Activity: practically null

As compared to 2013 Global Financial Results deteriorated by € 7,600 thousand.

This change resulted mainly of a decrease in results of the hedging activity, by -€ 14,003 thousand, which was partly offset by the positive combined effect of financial results relating to Investment and Infrastructure Management Activities (+ € 6,402 thousand).

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

The decrease in financial expenses by €5,284 thousand was driven by a reduction in financial debt, in nominal terms, a refinancing policy via State loans at average interest rates lower than the average rate of remaining debt, and revision on 15 September of the interest rate on the REFER VI loan, which moved from 2.976% to 2.271%; this operation had a favourable impact on financial expenses in the last quarter of the year.

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

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

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

Annual average financing rate

	2014	2013	2012	2011	2010	2009	2008	2007	2006
Average rate except hedging	**3.23%**	**3.23%**	**3.99%**	**4.17%**	**3.39%**	**3.53%**	**4.84%**	**4.43%**	**3.53%**
MLT	3.23%	3.23%	3.92%	3.81%	3.54%	3.68%	4.79%	4.40%	3.53%
ST	0.00%	0.00%	9.97%	4.99%	2.58%	2.67%	5.03%	4.80%	3.54%
Average rate including hedging	**3.23%**	**3.43%**	**4.20%**	**4.14%**	**3.47%**	**3.33%**	**4.23%**	**4.10%**	**3.79%**
MLT	3.23%	3.43%	4.14%	3.78%	3.64%	3.45%	4.04%	4.04%	3.86%
ST	0.00%	0.00%	9.97%	4.99%	2.58%	2.67%	5.03%	4.80%	3.54%
Average 6-month Euribor	**#REF!**	**0.34%**	**0.83%**	**1.64%**	**1.08%**	**1.43%**	**4.73%**	**4.35%**	**3.28%**

Final Note

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

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

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

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

COMPLIANCE WITH LEGAL OBLIGATIONS

1. MANAGEMENT OBJECTIVES – 2014

Under the terms of the law governing the public entrepreneurial sector ("RJSPE") as approved by Decree-Law 133/2013 of 3 October and the Public Manager Statute ("EGP"), as approved by Decree-Law 71/2007 of 27 March, as amended by Decree-Law 8/2012 of 18 January and Rectification nr. 2/2012 of 25 January, the State, as shareholder of the National Railway Network - REFER, E.P.E. laid down specific strategic guidelines addressed to the Board of Directors for the 2012-2014 period, taking into consideration the general guidelines for the sector.

Although the 2012-2014 management contract (hereinafter Management Contract) was not legally formalised, this report describes the evolution in 2014 of performance indicators defined in the draft contract submitted to DGTF. REFER is required to submit to the Government, on an annual basis, a report on the evolution of performance indicators concerning the company's activity in the previous year.

The General Guidelines for the Sector as provided in the Management Contract and the Specific Strategic Guidelines applicable to REFER are as follows:

Sector general guidelines

REFER manages the National Railway Network (NRN) being responsible for all construction, conservation & maintenance and operation activities pertaining thereto, abiding by the following guidelines:

- Ensure economic and financial sustainability:
- Efficiently ensure mobility and access suited to users needs, while promoting social cohesion;
- Promote investments aimed at encouraging business competitiveness at national level and enhancing safety and security;

Specific strategic guidelines

In order to effectively contribute to the mobility of people, while generating social and environmental advantages within a framework of economic rationality and taking into account the constraints arising from the Memorandum of Understanding, the 2012-2016 Strategic Transport Plan. REFER's main objectives for this mandate were as follows:

- Contain costs and improve efficiency;
- Promote suitable safety and service quality and reliability levels;
- Perform essential works to maintain suitable safety and service levels;

Based on the Specific Strategic Guidelines described hereinabove, the draft of the Management Contract established financial and business objectives and quantified targets, as shown in the following table:

Field of Action	Weight	Indicators	Calculation formula	2012	2013	2014	Observation
Efficiency	18%	Change rate of total operating expenses relating to 2011 [%]	$\frac{gastos\ op._{ano_n}}{gastos\ op._{ano_{2011}}}-1$	-11.2	-16.5	-17.6	Except for investment material and redundancies
APP to suppliers	4%	APP to suppliers [days]	$PMP=\frac{\frac{\sum_{t-3}^{t}DF}{4}}{\sum_{t-3}^{t}A}\times 365$	60	60	60	Periods legally required
Return and Growth	15%	EBITDA margin, %	$\frac{EBITDA}{rendimentos\ próprios}$	-98	-73	-76	Own income = total operating income, not including operating subsidies and the State Grantor for LDI
	15%	Supplementary income [€m]	Non core income + dividends	15.04	24.49	18.96	Excluding income from the disposal of assets
Control of investments	10%	Financial execution rate of the investment budget [%]	$\frac{execução}{orçamento}$	90	90	90	Investment = LDI+EAG
Service quality and reliability	10%	Reliability of the service [%]	$1-\frac{\sum CASL+CNR}{\sum Comboios\ Programados}$	96.60	96.90	96.90	Excluding delays and eliminations for causes not attributable to REFER
	14%	Average speed in the Braga - Faro axis [km/h]	$\frac{\sum VTM_{troço_i}\times extensão_{troço_i}}{\sum extensão_{troço_i}}$	162	162	162	Structuring axis of the National Railway Network
Safety	14%	Nr. of relevant accidents occurred per train km	$\frac{Acidentes\ Significativos}{CK\ Realizados}$	0.807	0.827	0.771	

Indicators in the Management Contract evolved as follows in relation to the goals set forth for 2014:

Management goals for the 2012-2014 period

Management indicators

Field of Action	Indicators	Calculation formula	2014	2014 Goal	Deviation
Efficiency	Change rate of operating expenses relating to 2011 [%]	(operating expenses Year N /operating expenses 2011)-1 Note: Excluding investment materials, redundancies, reinstatement of holiday and Christmas bonus	6.8	-17.6	24.4
Average payment period to suppliers	Average payment period to suppliers	Suppliers / Purchases * 365 days	27 days	60 days	-33 days
Return and growth	EBITDA margin	EBITDA/Own income Note: Own income = total operating income, not including operating subsidies LDI State Grantor and reinstatement of holiday and Christmas bonus	-33%	-76%	43 *p.p.*
	Non core income	Supplementary income	51.46	18.96	32.50
Control of investments	Financial deviation of investments	(Implementation / Budget)	132%	90.0%	- 42 *p.p*
Service quality and reliability	Reliability of the service [%]	$1 - \frac{\sum CASL + CNR}{\sum Comboios \ \Pr ogramados}$	98.0%	96.9%	1,06 *p.p*
	Average speed in the Braga - Faro axis [km/h]		162	162	0.0
Safety	Nr. of relevant accidents occurred per train km		1.344	0.771	0.573

Efficiency

In 2014 REFER's operating expenses increased by 6.8% (+€14 million) in relation to 2011, falling behind the goal of reducing them by 17.6% in 2014.

Operating expenses totalled €227 million, of which € 37 million concern impairments relating to the acquisition of the loans granted to GIL (by REFER, Metro and Parque Expo) and € 9 million result from the reinstatement of the holiday and Christmas bonus in 2014, as determined by the Constitutional Court (and not considered when the goal was fixed).

APP to suppliers

REFER records an **average payment period** of 27 days, in line with the guidelines on reducing average payment periods set forth in Decree-law 62/2013, which determines that payment periods in contracts between public companies and entities should not exceed 30 days, except where provided otherwise. This Decree-Law altered the initial target fixed at 60 days.

Return and Growth

EBITDA margin stood at -33% in 2014, outperforming the target set at -76%.

In 2014, **other operating income** totalled € 51.46 million, i.e. € 32.50 million above the estimated amount, fuelled by Retained Earnings from REFER Telecom (55%) relating to 2013, in the amount of € 6.4 million, and the recognition of GIL loans in the amount of € 26 million, specifically the loans formerly granted by Parque Expo and Metropolitano de Lisboa to GIL, following REFER's acquisition of the entire share capital of GIL.

Control of capital expenditure

In 2014 the volume of capital expenditure, at technical costs, stood at € 103 million, corresponding to a **financial execution rate** of 132%, well above the 90% target set forth in the Management Contract.

This amount includes € 63 million relating to the transfer of ownership of railway terminals formerly managed by CP Carga to REFER, under the terms of Joint Order from the Secretary of State for the Treasury and the Secretary of State for Infrastructures, Transport and Communications dated 23 April 2014.

Service quality and reliability

The level of **service reliability** recorded in 2014 outperformed the goal set forth by 1 p.p. (97.96% as against 96.9%); the **average speed indicator in the Braga-Faro axis** is in line with the target set forth, i.e. 162 km/h.

Safety

As far as railway safety is concerned, the company recorded 50 relevant accidents in 2014 (provisional figures), which is considerably above the envisaged target of 28 significant accidents; this performance is explained by a considerable increase in hits by train (32 in the year under review) as result of violation of train paths by non authorised persons.

As result, in 2014 the **number of significant accidents per million tK** stood above the target set forth (1.344 vs. 0.771).

2. MANAGEMENT OF FINANCIAL RISK

Complying with the Memorandum of Understanding entered into by the Government, the International Monetary Fund, the European Commission and the European Central Bank within the framework of the Economic and Financial Assistance Programme, specifically in what concerns governance requirements for state-owned companies and reinforcement of shareholder powers and duties, aimed at achieving greater financial control over the public entrepreneurial sector, the Government published Decree-Law 133/2013 of 3 October, establishing the principles and rules applicable to the public sector.

Specifically, paragraph 1 of article 29 establishes that non financial state companies which were or are integrated in the public administration sector, under the terms of the European System of National and Regional Accounts, are prevented from applying for funding with credit institutions, unless it is a multilateral financial institution.

REFER supported the following expenses associated with its financial debt:

	2009	2010	2011	2012	2013	2014
Financial expenses (€)	178,605,413	196,190,194	260,170,798	280,158,443	241,065,341	221 259 344
Average financing rate (%)	3.330%	3.469%	4.143%	4.200%	3.428%	3.225%

Law nr. 83-C/2013 set forth thresholds for further indebtedness by the State Entrepreneurial Sector for 2014, as determined according to specific guidelines (IPG-2014).

This increase in indebtedness is limited to 4%, considering bank debt weighted by the capital increase carried out.

In 2014 REFER met this threshold of 4%.

Interest bearing liabilities	2013	2014	Abs. Ch.	% Ch.
Loans	7,160,943,558	6,417,908,459	-743,035,099	-10%
...of which granted by DGTF	3,151,946,549	2,500,172,145	-651,774,404	-21%
Capital increases through allocation	21,000,000	239,743,919	218,743,919	1042%
Capital increase through conversion of credit	0	795,056,081	795,056,081	-
Adjusted indebtedness	7,181,943,558	7,473,708,459	291,764,901	4%

3. EVOLUTION OF AVERAGE PAYMENT PERIOD TO SUPPLIERS (in compliance with RCM 34/2008, of 22 February, as amended by Order nr. 9870/2009)

Council of Ministers Resolution ("RCM") nr. 34/2008 of 22 February set forth the "Pay on Time" programme, with a view to significantly reduce payment periods to goods and services suppliers of public companies. This Resolution sets forth objectives in terms of average periods, and monitoring and disclosure of the evolution of average payment periods.

Order nr. 9870/2009 establishes the formula to calculate the average payment period indicator.

Decree-Law 62/2013 provides that in contracts entered between public companies, payment periods shall not exceed 30 days, except where specifically provided otherwise.

REFER discloses its average payment period in its Annual Report, and sends to DGTF on a monthly basis the bases of the indicator's calculation formula.

Its evolution in 2013 and 2014 was as follows:

Average Payment Period	2013	2014	Ch. 2014/ 2013
Period (days)	35	27	-8

In 2014 Average Payment Period (APP) improved by 8 days (35 days at 31 December 2013 to 27 days at 31 December 2014 (-23%), in line with provisions in the said decree-law.

Decree-Law 65-A/2011 provides that "Delay in payment - means to the non payment of any invoice for the supply of goods and services within 90 days or more from the payment date specified in respective invoice, if any, or of the invoice".

REFER agrees its payment periods with its suppliers. Provided invoicing documents are correct, whether in tax or legal terms, they will be paid on due date (or close) through the issuing of weekly payment tranches. As result, REFER does not have overdue payments.

4. RECOMMENDATIONS OF THE SHAREHOLDER AT THE TIME OF THE APPROVAL OF 2013 FINANCIAL STATEMENTS

REFER accounting documents, which comprise the separate and consolidated financial statements relating to 2013 were submitted to the approval of the Secretary of State for the Treasury and the Secretary of State for Infrastructures, Transport and Communications on April 4, 2014; as of this date, they still had not been approved by the shareholder.

5. REMUNERATION OF CORPORATE BODIES

A. BOARD OF DIRECTORS – Mandate 1

Term of office	Position	Name	Name		OPRLO	
Beginning/End			Form	Date	Specify Paying	Entity
2012/2014	Chairman of the Board of Directors	Rui Lopes Loureiro	Resolution 37/2012	30-Aug	n.a.	n.a.
2012/2014	Vice-Chairman of the Board of Directors	José Luís Ribeiro dos Santos	Resolution 37/2012	30-Aug	n.a.	n.a.
2012/2014	Member of the Board of Directors	Alberto Manuel de Almeida Diogo	Resolution 37/2012	30-Aug	n.a.	n.a.
2012/2014	Member of the Board of Directors	José Rui Roque	Resolution 37/2012	30-Aug	n.a.	n.a.
2012/2014	Member of the Board of Directors	Amílcar Álvaro de Oliveira Ferreira Monteiro	Resolution 37/2012	30-Aug	n.a.	n.a.

The Board of Directors does not receive any remuneration for cumulative functions.

The remuneration statute established for the Board of Directors of REFER, EPE in 2014 was as follows:

Board of Directors

Member of the BD (name)	PMS			
	Fixed (Y/N)	Grade A/B/C	Gross monthly sum (€)	
			Base Remuneration	Representation allowances
Rui Lopes Loureiro	Yes	A	5,722.74 €	2,289.10 €
José Luís Ribeiro dos Santos	Yes	A	5,150.47 €	2,060.19 €
Alberto Manuel de Almeida Diogo	Yes	A	4,578.19 €	1,831.28 €
José Rui Roque	Yes	A	4,578.19 €	1,831.28 €
Amílcar Álvaro de Oliveira Ferreira Monteiro	Yes	A	4,578.19 €	1,831.28 €

These figures were determined in accordance with the Public Manager Statute. Since according to the said Statute the remuneration effectively paid to officers cannot increase, global remunerations fixed for the 2009-2011 mandate did not change, as shown in table below:

Member of the BD (name)	PMS			
	Fixed (Y/N)	Grade A/B/C	Gross monthly sum (€)	
			Base Remuneration	Representation allowances
Rui Lopes Loureiro	Yes	A	5,722.74 €	1,503.26 €
José Luís Ribeiro dos Santos	Yes	A	5,150.47 €	1,534.53 €
Alberto Manuel de Almeida Diogo	Yes	A	4,578.19 €	1,728.81 €
José Rui Roque	Yes	A	4,578.19 €	1,728.81 €
Amílcar Álvaro de Oliveira Ferreira Monteiro	Yes	A	4,578.19 €	1,728.81 €

The remuneration cut provided in article 33 of Law 83-C/2013 of 31 December, which approved the State Budget for 2014 was applied to the remuneration of public managers, under the terms of nr. 9-*o*) of the said article. The said remuneration cut as provided in article 33 of Law nr. 83-C/2013 of 31 December was based on total gross remuneration determined following the reduction established pursuant to article 12 of Law 12-A/2010 of 30 June.

Remuneration earned in the year was as follows:

Name	Annual Remuneration (€)						
	Variable	Fixed*	Other (Travel allowance)	Reduction Law 12-A/2010	Reduction (State Budget)	Reduction in previous years	Gross, following reductions
Rui Lopes Loureiro	n.a.	98,157.02 €	3,819.14 €	4,907.81 €	7,024.97 €	n.a.	90,043.38 €
José Luís Ribeiro dos Santos	n.a.	90,520.87 €	1,754.20 €	4,526.04 €	6,488.11 €	n.a.	81,260.92 €
Alberto Manuel de Almeida Diogo	n.a.	84,840.31 €	210.50 €	4,241.94 €	6,099.92 €	n.a.	74,708.95 €
José Rui Roque	n.a.	84,840.31 €	2,034.83 €	4,241.94 €	6,099.92 €	n.a.	76,533.28 €
Amílcar Álvaro de Oliveira Ferreira Monteiro	n.a.	84,840.31 €	2,596.23 €	4,241.94 €	6,099.92 €	n.a.	77,094.68 €

* remuneration + Representation fees

Name	Annual Remuneration (€)				
	Variable	Fixed*	Gross	Remuneration reductions	Following reductions
Rui Lopes Loureiro	n.a.	98,157.02 €	98,157.02 €	11,932.78 €	86,224.24 €
José Luís Ribeiro dos Santos	n.a.	90,520.87 €	90,520.87 €	11,014.15 €	79,506.72 €
Alberto Manuel de Almeida Diogo	n.a.	84,840.31 €	84,840.31 €	10,341.86 €	74,498.45 €
José Rui Roque	n.a.	84,840.31 €	84,840.31 €	10,341.86 €	74,498.45 €
Amílcar Álvaro de Oliveira Ferreira Monteiro	n.a.	84,840.31 €	84,840.31 €	10,341.86 €	74,498.45 €

* remuneration + Representation fees

Nome	Beneficios Sociais (€)						
	Sub. Refeição	Regime Proteção Social		Seguro Saúde	Seguro Vida	Seguro Acid Pessoais	Outros
		Identificar	Valor				
Rui Lopes Loureiro	1.273,68 €	Seg. Social	20.483,89 €	336,89 €	-	5,07 €	0,00 €
José Luís Ribeiro dos Santos	1.329,36 €	Seg. Social	18.888,65 €	336,89 €	-	5,07 €	0,00 €
Alberto Manuel de Almeida Diogo	1.586,88 €	Seg. Social	17.700,84 €	336,89 €	-	5,07 €	0,00 €
José Rui Roque	1.475,52 €	Seg. Social	17.700,36 €	336,89 €	-	5,07 €	0,00 €
Amílcar Álvaro de Oliveira Ferreira Monteiro	1.482,48 €	Seg. Social	17.699,86 €	336,89 €	-	5,07 €	0,00 €

Member of the BD	Expenses with mobile communications		
	Monthly ceiling	Annual amount	Notes
Rui Lopes Loureiro	80.00 €	1,379.03 €	The expense above fixed ceiling is explained in minutes of BD meeting
José Luís Ribeiro dos Santos	80.00 €	886.21 €	
Alberto Manuel de Almeida Diogo	80.00 €	521.18 €	
José Rui Roque	80.00 €	254.52 €	
Amílcar Álvaro de Oliveira Ferreira Monteiro	80.00 €	2,246.25 €	

Member of the BD	Vehicle expenses								
	Assigned vehicle	Entering of contract	Vehicle reference value	Method	Year of beginning	Year of termination	Amount of monthly rent	Annual amount	Nr. of remaining instalments
Rui Lopes Loureiro	Yes	Yes	55,127.75 €	Company	The car was bought by REFER on 11.06.2013 for €29,952.25		n.a.	n.a.	n.a.
José Luís Ribeiro dos Santos	Yes	Yes	53,375.99 €	Company	The car was bought by REFER on 31.12.2011 for €25,400		n.a.	n.a.	n.a.
Alberto Manuel de Almeida Diogo	Yes	Yes	48,690.00 €	Company	The car was bought by REFER on 11.06.2014 for €19,927.4		n.a.	n.a.	n.a.
José Rui Roque	Yes	Yes	52,144.14 €	Company	The car was bought by REFER on 11.06.2013 for €29,952.25		n.a.	n.a.	n.a.
Amílcar Álvaro de Oliveira Ferreira Monteiro	Yes	Yes	51,092.51 €	Company	The car was bought by REFER on 31.12.2011 for €24,800		n.a.	n.a.	n.a.

Member of the BD	Monthly ceiling for	Annual vehicle related expenses (€)			
		Fuel	Tolls	Other maintenance expenses	Insurance
Rui Lopes Loureiro	Yes	4,717.35 €	1,660.45 €	3,123.10 €	332.62 €
José Luís Ribeiro dos Santos	Yes	3,487.78 €	1,006.75 €	2,114.30 €	332.62 €
Alberto Manuel de Almeida Diogo	Yes	3,568.82 €	1,472.52 €	2,450.90 €	372.04 €
José Rui Roque	Yes	2,995.33 €	758.08 €	1,711.29 €	332.62 €
Amílcar Álvaro de Oliveira Ferreira Monteiro	Yes	3,809.26 €	1,494.65 €	3,191.97 €	332.62 €

Name	Travels	Annual travel expenses				
		Accommodation	Subsistence allowances	Other	Total travel expenses
Rui Lopes Loureiro	4,954.00 €	1,838.00 €	-	-	6,792.00 €
José Luís Ribeiro dos Santos	4,010.00 €	792.00 €	-	-	4,802.00 €
Alberto Manuel de Almeida Diogo	295.83 €	244.00 €	-	-	539.83 €
José Rui Roque	-	-	-	-	0.00 €
Amílcar Álvaro de Oliveira Ferreira Monteiro	681.65 €	68.45 €	-	-	750.10 €

B. BOARD OF DIRECTORS – Mandate 2

According to Resolution 2/2015, as proposed by the Minister of State and Finance and the Minister of Economy, appointed members for the Board of Directors of the National Railway Network - REFER, E. P. E effective as of 1 January 2015 are as follows.

Board of Directors – Mandate 2

Term of office* Beginning/End	Position	Name	Name		OPRLO	
			Form	Date	Specify Paying	Entity
2015/2017	Chairman of the Board of Directors	António Manuel Palma Ramalho	Resolution 2/2015	12-Jan	n.a.	n.a.
2015/2017	Vice-Chairman of the Board of Directors	José Luís Ribeiro dos Santos	Resolution 2/2015	12-Jan	n.a.	n.a.
2015/2017	Member of the Board of Directors	José Saturnino Sul Serrano Gordo	Resolution 2/2015	12-Jan	n.a.	n.a.
2015/2017	Member of the Board of Directors	Alberto Manuel de Almeida Diogo	Resolution 2/2015	12-Jan	n.a.	n.a.
2015/2017	Member of the Board of Directors	Vanda Cristina Loureiro Soares Nogueira	Resolution 2/2015	12-Jan	n.a.	n.a.
2015/2017	Member of the Board of Directors	José Carlos de Abreu e Couto Osório	Resolution 2/2015	12-Jan	n.a.	n.a.
2015/2017	Member of the Board of Directors	Adriano Rafael de Sousa Moreira	Resolution 2/2015	12-Jan	n.a.	n.a.

* i) the term of office of the newly appoint BD will end upon the extinction of REFER, E. P. E. and EP — Estradas de Portugal, S. A. to be merged into a corporate entity to be created under the terms of the Strategic Infrastructures and Transport Plan, or within three years, in case the merger will not be completed by then.
ii) in case of termination of the term of office of directors, a new appointment may take place under the terms of DL 160/2014.

In January 2015 the company requested clarifications to the Secretary of State for the Treasury and the Secretary of State for Infrastructures, Transport and Communications on the remuneration statute of members of the Board of Directors appointed by Council of Ministers Resolution 2/2015, published in the Official Gazette - II Series of 12 January.

This clarification request has still not been answered.

C. AUDIT BOARD

The Audit Board appointed by Order of the State-Secretary for the Treasury and the State-Secretary for Public Works, Transports and Communications on 29 May 2013 remained in office in 2014.

Audit Board

Term of office	Position	Name	Name		Fixed Remuneration Regimen (monthly)
Beginning/End			Form	Date	
2012/2014	Chairman of the Audit Board*	Carlos António Lopes Pereira	Joint Order	29-mai-2013	1.602,37 €
2012/2014	Member	Pedro Miguel do Nascimento Ventura	Joint Order	29-mai-2013	1.201,78 €
2012/2014	Member	Pedro Manuel Mota C. Grilo	Joint Order	29-mai-2013	1.201,78 €
2012/2014	Alternate member	Maria Isabel Louro Caria Alcobia	Joint Order	29-mai-2013	1.201,78 €

*resigned in January 2014

Following the resignation of Chairman of the Audit Board submitted on 17 January 2014, the said State-Secretaries issued Order dated 21 July 2014 appointing a new chairman. The Audit Board is presently made up as follows:

Audit Board

Term of office	Position	Name	Name		Fixed Remuneration Regimen (monthly)
Beginning/End			Form	Date	
2014	Chairman of the Audit Board**	José Emílio Coutinho Garrido Castel - Branco	Joint Order	21/jul/2014	1,602.37 €
2012/2014	Member	Pedro Miguel do Nascimento Ventura	Joint Order	29/mai/2013	1,201.78 €
2012/2014	Member	Pedro Manuel Mota C. Grilo	Joint Order	29/mai/2013	1,201.78 €
2012/2014	Alternate member	Maria Isabel Louro Caria Alcobia	Joint Order	29/mai/2013	1,201.78 €

** appointed on 21 July 2014 to fulfil the ongoing 2012-2014 term of office replacing Carlos António Lopes Pereira

The remuneration of the members of the Audit Board were fixed pursuant to Order of State-Secretaries mentioned above on 29 May 2013.

The remuneration fixed under Order referred to above was subject to the remuneration reduction established in article 33 of Law 83-C/2013 of 31 December.

Under the terms of Order 413/2014 of the Constitutional Court, which declared the unconstitutionality with binding force of the rules established in article 33 of Law 83-C/2013 of 31 December, the remuneration reduction referred to above was lifted at the end of May 2014; in accordance with paragraph f) of the said order, the decision was only effective as of the date of the said Order.
As from 13 September 2014 remuneration was subject to the reduction provided in article 2 of Law 75/2014 of 12 September.

Name	Annual remuneration		
	Gross	Reduction (State Budget)	Amount following reductions
Carlos António Lopes Pereira *	-	-	-
José Emílio Coutinho Garrido Castel - Branco	9,347.15 €	624.92 €	8,722.23 €
Pedro Miguel do Nascimento Ventura	26,789.89 €	2,245.89 €	24,544.00 €
Pedro Manuel Mota C. Grilo	26,789.89 €	2,038.93 €	24,750.96 €
Maria Isabel Louro Caria Alcobia **	-	-	-

*resigned in January 2014

* alternate member, did not earn remuneration

D. STATUTORY AUDITOR

The Audit Firm appointed by Order of the State-Secretary for the Treasury and the State-Secretary for Infrastructures, Transport and Communications dated 13 November 2013, replaced its representative with REFER, as of 1 January 2014.

The above mentioned Order determined that the annual gross remuneration of the SROC would be as provided in the services agreement to be entered into by the Board of Directors and the Audit Firm, up to a maximum amount of 22.5% of an amount equivalent to 12 months of global monthly gross remuneration of the Chairman of the Board of Directors.

The remuneration fixed under the terms referred to above was subject to the remuneration reduction established in article 33 of Law 83-C/2013 of 31 December.

Under the terms of Order 413/2014 of the Constitutional Court, which declared the unconstitutionality with binding force of the rules established in article 33 of Law 83-C/2013 of 31 December, the remuneration reduction referred to above was lifted at the end of May 2014; in accordance with paragraph f) of the said order, the decision was only effective as of the date of the said Order.
As from 13 September 2014 remuneration was subject to the reduction provided in article 2 of Law 75/2014 of 12 September.

Term of office	Position		Annual remuneration	
Beginning/End		Name	Fixed (€)	Gross (€)
2012/2014	SROC	Sociedade P. Matos Silva, Garcia Jr.. P. Caiado & Associados,SROC Lda, SROC n.º 44, represented by associate João Paulo Raimundo Henriques Ferreira, ROC nº 851	19,510.20 €	19,510.20 €

E. COMPLIANCE WITH "REMUNERATION GUIDELINES"

CORPORATE BODIES

Pursuant to Joint Order of the Minister of Finance and the Minister for Economy and Employment dated 29 May 2013, the remuneration of the members of REFER's corporate bodies for the 2012-2014 period is as follows:

- REFER, EPE continued to apply a 5% reduction in the gross monthly fixed remuneration of the Board of Directors according to provisions in article 12, nr. 1 of Law 12-A/2010 of 30 June. This law remained in force in 2014 pursuant to provisions in article 256, nr. 2 of Law nr. 83-C/2013 of 31 December, which approved the State Budget for 2014.
- The remuneration cut provided in article 33 of Law 83-C/2013 of 31 December, which approved the State Budget for 2014, was applied to the remuneration of public managers, under the terms of nr. 9-*o*) of the said article. The said remuneration cut as provided in article 33 of Law nr. 83-C/2013 of 31 December was based on total gross remuneration determined following the reduction established pursuant to article 12 of Law 12-A/2010 of 30 June.
  Under the terms of Order 413/2014 of the Constitutional Court, which declared the unconstitutionality with binding force of the rules established in article 33 of Law 83-C/2013 of 31 December, the remuneration reduction referred to above was lifted at the end of June 2014; in accordance with paragraph f) of the said order, the decision was only effective as of the date of the said Order.
  The remuneration cut provided in article 2 of Law 75-C/2014 of 12 December, which approved the State Budget for 2014 was applied to the remuneration of public managers, under the terms of nr. 9-*o*) of the said article as from 13 September 2014. The said remuneration cut as provided in article 2 of Law nr. 75-C/2014 of 12 December was based on total gross remuneration determined following the reduction established pursuant to article 12 of Law 12-A/2010 of 30 June, and became effective as from 13th September 2014, in compliance with provisions in article 8 of Law 75/2014 of 12 September.
- Provisions in article 35 of Law 83-C/2013 of 31 December were complied with, i.e. payment o the Christmas bonus was paid in twelve instalments to

the members of the Board of Directors of REFER, E.P.E.; respective amount was determined under the terms of nr. 2 of the said law.

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

REMAINING EMPLOYEES

- The remuneration cut provided article 33 of Law 83-C/2013 of 31 December, which approved the State Budget for 2014 was implemented in 2014; this cut was applicable to wages of public companies employees, under the terms of paragraph 9.r) of the said article. This remuneration cut provided article 33 of Law 83-C/2013 of 31 December was determined on the basis of total gross remuneration; it applied to all employees of REFER, E.P.E. earning over € 675 in terms of total gross wage.
  Under the terms of Order 413/2014 of the Constitutional Court, which declared the unconstitutionality with binding force of the rules established in article 33 of Law 83-C/2013 of 31 December, the remuneration reduction referred to above was lifted at the end of June 2014; in accordance with paragraph f) of the said order, the decision was only effective as of the date of the said Order.
  The remuneration cut provided in article 2 of Law 75-C/2014 of 12 December, which approved the State Budget for 2014 was applied to the remuneration of employees of public corporations, under the terms of nr. 9-r) of the said article. The said remuneration cut as provided in article 2 of Law nr. 75-C/2014 of 12 December was based on total gross monthly wages above € 1,500, effective as from 13 September 2014, in compliance with provisions in article 8 of Law 75/2014 of 12 September.
- Provisions in article 35 of Law 83-C/2013 of 31 December were complied with, i.e. payment o the Christmas bonus was paid in twelve instalments to employees of REFER, E.P.E.; respective amount was determined under the terms of nr. 2 of the said law.
- In what concerns the payment of the holiday bonus, in 2014 provisions in law nr. 11/2013 of 28 January were applied (this law establishes a temporary regime for the payment of Christmas and holiday bonus to be followed in 2013 but which was maintained during 2014 pursuant to article 257 of Law 83-C/2013 of 31 December) to those employees adhering to this regime. As result, REFER, E.P.E. started the payment of 50% of the holiday bonus of those employees; the payment was made in twelve instalments throughout 2014.
  following decision nr. 413/2014 of the Constitutional Court, in July 2014 employees of REFER, E.P.E. were paid the holiday bonus in full - or the remaining, in the case of those employees who opted for the payment in instalments.

- Accruals to the hourly pay relating to overtime work provided in business days, mandatory or complementary weekly rest days, or holidays were – pursuant to article 18, nr. 2 of Decree-Law 133/2013 of 3 October – those fixed in the legal regimen of employment contract in public functions approved by Law 59/2008 of 11 September (as amended by General Labour Law relating to Public Functions approved by Law 35/2014 of 20 June, which did not change the figures provided in the previous law).
- Since the entry into force of Decision nr. 602/2013 of the Constitutional Court, the company follows the rules relating to compensatory rest for work provided in mandatory or complementary weekly rest days, or holidays as laid down in the labour agreement entered into by REFER, E.P.E., SNTSF and other trade unions, as published in the Work and Employment Bulletin nr. 2, of 15 January 2011. On the same date and for the same reason, work provided in mandatory or complementary weekly rest days, or holidays, where not possible to be compensated in hours/days as fixed, will be paid as provided in the said labour law.

The Company also implemented provisions in article 73 of Law 83-C/2013 of 31 December relating to service contracts, including audit fees.

6. APPLICATION OF PROVISIONS IN ARTICLE 32 OF THE PUBLIC MANAGER STATUTE

The Public Manager Statute approved by Decree-Law nr. 71/2007 of 27 March, as amended by Law nr 64 -A/2008 of 31 December, re-enacted by Decree-Law nr. 8/2012 of 18 January, establishes as follows in its article 32:

“1 - Public managers cannot use credit cards and other payment instruments to pay for expenses at the service of the company.

2 - The refund of representation fees to public managers is not permitted.

3 - The ceiling on communication expenses, including mobile and fixed telephone and internet shall be fixed by resolution of the general meeting, or in the case of public limited companies, by order of the relevant government member, as published in the Official Gazette, who in the case of public corporations is the Government member responsible for finance.

4 - The sum provided in the previous paragraph shall be fixed according to the guidelines established for the purpose by shareholders or Government decree,

published in the Official Gazette, issued by the Government member responsible for the finance area, taking into account the ceiling set forth for the use of fixed and mobile telephones by key function holders (above 1st degree)."

REFER does not use debit or credit cards to pay for any expenses.

Expenses incurred by members of the Board of Directors in company missions are reimbursed through cheque or bank transfer.

7. PUBLIC PROCUREMENT RULES (Guidelines provided in Government Order nr. 438/10)

Following the entry into force of the Public Procurement Code (CPC), approved by Decree-Law No 18/2008 of 29 January, REFER, EPE initiated a comprehensive work viewing the adequacy of its internal procedures to the rules in the said Code, as appropriate.

To this end, REFER set up a working group, which prepared a Procurement Manual, revised and updated a set of existing draft-contracts (tender programmes, specifications, etc.) and created new ones (containing specific aspects stemming from the CPC)

The goals of the initial working group were fulfilled; however, as the Procurement Manual and related rules require continuous updating in line with new laws, a permanent working group was created to revise the Internal Procurement Manual and standard documents (as result of changes in the law or other that better suit the Company), and to propose whatever it deems suitable in this field (concerning namely the provision and supply of maintenance services).

When contracting suppliers and service providers, REFER, EPE requires substantiated grounds for such hiring, keeping in mind the underlying public interest as well as the principle of transparency.

Notwithstanding, within a perspective of continuous improvement and in line with government imposed rules (namely those relating to service contracts in an amount equal or higher than €125,000), the rules approved in 2011 were maintained, viewing to systematise data and harmonise procedures.

For instance, in relation to the obligation to provide the reasons for any hiring (according to standard document used for all contracts in general), in addition to the justification of the need to hire, it must be explained if the proposed solution meets the principle of economy, efficiency and efficacy and if the said need cannot be provided for with recourse to internal means.

In the specific case of service contracts involving amounts equal or higher than €125,000 (according to guidelines in circular nr. 6132 of 6 August 2010 issued by DGTF), the draft contract shall include, among other aspects, provisions concerning deadlines and/or financial deviations occurred and respective justification.

During 2012, following changes in the law in the sphere of public procurement (namely the publication of Decree-Law nr. 149/2012 of 12 July, which became effective on 11 August, introducing significant changes in the Code of Public Procurement), the Working Group mentioned above revised and changed the Internal Procurement Manual and the standard documents used by REFER.

During 2014, following the restructuring process of REFER and its subsidiaries, the internal procurement manual was adjusted accordingly.

It should be pointed out that irrespective of the standard documentation which is updated on a continuous basis, the procurement contracts and specifications provide the obligations and responsibilities of contractors, including, as the case may be, specific responsibility and penalty clauses for defects.

Moreover, REFER, EPE requires that its subsidiaries comply with Sound Governance Principles, providing the know-how and establishing procedures and documentation to be followed at Group level.

In 2014 REFER did not submit to the Court of Auditors for prior approval any contract as it did not enter any contract for over € 5 million.

8. RATIONALISATION OF THE POLICY ON THE PROCUREMENT OF GOODS AND SERVICES, SPECIFICALLY IN WHAT CONCERNS THE NATIONAL PROCUREMENT SYSTEM AND STATE VEHICLE FLEET

In 2011 REFER joined the National Public Procurement System ("SNCP"), and certified some users viewing the application of the National Procurement Catalogue ("CNCP") of the Public Administration Shared Services Agency ("ESPAP"), created by Decree law 117-A/2012 of 14 June; (this agency has the same mission and objectives of former "Instituto de Informática", "Empresa de Gestão Partilhada de Recursos da Administração Pública, EPE (GeRAP)" and

"Agência Nacional de Compras Públicas, EPE (ANCP)",which were dissolved through merger).
By allowing procedures for the acquisition of goods and services to be made pursuant to framework agreements, ESPAP (former ANCP) has simplified the entire procurement process.
Within the scope of the National Public Procurement System and the user certification mentioned above, on 14 April 2011 REFER signed the adhesion contract with ANCP.
In 2012 and 2013 REFER prepared and performed consultations within the scope of the framework contracts mentioned above. At the end of 2013 a new consultation procedure was established.
During 2014 REFER Engineering, REFER Património and REFER Telecom joined the ESPAP system; respective protocols were signed in the beginning of 2015.

9. CAR FLEET

The car fleet managed by REFER responds to the Company's effective needs, and consists mainly of operational leases.

In 2014 vehicle related expenses fell by 4%, whilst the number of vehicles in REFER's fleet dropped to 339 from 353 vehicles.

10. COMPLIANCE WITH THE COST CUTTING PLAN

Public companies are required to pursue a streamlining policy in order to achieve an operational balance, adopting the measures provided in Article 61 of Law 83-B/2013 - 2014 State Budget, of 31 December.

In 2014 public companies were required to ensure a balanced budget, reducing cost of goods sold, supplies and services and personnel expenses by 15% in overall terms, as against 2010;

Communication expenses, travel expenses, allowances and lodging expenses must stay at the level recorded at 31 December 2013, unless the increase derives from internationalisation processes or increase in activity, duly justified and approved by the relevant Government bodies.

Expenses associated with the car fleet as compared to 31 December 2013 had to be reduced; this should be achieved through a reduction in the number of cars and a downgrade in respective category.

REFER met the goals set forth in article 61 of the 2014 State Budget, having cut down operating expenses (cost of goods sold, supplies and services and personnel costs) by 27% as against 2010.

In relation to travel expenses, these rose by 61% over 2013, on the back of the internationalisation process of the Group. Communications expenses fell by 22% over 2013.

Expenses reduction plan	2014	2013	2012	2011	2010	2014/2013		2014/2010	
						Absolute Ch.	Ch. %	Absolute Ch.	Ch. %
EBITDA (€m)	1.440	-23.715	-20.517	-73.375	-94.284	25.155	-106%	95.724	-102%
COGS (€m)	3.116	3.113	2.200	3.814	5.666	3	0%	-2.550	-45%
Supplies and Services (€m)	95.456	94.404	88.041	98.250	123.921	1.052	1%	-28.466	-23%
Travelling and accommodation expen	181	113	138	170	256	68	61%	-75	-29%
Subsistence allow ances	-	-	-	-	-				
Communications (€m)	592	763	858	1.403	1.613	-171	-22%	-1.021	-63%
Personnel costs (€m)	81.409	90.559	77.800	124.674	117.039	-9.151	-10%	-35.630	-30%
….of w hich redundancies	3.260	4.258	1.560	26.776	3.003	-998	-23%	256	9%
Total Expenses	**179.980**	**188.076**	**168.041**	**226.738**	**246.626**	**-8.096**	**-4%**	**-66.646**	**-27%**
Turnover (€m)	99.708	100.121	100.388	130.731	73.414	-413	0%	26.294	36%
% of expenses on turnover	177%	184%	166%	153%	332%	-	-	-	-
Number HR	2.676	2.778	2.845	3.290	3.500	-102	-4%	-824	-24%
Nr. of employees	2.513	2.642	2.784	3.237	3.469	-128	-5%	-955	-28%
Nr. management positions	166	150	150	186	224	16	11%	-58	-26%
Nr. employees / management positions	15	18	19	17	15				
Vehicles									
Nr. Vehicles	339	353	359	466	489				
Vehicle related expenses	2.353.389	2.446.766	2.964.725	3.403.026	2.764.759	-93.377	-4%	-411.370	-15%

11. COMPLIANCE WITH THE STATE'S TREASURY UNITY PRINCIPLE

The 2014 State Budget required compliance with the principle of treasury unity, according to which any movement of funds must be made using banking services provided by IGCP, E. P. E., except where specifically provided otherwise or in exceptional circumstances, based on duly substantiated grounds, subject to the prior approval of IGCP, E. P. E..

REFER has used all resources and functionalities made available by the IGCP, including for the repayments of loans, or using the said agency's home banking services to pay suppliers, employees and other entities or perform other banking operations, as well as for the purposes of managing treasury surpluses through short term applications. Additionally, any inflow of funds from commercial banks goes to the account held with IGCP.

Notwithstanding, it is necessary to maintain some accounts with commercial banks, as the banking services provided by IGCP do not cover all services required; moreover, the company still has commitments previously undertaken which require the maintenance of such accounts; The maintenance of these accounts is being reviewed.

According to provisions in paragraph 5-b) of article 15 of Decree□Law 52/2014 (on budget implementation), REFER E.P.E. requested to be exempted from complying with the treasury unity principles in the cases referred to above, though is has not yet been answered.

Income earned outside the Treasury were returned to DGO.

12. COMPLIANCE WITH LEGAL GUIDELINES

Compliance with legal guidelines	Fulfilment			Quantification
	Y	N	n.a.	
Management goals:				
Change rate of operating expenses relating to 2011 [%]		x		Increase by 6.8%
Average payment period to suppliers	x			APP = 28 days
EBITDA margin	x			Margin = -33%
Non core income	x			Non core income = € 51 million
Financial deviation of investments	x			Not applicable.
Management of financial risk	x			Not applicable.
Limits to indebtedness growth	x			4% change in relation to 31 December 2013
Evolution of the APP to suppliers	x			Less 7 days in relation to 31 December 2013
Arrears			x	Not applicable.
General Disclosure Duties	x			Not applicable.
Shareholder recommendations on last approval of accounts:				
2013 accounts not yet approved			x	Not applicable.
Remunerations:				
No management bonuses, under the terms of art. 41 of Law 83-C/2013	x			Not applicable.
Corporate bodies - remuneration reduction in force in 2014	x			
External Auditor – remuneration reduction pursuant to art 73 of Law 83-C/2013	x			
Remaining employees - remuneration reductions in force in 2014	x			
Remaining workers – prohibition of wage increases pursuant to art 39 of Law 83-C/2013	x			
Article 32 of PMS				
Use of credit cards		x		Not applicable.
Reimbursement of personal expenses		x		Not applicable.
Public procurement				
Application of public procurement rules by the company	x			Not applicable.
Application of public procurement rules by subsidiaries	x			Not applicable.
Contracts submitted to the prior approval of the CA			x	
Car fleet				
Nr. Vehicles	x			
Vehicle related expenses	x			
Operating expenses of public companies (article 61 of Law 83-C/2013)				
Personnel expenses	x			
Supplies and Services	x			
Staff reduction (article 60 of Law.º 83-C/2013)				
Number of employees	x			
Nr. of management positions	x			
Treasury unity principle				
Cash and liquid assets deposited with IGCP		x		
Interest earned following UITE non compliance handed over to the State	x			

13. INSTITUTIONAL ADVERTISING (RCM nr. 47/2010)

Institutional advertising is a strategic tool adopted to divulge the mission of the REFER Group, consisting of providing a safe and efficient railway network, guided by sustainability criteria: It is also used to advertise its public service activities.

In 2014 REFER advertising was focused on raising awareness to values such as safety and asset valuation. This institutional advertising strategy had the following objectives:

- Promote the image of the REFER Group, divulging its skills, services and size of business.
- Enhance the public image, notoriety and project of Group REFER, improving social awareness as to the unique and specific nature of the Company's activity.

- Raise public awareness to railway safety and divulge REFER's actions in this field.
- Advertise public tenders for contracts and other services.

By way of example, we point out the following:

- Advertisement of the completion of the reinforcement works of Valença Bridge, published in specialised magazine "Transportes em Revista".

- Awareness raising campaign relating to safety in level crossings - within the scope of the "Stop! Look! Listen!" campaign and the International Level Crossings Safety Day celebrated on 3 June 2014; advertisements were placed in the national and regional media.

In 2014 investment in institutional advertising totalled € 32,147.

PROPOSAL FOR THE APPROPRIATION OF PROFIT

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, that it 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 the law in force, the Board of Directors proposes that the net losses relating to 2014 in the amount of € 89,065,163.17 (eighty nine million sixty five thousand one hundred and sixty three euros and seventeen cents) are recorded as Results Brought Forward.

Lisbon, 23rd of March 2015

THE BOARD OF DIRECTORS

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

MANAGEMENT REPORT
Notes to the Financial Statements

2014

PART II
NOTES TO THE FINANCIAL STATEMENTS

REFER

Table of Contents

II – SEPARATE 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 2014

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

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

Estação de Santa Apolónia

1100-105 Lisboa

Website: www.refer.pt

Statutory capital: EUR 1,486,000,000

Tax no: 503933813

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, the results and cash flows of REFER, EPE, and the management report on the company's activity in 2014 faithfully describes the material events that occurred in this period and the impact on the respective financial statements, as well as the main risks and uncertainties for the forthcoming years.”

The Board of Directors

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

SEPARATE FINANCIAL STATEMENTS

(Amounts in € thousand)

STATEMENT OF FINANCIAL POSITION
31 December 2014 and 2013

Assets	Notes	31-dec-14	31-dec-13
Management of Railway Infrastructure	5.	**277 595**	**395 869**
Non current			
Tangible fixed assets	5.1	33 454	34 657
Intangible assets	5.2	2 587	1 576
Investments in subsidiaries	5.3	12 873	12 360
Investments in associates and joint ventures	5.4	0	0
Available-for-sale financial assets	5.6	32	32
Loans and accounts receivable	5.7	0	0
Deferred tax assets	5.16	22 648	13 879
		71 595	62 504
Current			
Inventories	5.8	21 406	19 852
Derivative financial instruments	5.9	0	3 383
Clients and other accounts receivable	5.10	109 126	229 107
Income tax refund	5.16	0	420
Other financial assets	5.17	0	168
Cash and cash equivalents	5.11	75 469	80 434
		206 001	333 365
Investment in long-term Infrastructure investments	4.	**5 275 899**	**4 989 628**
Current			
Grantor - State - Account Receivable	4.1	5 254 047	4 970 380
Inventories	4.2	16 600	13 993
Clients and other accounts receivable	4.3	5 253	5 255
		5 275 899	4 989 628
Total assets		**5 553 494**	**5 385 497**

To be read jointly with the Notes to the Financial Statements

(Amounts in € thousand)

STATEMENT OF FINANCIAL POSITION (Continued)
31 December 2014 and 2013

Equity and Liabilities	Notes	31-dec-14	31-dec-13
Equity			
Capital and reserves attributable to shareholders			
Share capital	5.12	1 486 000	451 200
Other changes in equity - deferred taxes	5.16	0	- 26 260
Cumulative results		- 2 429 854	- 2 314 458
		- 943 854	- 1 889 518
Net profit/(loss) for the year attributable to shareholders		- 89 065	- 89 136
Total equity		**- 1 032 919**	**- 1 978 654**
Liabilities			
Management of Railway Infrastructure		**2 624 356**	**2 329 080**
Non current			
Borrowings	5.13	1 135 952	1 467 414
Provisions	5.15	24 312	21 162
Deferred tax liabilities	5.16	0	26 260
		1 160 264	1 514 836
Current			
Borrowings	5.13	1 402 806	746 306
Suppliers and other accounts payable	5.14	59 160	60 655
Income tax payable	5.16	2 127	7 283
		1 464 093	814 244
Investment in long-term Infrastructure investments	4.	**3 962 057**	**5 035 070**
Non current			
Borrowings	4.4	3 801 786	4 879 119
		3 801 786	4 879 119
Current			
Borrowings	4.4	91 261	91 261
Suppliers and other accounts payable	4.5	69 010	64 690
		160 271	155 951
Total liabilities		**6 586 413**	**7 364 150**
Total equity and liabilities		**5 553 494**	**5 385 497**

To be read jointly with the Notes to the Financial Statements

(Amounts in € thousand)

PROFIT AND LOSS STATEMENT
31 December 2014 and 2013

Headings	Notes	31-dec-14	31-dec-13
Rendered Services	6.1	99 708	100 121
Operating subsidies	6.2	40 493	43 700
Cost of materials consumed	5.8	- 5 100	- 6 402
Supplies and services	7.	- 95 456	- 94 404
Personnel expenses	8.	- 81 409	- 90 559
Depreciation and amortisation for the year	5.1/5.2	- 3 106	- 2 762
Provisions	5.15	- 3 272	- 8 272
Impairments	9.	- 37 110	- 4 750
Other expenses	10.	- 8 259	- 1 982
Other income	11.	42 395	23 018
Gains/(losses) on subsidiaries, associates and joint ventures	12.	9 068	2 793
Operating Results		- 42 047	- 39 499
Financial losses	13.	- 226 966	- 297 865
Financial gains	13.	154 879	242 005
Results before tax		- 114 134	- 95 359
Tax for the year	5.16	25 069	6 223
Net profit for the year		**- 89 065**	**- 89 136**

To be read jointly with the Notes to the Financial Statements

(Amounts in € thousand)

STATEMENT OF COMPREHENSIVE INCOME
31 December 2014 and 2013

Headings	Notes	31-dec-14	31-dec-13
Results recognised in the income statement		- 89 065	- 89 136
Other comprehensive income			
Items that will not be reclassified in results			
Transition differences - deferred taxes	5.16	0	- 26 260
		0	**- 26 260**
Items that may be reclassified in results			
		0	0
Comprehensive Result		**- 89 065**	**- 115 396**

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

(Amounts in € thousand)

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
31 December 2014 and 2013

	Notes	Share capital	Other changes	Cumulative results	Income/(loss) attributable to shareholders	Total Equity
Balances at 31 December 2012		**430 200**	**0**	**- 2 222 344**	**- 92 114**	**- 1 884 258**
Transition differences - deferred taxes			- 26 260			- 26 260
Result stemming from the income statement					- 89 136	- 89 136
2013 Comprehensive Results		0	- 26 260	0	- 89 136	- 115 396
Appropriation of comprehensive results for 2012				- 92 114	92 114	0
Capital increase		21 000				21 000
Balances at 31 December 2013		**451 200**	**- 26 260**	**- 2 314 458**	**- 89 136**	**- 1 978 654**
Transition differences - deferred taxes			26 260	- 26 260		0
Result stemming from the income statement					- 89 065	- 89 065
2014 Comprehensive Results		0	26 260	- 26 260	- 89 065	- 89 065
Appropriation of comprehensive results for 2013				- 89 136	89 136	0
Capital increase		1 034 800				1 034 800
Balances at 31 December 2014		**1 486 000**	**0**	**- 2 429 854**	**- 89 065**	**- 1 032 919**

To be read jointly with the Notes to the Financial Statements

(Amounts in € thousand)

CASH FLOW STATEMENT
31 December 2014 and 2013

Headings	Notes	31-dec-14	31-dec-13
Operating Activities			
Cash receipts from clients		213 340	7 304
Cash paid to suppliers		- 99 332	- 97 846
Cash paid to personnel		- 78 674	- 85 362
Flows generated by operations		35 333	- 175 904
Other operating cash received/(paid)		22 588	47 754
Cash Flows from operating activities (1)		**57 921**	**- 128 150**
Investing activities			
Cash receipts relating to:			
Investment subsidies		11 747	87 245
Dividends	12.	8 715	2 200
		20 462	89 445
Cash payments relating to:			
Tangible assets		145 583	86 088
		145 583	86 088
Cash Flows from investing activities (2)		**- 125 120**	**3 357**
Financing activities			
Cash receipts relating to:			
Borrowings		64 000	825 542
Capital injections	5.12	1 034 800	21 000
Interest		6 859	36 808
		1 105 659	883 350
Cash payments relating to:			
Borrowings		807 035	609 574
Interest and similar costs		229 579	287 520
		1 036 614	897 094
Cash Flows from financing activities (3)		**69 045**	**- 13 744**
Change in cash and cash equivalents (4)=(1)+(2)+(3)		**1 846**	**- 138 537**
Cash and cash equivalents at the end of the year	5.11	75 458	73 612
Cash and cash equivalents at the beginning of the year	5.11	73 612	212 149
Change in cash and cash equivalents		**1 846**	**- 138 537**

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

Lisbon, 23 March 2015

The Board of directors

Chief Financial Officer

Maria do Carmo Duarte Ferreira

Accountant

Isabel Rasteiro Lopes

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Notes to the Separate Financial Statements for the years ended at 31 December 2014 and 31 December 2013

1. Economic and financial analysis

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

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

In carrying out its activity and in order to provide a highly efficient and effective service, REFER requires complementary services in business areas not covered by its core business, which are rendered by its subsidiaries.

1.1 REFER Missions

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

Long Duration Investment (LDI)

This mission covers investments associated to:

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

The financing required for the investments made is obtained by REFER and may be in the form of loans with financial institutions and the capital market, or via suppliers, capital contributions of the shareholder (PIDDAC, loans and/or share capital) and European union funds.

Infrastructure Management (IM)

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

This covers operating investments (e.g. furniture and IT) bearing no implications on concessions of temporary use of LDI and railway operation.

1.2 Regulation of the missions developed by REFER

User Fee Regulation

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

As far as user fees are concerned, under the terms of Decree-Law no. 270/2003 of 28 October, as amended by Decree-Law no. 231/2007 of 14 June, REFER is responsible for establishing and collecting the fees due for the use of the infrastructure, to finance the management of its infrastructure, in accordance with the rules defined in the aforementioned law, and provisions in Regulation no. 630/2011, of 12 December issued by Instituto da Mobilidade e dos Transportes IP (IMT). ("IMT").

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

User Fees for Essential Services

a) Base Fee

Main services provided by the infrastructure manager include the following:

- the minimum access package;
- railway access to service facilities and to the supply of services;
- the use of infrastructures and equipment for the supply, transformation and distribution of traction power; and
- the provision of railway emergency assistance under the terms provided in article 51 of Decree-Law 270/2003, as amended by Decree-Law 231/2007.

b) User Fee for capacity requested but not used

The amount payable for capacity requested but not used corresponds to:

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

User Fees for Additional Services

a) Traction Power

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

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

b) Shunting

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

c) Parking of Rolling Stock

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

d) Special contracts relating to exceptional transports

As far as exceptional transports are concerned, REFER is required to make a feasibility study to verify in detail, the feasibility of such transport, identify all implications and required adjustments to the infrastructure and the rolling stock. The study will include the preparation of a budget that will reflect the costs incurred by REFER in the organisation, preparation and effective implementation of these services.

User Fees for Auxiliary Services

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

Other Fees

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

2. Bases of presentation and accounting policies

2.1 Bases of Presentation

The financial statements presented herein are the separate financial statements of REFER and they reflect the results of REFER's operations and its financial situation for the years ending at 31 December of 2014 and 2013.

These financial statements were assessed by the Board of Directors at a meeting held on 23 March 2015, where it was decided to submit them to the approval of the relevant Ministers. The Board of Directors is of the opinion that these financial statements give a true and fair view of REFER's operations, its financial position, performance and cash flows.

All amounts are in thousand euros (EUR thousand).

REFER's financial statements were prepared according to the International Financial Reporting Standards (IFRS) as adopted by the European Union, in force on 31 December 2014.

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

The financial statements presented herein were prepared according to the principle of historic cost, except for financial assets and liabilities recorded at fair value, in particular, derivative financial instruments, which are recorded at respective market value, 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 would not be possible to obtain from other sources. Issues requiring a greater level of judgement or complexity, or for which the assumptions and estimates are considered significant, are presented in Note 2.3 .

2.2 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 IAS 27 – Separate and consolidated financial statements, where an entity is required to present separate financial statements, investment in subsidiaries, joint ventures and associates are recorded at cost or fair value.

REFER records the financial investments previously mentioned at cost, deducted of any impairment losses.

Dividends from these entities are recognised under "Gains and Losses in Subsidiaries, Associates and Joint Ventures" where the right thereto is established.

According to IFRS 10 – Consolidated Financial Statements, a subsidiary is an entity controlled by another entity.

An investing company controls an entity where it is exposed or holds rights related to variable results via its relationship with such entity, and it has the power to affect such results through the control it has over the invested company.

b) Equity holdings in associates and joint ventures

As provided in IAS 28 – Investments in associates and joint ventures, associates are entities over which the investing company exerts significant influence.

It is presumed that significant influence is exercised where an entity holds directly or indirectly 20 % or more of the voting rights of the invested company, unless it can be clearly demonstrated that this is not the case.

A joint venture is a joint business in relation to which the parties that exercise joint control hold rights over the net assets of the business.

Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

These investments are recorded in the separate financial statements at cost and any dividends therefrom are recognised under "Gains and Losses in Subsidiaries, Associates and Joint Ventures" where the right thereto is established.

c) Financial investments in joint arrangements

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

A joint arrangement has the following characteristics:

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

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

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

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

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

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

d) Long Duration Investment Activity (LDIs) – Service Concession Arrangements – IFRIC 12

Following the split-off of the railway activity in Portugal in 1997, REFER was assigned the responsibility of building and renovating long duration railway infrastructures. This activity is carried out according to the Government directives; its financing is guaranteed through capital, State and European subsidies and loans; the majority of the loans are secured by the State, with REFER playing the role of "agent".

Based on this understanding, the effects relating to this activity are recognised and measured in accordance with IFRIC 12.

Accordingly, for the purposes of IFRIC 12, it is considered that the Long Duration Investment Activity relies on the existence of a concession arrangement between the State (Public Entity) and REFER (considered as private entity although its sole shareholder is the State), where REFER acts as "Concessionaire".

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

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

- The services to be provided by the concessionaire (using the infrastructure), to whom they are to be provided and at what price; and

- Any residual interests concerning the infrastructure at the end of the contract.

IFRIC 12 applies to infrastructures:

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

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

- REFER is a profit-making company subject to provisions in the Companies Code; although its shareholder is the State, the company was incorporated according to the relevant law relating to the public corporate sector (Decree-Law 133/2013 of 3 October), and is independent in terms of assets in relation to its shareholder; therefore, exclusion provided in IFRIC 12 does not apply, according to its paragraph 4;
- The decree-law which created REFER may, in substance, be considered as concession agreement, since the State as Grantor, controls and governs the public services provided by REFER, as concessionaire of the infrastructures belonging to public railway domain, and defines to whom the services are to be provided and at what price; and
- The State, owns and controls the infrastructures which belong to the public domain and assigns to REFER the right of access to such infrastructures so that it may render a public service against a consideration payable by passenger and goods transport operators.

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

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

Taking into accounting the types of existing models, 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, whereas REFER has an unconditional right to receive cash from the State for its investments in LDIs. This right is conferred under article 11 of the General Ground Transport Law for railway transport (LBTT), by Decree-Law 141/2008, of 22 July, by the 2011-2015 Strategic Transport Plan (PET) and finally, by the Strategic Plan for Transport and Infrastructures (2014-2020 horizon) (PETI3+).

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

As there is no official concession agreement, REFER determined the value of the concession, based on the principle of substance over form and existing law, and on the following assumptions:

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

- REFER, E.P.E. bylaws, specifically no. 4 of article 15, which provides that "the value of the assets acquired by the company for a valuable consideration that 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 reinstated in case the company should be deprived of its management or operation"

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

"*Investment required for the construction of transport infrastructures, since they are public domain assets, must be ensured by the State as provided in the General Ground Transport Law. Notwithstanding, over the past decades, state-owned corporations operating in the land transport and railway sectors have carried the burden of having to register in their financial statements - via the issuing of debt - the costs of this investment made on behalf of the State.*" and;

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

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

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

Therefore, the costs borne with LDIs are deemed as "accounts receivable" charged to the "State Grantor", and initially recognised at fair value.

Financial assets are made up of the assets under concession, which include public railway domain property, to which REFER only has access to provide "Infrastructure Management Services", added of the return on assets, following disposal or improvements, deducted of any subsidies received plus interest on loans allocated to the concession. As there is no defined maturity - which is due to the non existence of a formal concession contract - it is assumed that the amounts receivable will be due on the date they are charged. Consequently, as from that date the concessionaire (REFER) is deemed to be entitled to accrued interest on the amounts due. The determination of the said interest is made based on the same terms of the loans obtained to directly finance this activity. The company thus charges interest and other financial expenses relating to the loans contracted to finance the concession.

Long Duration Infrastructures ("LDIs")

Tangible fixed assets classified as long duration infrastructures belong to the public railway domain, and REFER only has access to them so as to provide the services associated with the Railway Infrastructure Management. They are recorded as "long duration infrastructures investment activity" in the statement of financial position, since they do not qualify as assets controlled by the company. In addition to acquisitions and construction made subsequent to the split-off of CP, these assets further include the assets of extinguished departments, freight terminals and property transferred from CP, which are considered as "public domain assets".

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 duration infrastructure investment activities. They are initially registered at cost.

Following initial recognition, REFER adopted the cost model permitted by IAS 16; tangible fixed assets are recorded at 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 as the difference between the asset's carrying amount and the present book value, and they are recognised in the Income Statement.

Depreciation

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

Name	%
Land	Non depreciated
Buildings and other constructions	2,00
Basic equipment	3,33
Transport equipment	25,00
Tools and utensils	12,50
Administrative equipment	12,50
Other fixed assets	12,50

Useful lives of assets are reviewed at the end of each year so that depreciation complies with the asset consumption patterns.

Leasing

Classification of lease operations as financial leases or operating leases takes into consideration the substance of the transaction rather than its legal form. A lease is classified as finance lease if it substantially transfers all the risks and rewards incidental to ownership of an asset to the lessee. All other leases are classified as operating leases.

Operating Leases

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

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

f) Intangible assets

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

Intangible assets recognised in the Statement of Financial Position refer essentially to software licences.

Amortisation

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

g) Derivative financial instruments

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

Recognition of changes in the fair value of hedge instruments in results for the period will depend on the nature of the hedged risk and the efficacy of the hedging.

The fair value of derivative financial instruments will correspond to their market value, when available; where not available, it will be determined by external entities based on valuation techniques.

Hedge accounting

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

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

As of 31 December 2014 REFER had no derivative financial instrument.

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 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 provisions in 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 derivative financial instruments that do not qualify for hedge accounting purposes. Changes to their fair value are recognised directly in income for the year.

Held-to-maturity investments

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

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

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

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 recognised impairment.

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. Various indicators are used to identify impairment situations, namely: i) default analysis; ii) default for over 6 months; iii) debtor's financial difficulties; iv) probability of bankruptcy of debtor.

When receivables due from clients or other debtors are subject to a renegotiation of the respective terms, they will no longer be considered as due but will be 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 recognised impairment.

Available-for-sale financial assets

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

- REFER does not intend 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, where classified as available-for-sale assets, and differences between the acquisition cost and the nominal value (premium or discount), are recorded in income according to the effective interest rate method.

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

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, as followed by REFER.

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

In this level 2 of the hierarchy of fair value REFER includes unlisted financial instruments, such as derivative financial instruments as financial instruments at 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.

In relation to certain more complex types of derivative financial instruments, the valuation models used are advanced models 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.

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 purchased for the sole specific purpose of its Long Duration Infrastructure Investment Activity. These inventories are shown in the Statement of Financial Position as “Long Duration Infrastructure Investment Activity”.

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 and with Agência de Gestão da Tesouraria e da Dívida Pública – IGCP, E.P.E (IGCP).

Cash and cash equivalents include cash, bank deposits and 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

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

REFER has non current loans in the form of bilateral and bond loans to finance the construction of long duration infrastructures (LDI) and the infrastructure management activity. Loans to finance investment in LDI are recognised in the Statement of Financial Position in caption “Long Duration Infrastructure Investment Activities”

o) Suppliers and other accounts payable

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

The balances of suppliers and other creditors refer to the balances payable to suppliers of the company's operating activities. The balances of suppliers related to the acquisition/construction of Long Duration Infrastructure activities are recorded in the Statement of Financial Position under the corresponding caption.

p) Impairments and Provisions

Impairments are recognised when losses in assets are recorded in the Statement of Financial Position, as described in 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 lawsuits in progress, for which it is highly probable that they may imply the payment of liabilities by the company (see note 5.15). This is an estimated value of the liabilities.

q) Recognition of revenue

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

REFER's revenue includes user fees (track access charges) relating to infrastructure, traction power, shunting, capacity requested but not used and other services (as described in note 1.2).

r) Income tax

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

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

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

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

Tax Group

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

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

REFER

REFER PATRIMÓNIO S.A.

REFER TELECOM, S.A.

REFER ENGINEERING , S.A.

The companies included in REFER Tax Group determine and record their income tax as if they were taxed on an individual basis. Liabilities arising therefrom are recognised as due by REFER, which will determine and settle the overall tax due.

Any tax advantage arising out of the application of the RETGS will revert to REFER.

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	31-dec-14	31-dec-13
Swiss Francs (CHF)	1,20	1,23
Swedish Krona (SEK)	9,39	8,86

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 income statement in the period the associated expenses are incurred, from the moment they are likely to be received.

Subsidies obtained to finance assets acquired/built in long duration 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 to be received 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.

The Board of Directors of REFER 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 business is the rendering of public service, specifically the management of national railway infrastructure network. REFER needs to rely on complementary services to carry out its main activity; however, associated risks and returns are directly linked to such rendering of services.

As of 31 December 2014, only one operating segment was identified. REFER clients make up the entirety of this segment; their entire activity is developed 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 16 the balances and transactions with related entities which it controls or over which it holds significant influence as of 31 December 2014. In relation to public entities with which REFER entered protocols directly related to the Long Duration Infrastructure Investment activity, the Company adopted the exception permitted of only disclosing the most relevant transactions (see note 16.5).

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 are believed to be reasonable, in the current circumstances. The intrinsic nature of the estimates and judgements may imply that the real impact of the situations which had been estimated may differ, for the purposes of the financial report, from the estimated amounts.

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

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

Recognition of income/expenses

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

Provisions for ongoing lawsuits

The Board of Directors believes it is highly likely that some ongoing lawsuits will imply financial outflows. Therefore, the present value of the liability is estimated, and recorded as a provision (Note 5.15).

Deferred tax assets

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

3. Financial risk management policies

Financial Risks

REFER'S activity is subject to risk factors of financial nature, namely credit risk, liquidity risk and interest rate risks associated with cash flows from loans.

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

In fact, Article 29 of the said Decree-law determines that EPRs cannot access funding with financial institutions, unless it is a multilateral financial institution (e.g.. European Investment Bank); meanwhile, according to article 72 these companies' derivatives portfolios were transferred to the Public Debt and Treasury Management Agency (Agência de Gestão da Tesouraria e da Dívida Pública – IGCP, EPE (IGCP)).

Management of exchange risk

REFER's activities are not subject to significant exchange rate risk.

Credit risk management

Credit risk is associated with the risk of another party defaulting on its contractual obligations, resulting in a financial loss for 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 as exclusive passenger transport operator for the entire network, except for the 25 de Abril Bridge crossing, which is operated by Fertagus. Therefore, although credit risk is strongly concentrated in CP, it is mitigated by the legal nature of this company, which is also a company belonging to the Portuguese Corporate Public Sector, 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.

(Amounts in € thousand)

As for credit risk associated with financial activity, REFER is exposed to the national banking sector through its demand deposits balances and, until January 2014 to the international banking sector with which it contracted derivative financial instruments. So far REFER did not record any impairment resulting of the non compliance with any contractual obligations with banks, and in what concerns derivative financial instruments, as of the date of the financial statements, this risk was null as all such contracts were fully settled.

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

Financial institutions

Rating	31-dec-14	31-dec-13
>=AA-		0
>=A-		3 383
< =BBB+	47	89
< =BB+	70 168	78 126
No rating	5 230	2 199
	75 445	83 797

Ratings above were provided by Standard and Poor's at reporting date (Note 5.11).

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 other. 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 business management. A conservative management of liquidity risk implies the maintenance of an adequate level of cash and cash equivalent to face existing liabilities. Following REFER's integration into the State's consolidation perimeter in 2011, the Company became directly financed by the Portuguese State; as result, REFER's liquidity risk reduced significantly.

(Amounts in € thousand)

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

31 December 2014

	Notes	Less than 1 year	1 to 5 years	+ than 5 years
Borrowings				
Borrowings for capital expenditure		1 541 520	2 545 843	2 330 545
Other loans		196 485	596 229	318 219
		1 738 005	**3 142 072**	**2 648 764**
Suppliers and other accounts payable		**88 192**		
Guarantee		**5 065**	**22 236**	**14 735**
		1 831 262	3 164 308	2 663 499

31 December 2013

	Notes	Less than 1 year	1 to 5 years	+ than 5 years
Loans obtained				
Borrowings for capital expenditure		822 059	2 023 537	2 948 215
Other loans		211 607	1 703 056	839 074
		1 033 666	**3 726 594**	**3 787 289**
Suppliers and other accounts payable		**89 048**		
Guarantee		**5 193**	**19 422**	**22 503**
		1 127 907	3 746 016	3 809 791

Interest rate risk management

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

(Amounts in € thousand)

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 on the fair value of its loans. This analysis has helped decision-making in interest rate risk management. The sensitivity test is based on the following assumptions:

i. At 31 December 2014, REFER had not acknowledged any loan obtained at a fair value;

ii. At 31 December 2014, REFER's portfolio did not include any derivative financial instruments;

iii. 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; and

iv. Based on these assumptions, at 31 December 2014 an increase or decrease by 0.5% in euro interest rate curves would result in the following variations in the fair value of the loans, with consequent direct impact on results:

31 December 2014

	Increase/(decrease) in the fair value of loans	
	Change in the Interest rate curve	
	-0,50%	0,50%
EUR	131 256	- 125 519

	Net effect on results			
	Change in the Interest rate curve		Change in the volatility curve	
	-0,50%	0,50%	-5%	5%
EUR	- 131 256	125 519		
GBP				

(Amounts in € thousand)

31 December 2013

	Increase/(decrease) in the fair value of derivative instruments			
	Change in the Interest rate curve		Change in the volatility curve	
	-0,50%	0,50%	-5%	5%
EUR	439	- 2 452	89	- 131
GBP	- 2 148	382	45	- 132

	Increase/(decrease) in the fair value of loans	
	Change in the Interest rate curve	
	-0,50%	0,50%
EUR	115 031	- 178 431

	Net effect on results			
	Change in the Interest rate curve		Change in the volatility curve	
	-0,50%	0,50%	-5%	5%
EUR	- 114 592	175 979	89	- 131
GBP	- 2 148	382	45	- 132

Capital risk management

REFER's goal in terms of capital risk management, which is a broader concept than the capital shown on the Statement of Financial Position, is to safeguard the ongoing business operation.

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

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

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

(Amounts in € thousand)

4. INVESTMENT IN LONG DURATION INFRASTRUCTURE (LDI)

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

Description	Notes	31-dec-14	31-dec-13
Activity in long term Infrastructure investments			
Assets		**5 275 899**	**4 989 628**
Current		**5 275 899**	**4 989 628**
Grantor - State - Account Receivable	4.1	5 254 047	4 970 380
Inventories	4.2	16 600	13 993
Clients and other accounts receivable	4.3	5 253	5 255
Liabilities		**3 962 057**	**5 035 070**
Non current		**3 801 786**	**4 879 119**
Borrow ings	4.4	3 801 786	4 879 119
Current		**160 271**	**155 951**
Borrow ings	4.4	91 261	91 261
Suppliers and other accounts payable	4.5	69 010	64 690

4.1 Grantor - State - Account Receivable

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

Financial Assets - State account	Notes	31-dec-14	31-dec-13
Assets under concession	4.1.1	8 669 061	8 559 486
Subsidies	4.1.2	- 4 320 514	- 4 346 375
Return on assets	4.1.3	- 3 089	- 3 089
Charged Interest	4.1.4	1 213 789	1 065 558
Impairments	4.1.5 / 9.	- 305 200	- 305 200
		5 254 047	**4 970 380**

(Amounts in € thousand)

4.1.1 Assets under Concession (LDI)

As of 31 December 2014, increases recorded in assets under concession derived mainly from the transfer of ownership of CP railway terminals formerly managed by CP CARGA under a concession agreement with CP. The transfer to REFER was decided pursuant to joint order dated 23 April 2014 issued by the State-Secretary for the Treasury and the State-Secretary for Infrastructures, Transport and Communications.

31 December 2014

Assets under Concession (LTI)	Notes	Opening balance	Transfers	Increases	Write-offs / corrections	Closing Balance
Assets under Concession - Active LTI						
Land and natural resources		237 231	- 161			237 070
Buildings and other constructions		6 231 503	- 145	283	- 49	6 231 592
Basic equipment		30 269				30 269
Work in progress		2 056 047	- 714	110 909		2 166 242
Advances on account of AFT		3 963		5		3 968
		8 559 013	**- 1 020**	**111 197**	**- 49**	**8 669 141**
Assets under Concession - Discontinued LTI						
Land and natural resources		- 5 700			- 478	- 6 179
Buildings and other constructions		6 174			- 75	6 099
		473			**- 553**	**- 80**
Total assets under concession - LTIs	**4.1**	**8 559 486**	**- 1 020**	**111 197**	**- 602**	**8 669 061**

(Amounts in € thousand)

31 December 2013

Assets under Concession (LTI)	Notes	Opening balance	Transfers	Increases	Write-offs / corrections	Closing Balance
Assets under Concession - Active LTI						
Land and natural resources		236 640	592			237 231
Buildings and other constructions		6 050 745	180 614	179	- 34	6 231 503
Basic equipment		30 269				30 269
Work in progress		2 047 255	- 181 011	189 803		2 056 047
Advances on account of AFT		5 013	- 1 093	43		3 963
		8 369 921	**- 899**	**190 024**	**- 34**	**8 559 013**
Assets under Concession - Discontinued LTI						
Land and natural resources		- 8 873			3 173	- 5 700
Buildings and other constructions		6 151			23	6 174
		- 2 723			**3 196**	**473**
Total assets under concession - LTIs	**4.1**	**8 367 199**	**- 899**	**190 024**	**3 162**	**8 559 486**

Assets under Concession (Discontinued LDI)

Caption "Assets Under Concession – Discontinued LDIs" results from the obligation established in joint order of the Ministers 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 recorded in 2014 corresponds to the disposal of assets in the Municipality of Fafe, the transfer of dominium to the Municipality of Monção of two plots of land located adjacent to the old railway station and a land swap in Lugar de Quebrantões (parish of Oliveira do Douro) made with CUF – Químicos Industriais, SA.

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

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

This facility is described in joint order 261/99, relating to the “creation of CP concession”, which had not be transferred to REFER as of this date.

(Amounts in € thousand)

4.1.2 Subsidies

Note 2.2.t) describes the subsidies recognition policy.

The breakdown of subsidies is as follows:

31 December 2014

Description	Note	Opening balance	Increases	Reimburse-ments	Closing Balance
PIDDAC		1 100 585	9 283		1 109 868
Cohesion Fund		1 554 465	2 103	- 36 888	1 519 679
FEDER		635 869			635 869
RTE-T		80 050		- 359	79 691
Other		975 407			975 407
Government Grants	**4.1**	**4 346 375**	**11 386**	**- 37 247**	**4 320 514**

31 December 2013

Description	Note	Opening balance	Increases	Reimburse-ments	Closing Balance
PIDDAC		1 013 921	86 664		1 100 585
Cohesion Fund		1 469 861	84 657	-53	1 554 465
FEDER		635 869			635 869
RTE-T		64 680	36 185	- 20 815	80 050
Other		975 407			975 407
Government Grants	**4.1**	**4 159 738**	**207 506**	**- 20 869**	**4 346 375**

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

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

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

(Amounts in € thousand)

4.1.3 Return on assets

Description	Note	31-dec-14	31-dec-13
Return on assets	4.1	- 3 089	- 3 089

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

4.1.4 Charged Interest

Description	Notes	31-dec-14	31-dec-13
Charged Interest		1 213 789	1 065 558
	4.1	**1 213 789**	**1 065 558**

During the current year the amount of interest charged to the Grantor totalled € 148,231 thousand (2013: € 156,857 thousand); they are recorded under caption Financial gains - interest earned - grantor - State (Note 13).

4.1.5 Impairments

When REFER was created, its statutory capital was made in specie, specifically the railway infrastructure which at the date was estimated at EUR 62,350 thousand. From 1998 to 2001 the Portuguese Government increased the statutory capital of REFER by EUR 242,850 thousand, with the purpose of financing the investments in long duration infrastructures comprised in the public railway domain, as provided in each joint ministerial orders.

At the date of inception public domain assets were recorded as fixed assets (tangible fixed assets, according to the accounting plan in force at the time – POC) of REFER; therefore, the capital contribution was the recognition of such assets. Following the adoption of IFRIC 12, these amounts are recorded as repayment made in due time of investments in long duration infrastructure made by concessionaire REFER, totalling EUR 305,200 thousand (original contribution in kind, added of the capital increases carried out from 1998 to 2001)

As result, this sum will no longer be reimbursed by the State/Grantor, and was recorded as impairment in the amount of € 305,200 thousand.

(Amounts in € thousand)

4.2 Inventories

This caption identifies the warehoused materials to be used in the construction of railway infrastructures.

Description	Notes	31-dec-14	31-dec-13
Inventories	5.8	16 782	14 309
Impairment in inventories	9.	- 182	- 317
	4.	**16 600**	**13 993**

4.3 Clients and other accounts receivable

This caption refers to sums receivable from entities with which the Company entered protocols concerning public domain railway assets, via contribution to investments made and the disposal of assets of this nature.

Description	Note	31-dec-14	31-dec-13
Clients and other accounts receivable	4.	5 253	5 255

Table above comprises receivables from the Municipality of Espinho in the amount of EUR 620 thousand (2013: e 620 thousand) and REFER PATRIMÓNIO, in the amount of € 4,548 thousand (2013: € 4,548 thousand) relating to a land swap in Sines; the two account for 98% of this caption.

(Amounts in € thousand)

4.4 Borrowings

Loans allocated to LDI activity are as follows:

Description	Notes	31-dec-14	31-dec-13
Non current loans			
Amounts owed to credit institutions		1 126 476	1 217 736
Bond loans		1 596 535	1 596 164
State Loan		1 078 776	2 065 219
	4.	**3 801 786**	**4 879 119**
Current loans			
Amounts owed to credit institutions		91 261	91 261
	4.	**91 261**	**91 261**
Loans obtained		**3 893 047**	**4 970 380**

Loans allocated to investment activity derive from the funding gap on the part of the State Grantor. These are mainly loans from the European Investment Bank, most of which are guaranteed by the State, plus bond loans and loans granted directly by the State.

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

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

(Amounts in € thousand)

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

	Name	Amount (€)	Principal due	Repayment: Opening date	Repayment: Closing date	Repayment: Periodicity	Interest Payment	Interest rate	Final interest rate
FINANCING SECURED BY EIB	CP III Linha do Norte-B	49 880	26 603	15-06-2008	15-06-2022	Annual	15-mar 15-jun 15-set 12-jan	EIB variable, cannot exceed Euribor 3M+0.15%	0,212%
	Douro Line	43 894	8 779	15-09-2007	15-09-2016	Annual	15-mar 15-jun 15-set 15-dez	EIB variable, cannot exceed Euribor 3M+0.15%	0,212%
	Tagus railway crossing	99 760	19 952	15-09-2007	15-09-2016	Annual	15-mar 15-jun 15-set 15-dez	EIB variable, cannot exceed Euribor 3M+0.15%	0,212%
	Tagus-B railway crossing	99 760	19 952	15-09-2003	15-09-2017	Annual	15-mar 15-jun 15-set 15-dez	EIB variable, cannot exceed Euribor 3M+0.15%	0,212%
	Tagus-C railway crossing	25 000 25 000 49 760	8 418 8 840 13 269	15-09-2004	15-09-2018	Annual	15-mar 15-jun 15-set 15-dez	1st fixed instalment 2nd fixed instalment 3rd var. instalment	4,670% 5,800% 0,212%
	Minho Line-A	25 000 25 000 24 820	8 418 8 840 6 619	15-09-2004	15-09-2018	Annual	15-mar 15-jun 15-set 15-dez	1st fixed instalment 2nd fixed instalment 3rd var. instalment	4,670% 5,800% 0,212%
	CP III Linha do Norte-D	25 937	19 021	15-09-2011	15-09-2020	Annual	15-mar 15-jun 15-set 15-dez	EIB variable, cannot exceed Euribor 3M+0.15%	0,212%
	Connection to Algarve-A	90 000	72 000	15-09-2012	15-09-2021	Annual	15-mar 15-jun 15-set 15-dez	EIB variable, cannot exceed Euribor 3M+0.12%	0,202%
	Minho Line-B	59 856	47 885	15-09-2012	15-09-2021	Annual	15-mar 15-jun 15-set 15-dez	EIB variable, cannot exceed Euribor 3M+0.12%	0,202%
	CPIII/2 L. Norte-A	100 000	90 000	15-03-2013	15-03-2022	Annual	15-mar 15-jun 15-set 15-dez	EIB variable, cannot exceed Euribor 3M+0.12%	0,202%
	CPIII/2 L. Norte-B	200 000	190 000	15-12-2014	15-12-2023	Annual	15-mar 15-jun 15-set 15-dez	EIB variable, cannot exceed Euribor 3M+0.15%	0,212%
	Suburban	100 000	71 429	15-06-2009	15-06-2024	Annual	15-mar 15-jun 15-set 15-dez	EIB variable, cannot exceed Euribor 3M+0.15%	0,212%
	Suburban B	100 000	76 190	15-09-2010	15-09-2025	Annual	15-set	Revisable rate	3,615%
	Suburban C	55 000	44 524	15-03-2011	15-03-2026	Annual	15-mar	Revisable rate	4,247%
	Connection to Algarve-B	30 000	26 000	15-03-2013	15-03-2022	Annual	15-mar 15-jun 15-set 15-dez	EIB variable, cannot exceed Euribor 3M+0.12%	0,202%
	CP III 2 Linha do Norte-C	100 000	100 000	15-06-2017	15-06-2026	Annual	15-mar 15-jun 15-set 15-dez	Euribor 3M+0,054%	1,887%
	CP III Linha do Norte-D	100 000	100 000	15-12-2017	15-12-2026	Annual	15-mar 15-jun 15-set 15-dez	Euribor 3M+0,056%	0,517%
EIB with no guarantee	Refer V	160 000	152 000	15-03-2014	15-03-2033	Annual	15-mar	Revisable rate	2,653%
	Refer VI	110 000	99 000	15-09-2013	15-09-2032	Annual	15-set	Revisable rate	2,976%
Eurobond w/ Guarantee	Eurobond 06/26 (1)	600 000	600 000	16-11-2026		Bullet	16-nov	Rate	4,047%
	Eurobond 09/19 (1)	500 000	500 000	18-02-2019		Bullet	18-fev	Rate	5,875%
	Eurobond 09/24 (1)	500 000	500 000	18-10-2024		Bullet	18-out	Rate	4,675%
Borrowings Non Guaranteed	State Loan	2 062 772	1 031 386	31-05-2013	30-11-2016	Half-year	31-mai 30-nov	Rate	2,770%
	State Loan	75 000	47 390	31-05-2014	30-11-2017	Half-year	31-mai 30-nov	Rate	3,420%
Total			3.896.512						
(1) Total considering effective cost			3.893.047						

(Amounts in € thousand)

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

	Name	Amount (€)	Principal due	Repayment Opening date	Repayment Closing date	Repayment Periodicity	Interest Payment	Interest rate	Final interest rate
FINANCING SECURED BY EIB	CP III Linha do Norte-B	49 880	29 928	15-06-2008	15-06-2022	Annual	15-mar 15-jun 15-set 12-jan	EIB variable, cannot exceed Euribor 3M+0.15%	0,313%
	Douro Line	43 894	13 168	15-09-2007	15-09-2016	Annual	15-mar 15-jun 15-set 15-dez	EIB variable, cannot exceed Euribor 3M+0.15%	0,313%
	Tagus railway crossing	99 760	29 928	15-09-2007	15-09-2016	Annual	15-mar 15-jun 15-set 15-dez	EIB variable, cannot exceed Euribor 3M+0.15%	0,313%
	Tagus-B railway crossing	99 760	26 603	15-09-2003	15-09-2017	Annual	15-mar 15-jun 15-set 15-dez	EIB variable, cannot exceed Euribor 3M+0.15%	0,313%
	Tagus-C railway crossing	25.000 25.000 49.760	10.293 10.758 16.587	15-09-2004	15-09-2018	Annual	15-mar 15-jun 15-set 15-dez	1st fixed instalment 2nd fixed instalment 3rd var. instalment	4,670% 5,800% 0,313%
	Minho Line-A	25 000 25 000 24 820	10 293 10 758 8 273	15-09-2004	15-09-2018	Annual	15-mar 15-jun 15-set 15-dez	1st fixed instalment 2nd fixed instalment 3rd var. instalment	4,670% 5,800% 0,313%
	CP III Linha do Norte-D	25 937	20 750	15-09-2011	15-09-2020	Annual	15-mar 15-jun 15-set 15-dez	EIB variable, cannot exceed Euribor 3M+0.15%	0,313%
	Connection to Algarve-A	90 000	78 000	15-09-2012	15-09-2021	Annual	15-mar 15-jun 15-set 15-dez	EIB variable, cannot exceed Euribor 3M+0.12%	0,303%
	Minho Line-B	59 856	51 875	15-09-2012	15-09-2021	Annual	15-mar 15-jun 15-set 15-dez	EIB variable, cannot exceed Euribor 3M+0.12%	0,303%
	CPIII/2 L. Norte-A	100 000	95 000	15-03-2013	15-03-2022	Annual	15-mar 15-jun 15-set 15-dez	EIB variable, cannot exceed Euribor 3M+0.12%	0,303%
	CPIII/2 L. Norte-B	200 000	200 000	15-12-2014	15-12-2023	Annual	15-mar 15-jun 15-set 15-dez	EIB variable, cannot exceed Euribor 3M+0.15%	0,313%
	Suburban	100 000	76 190	15-06-2009	15-06-2024	Annual	15-mar 15-jun 15-set 15-dez	EIB variable, cannot exceed Euribor 3M+0.15%	0,313%
	Suburban B	100.000	80.952	15-09-2010	15-09-2025	Annual	15-set	Revisable rate	3,615%
	Suburban C	55.000	47.143	15-03-2011	15-03-2026	Annual	15-mar	Revisable rate	4,247%
	Connection to Algarve-B	30 000	28 000	15-03-2013	15-03-2022	Annual	15-mar 15-jun 15-set 15-dez	EIB variable, cannot exceed Euribor 3M+0.12%	0,303%
	CP III 2 Linha do Norte-C	100 000	100 000	15-06-2017	15-06-2026	Annual	15-mar 15-jun 15-set 15-dez	Euribor 3M+0,054%	0,237%
	CP III Linha do Norte-D	100 000	100 000	15-12-2017	15-12-2026	Annual	15-mar 15-jun 15-set 15-dez	Euribor 3M+0,056%	0,239%
EIB with no guarantee	Refer V	160.000	160.000	15-03-2014	15-03-2033	Annual	15-mar	Revisable rate	4,786%
	Refer VI	110.000	104.500	15-09-2013	15-09-2032	Annual	15-set	Revisable rate	2,976%
Eurobond w/ Guarantee	Eurobond 06/26 (1)	600 000	600 000		16-11-2026	Bullet	16-nov	Rate	4,047%
	Eurobond 09/19 (1)	500 000	500 000		18-02-2019	Bullet	18-fev	Rate	5,875%
	Eurobond 09/24 (1)	500 000	500 000		18-10-2024	Bullet	18-out	Rate	4,675%
Borrowings Non Guaranteed	State Loan	2 062 772	1 547 079	31-05-2013	30-11-2016	Half-year	31-mai 30-nov	Rate	2,770%
	State Loan	75 000	75 000	31-05-2014	30-11-2017	Half-year	31-mai 30-nov	Rate	3,420%
	State Loan	198 400	198 400	31-05-2014	30-11-2017	Half-year	31-mai 30-nov	Rate	3,250%
	State Loan	118 284	118 284	31-05-2014	30-11-2017	Half-year	31-mai 30-nov	Rate	2,740%
	State Loan	152 436	126 456	31-05-2014	30-11-2017	Half-year	31-mai 30-nov	Rate	1,830%
	Total		4.974.216						
	(1) Total considering effective cost		4.970.380						

(Amounts in € thousand)

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

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

In 2014 the funding allocated investment hedging fell by € 1,077 million, in nominal net terms. Bond loans remained stable; the breakdown of the said decrease per loan is as follows:

- EIB loans fell by € 91.2 million over 2013;

- State loans fell by € 986.4 million over 2013.

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

Financing at fixed rate - fair value
31 December 2014

Name	Nominal Value	Principal due	Fair value	Interest rate
EIB - Minho A	25 000	8 418	9 266	4,67% Fixed
EIB - Minho A	25 000	8 840	9 952	5,80% Fixed
EIB - Tejo C	25 000	8 418	9 262	4,67% Fixed
EIB - Tejo C	25 000	8 840	9 952	5,80% Fixed
EIB - Suburbans B	100 000	76 190	91 969	3.615% Fixed
EIB - Suburbans C	55 000	44 524	55 541	4,247% Fixed
EIB - REFER V	160 000	152 000	175 215	4.786% Fixed
EIB - REFER VI	110 000	99 000	117 130	2.976% Fixed
Eurobond 06/26	600 000	600 000	627 933	4.047% Fixed
Eurobond 09/19	500 000	500 000	570 578	5.875% Fixed
Eurobond 09/24	500 000	500 000	550 270	4.675% Fixed
Borrowings Portuguese State Loan 11/16	2 062 772	1 031 386	1 060 132	2.77% Fixed
Borrowings Portuguese State Loan 12/17	75 000	47 390	49 312	3.42% Fixed
		3 085 005	3 336 511	

(Amounts in € thousand)

4.5 Suppliers and other accounts payable

Description	Notes	31-dec-14	31-dec-13
Accrued expenses		48 276	50 550
Trade payables - Sundry		15 175	7 835
Suppliers - guarantee w ithheld		5 558	6 305
	4.	**69 010**	**64 690**

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 €48,276 thousand (2013: €50,550 thousand) in accrued interest with loans contracted for investment in LDI.

We point out the change in caption **suppliers – general** relating to the handover by REFER TELECOM of optical fibre and GSR-M assets, in an amount of € 3,750 thousand, and the increase in the rendering of technical assistance services, supervision and project by REFER ENGINNEERING in the amount of € 3,446 thousand (€ 791 thousand in 2013).

(Amounts in € thousand)

5. INFRASTRUCTURE MANAGEMENT ACTIVITY

5.1 Tangible fixed assets

In 2014 and 2013 changes in Tangible Fixed Assets and respective depreciation captions were as follows:

31 December 2014

Gross value	Opening balance	Transfers	Increases	Disposals / regularisa-tions	Closing Balance
Tangible assets					
Land and natural resources	4 948	210		- 210	4 948
Buildings and other constructions	33 317	1 919		- 238	34 998
Basic equipment	23 720	551	248	- 392	24 127
Transport equipment	6 406		90	- 17	6 479
Tools and utensils	563		27		591
Administrative equipment	9 558		34	- 276	9 316
Other tangible fixed assets	438			- 1	438
Work in progress	2 548	- 1 659	35		924
Total gross tangible assets	**81 499**	**1 020**	**434**	**- 1 133**	**81 820**

Depreciation	Opening balance	Transfers	Depreciation for the year	Disposals / regularisa-tions	Closing Balance
Tangible assets					
Buildings and other constructions	13 202		928	- 21	14 110
Basic equipment	17 735		970	- 390	18 314
Transport equipment	6 065		123	- 17	6 171
Tools and utensils	563		13		577
Administrative equipment	8 891		195	- 276	8 810
Other tangible fixed assets	385			- 1	384
Total Depreciation	**46 841**		**2 229**	**- 704**	**48 366**
Total net tangible assets	**34 657**	**1 020**	**- 1 795**	**- 428**	**33 454**

(Amounts in € thousand)

31 December 2013

Gross value	Opening balance	Transfers	Increases	Disposals / regularisa-tions	Closing Balance
Tangible assets					
Land and natural resources	4 869	431		- 353	4 948
Buildings and other constructions	33 151	189		- 23	33 317
Basic equipment	23 663	149	198	- 291	23 720
Transport equipment	6 202		287	- 83	6 406
Tools and utensils	560	- 1	5		563
Administrative equipment	9 748		21	- 211	9 558
Other tangible fixed assets	449			- 10	438
Work in progress	2 548	- 3	3		2 548
Total gross tangible assets	**81 190**	**765**	**515**	**- 971**	**81 499**

Depreciation	Opening balance	Transfers	Depreciation for the year	Disposals / regularisa-tions	Closing Balance
Tangible assets					
Buildings and other constructions	12 232		970		13 202
Basic equipment	17 069		946	- 281	17 735
Transport equipment	6 051		84	- 71	6 065
Tools and utensils	559		5		563
Administrative equipment	8 874		228	- 211	8 891
Other tangible fixed assets	395			- 10	385
Total Depreciation	**45 180**		**2 234**	**- 573**	**46 841**
Total net tangible assets	**36 010**	**765**	**- 1 719**	**- 398**	**34 657**

(Amounts in € thousand)

5.2 Intangible assets

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

31 December 2014

Gross value	Opening balance	Transfers	Increases	Disposals / regularisa-tions	Closing Balance
Intangible assets					
Development expenses	1 220				1 220
Software	18 796		1 888		20 684
Industrial property and other righ	30				30
Intangible assets in progress	11				11
Total gross intangible assets	**20 057**		**1 888**		**21 945**

Amortisation	Opening balance	Transfers	Amortisa-tion for the year	Disposals / regularisa-tions	Closing Balance
Intangible assets					
Development expenses	884		186		1 070
Software	17 567		690		18 258
Industrial property and other righ	30				30
Total Amortisation	**18 481**		**876**		**19 358**
Total net intangible fixed ass	**1 576**		**1 012**		**2 587**

(Amounts in € thousand)

31 December 2013

Gross value	Opening balance	Transfers	Increases	Disposals / regularisa-tions	Closing Balance
Intangible assets					
Development expenses	926	294			1 220
Software	17 970	826			18 796
Industrial property and other right	30				30
Intangible assets in progress	1 003	- 987		- 5	11
Total gross intangible assets	**19 928**	**134**		**- 5**	**20 057**

Amortisation	Opening balance	Transfers	Amortisa-tion for the year	Disposals / regularisa-tions	Closing Balance
Intangible assets					
Development expenses	707		178		884
Software	17 217		351		17 567
Industrial property and other right	30		-		30
Total Amortisation	**17 953**		**528**		**18 481**
Total net intangible fixed ass	**1 974**	**134**	**- 528**	**- 5**	**1 576**

In 2014 caption “Increases” translates the investment in tools for asset management purposes, especially the dynamic control and management of land and asset registration information, as well as automated task systems and production processes concerning Autodesk applications supporting engineering activities. Moreover, REFER entered an Enterprise Agreement Subscription (EAS) contract with Microsoft, which will allow a significant decrease in expenses, since the company opted for buy-out licences.

(Amounts in € thousand)

5.3 Investments in subsidiaries

In 2014 and 2013 changes in this caption were as follows:

Subsidiaries	Notes	31-dec-14	31-dec-13
Opening balance		19 507	19 507
Transfers	5.4	645	
Closing Balance		**20 152**	**19 507**
Cumulative impairments	12.	- 7 278	- 7 147
Net value		12 873	12 360

As of 23 December 2014 REFER purchased for € 2 the remaining share capital of GIL- GARE INTERMODAL DE LISBOA, S.A. (GIL) (until this date REFER's stake in this company was of 33.65%) and the loans due by the latter to PARQUE EXPO and METROPOLITANO DE LISBOA, in the amount of € 25,634 thousand (notes 5.7 and 11).

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

The financial investment in GIL, which was recorded under caption **Investment in associates and joint undertakings** (note 5.4), was thus transferred to **Subsidiaries**, jointly with respective impairment (€ 645 thousand).

In addition to the amount of GIL transfer, caption **Impairments** includes reversal of the adjustment concerning the investment in REFER PATRIMÓNIO, in the amount of € 513 thousand (2013: -€ 643 thousand), due to the positive result posted by the latter in 2014.

(Amounts in € thousand)

Investment in GIL is fully adjusted, following the successive losses of this company over the past few years; GIL's strategic goals are currently under review.

Investments in subsidiaries are as follows:

Companies	31-dec-14		31-dec-13	
	% holding	Value of equity holding	% holding	Value of equity holding
REFER ENGINEERING , S.A. Rua José da Costa Pedreira nº11 - Lisboa	98,43%	2 589	98,43%	2 589
REFER PATRIMÓNIO - Promoção e Com.De Edif., S.A. Palácio de Coimbra - Rua de Santa Apolónia nº 53 - Lisboa	99,997%	9 284	99,997%	8 771
REFER TELECOM - Serviços e Telecomunicações,S.A. Rua Passeio do Báltico, 4 - 1990-036 Lisboa	100,00%	1 000	100,00%	1 000
Gil - Gare Intermodal de Lisboa, S.A. Av.D. João II, Estação do Oriente, lote 1.15 - 1990-223 Lisboa	100,00%		33,65%	
		12 873		12 360

5.4 Investments in associates and joint arrangements

Associates and joint ventures	Notes	31-dec-14	31-dec-13
Opening balance		1 770	1 397
Decreases		- 1 292	
Increases		167	372
Transfers for Subsidiaries	5.3	- 645	
Closing Balance			**1 770**
Cumulative impairments			- 1 770
Net value		0	0

The balances of this caption include equity holdings in GIL and AVEP – ALTA VELOCIDADE DE ESPANHA E PORTUGAL, AEIE (AVEP).

In 2014 GIL balance and impairments were transferred to caption "Investment in Subsidiaries", as disclosed in note 5.3..

In the current year the following amount was transferred to AVEP, € 167 thousand (2013: € 50 thousand), by way of contribution to operating expenses.

In accordance with IFRS11 REFER identified two joint operations in which it participates as operator in European economic interest groupings: investments in AVEP and AEIE CORREDOR FERROVIÁRIO DE MERCADORIAS N.º4 (CFM4).

AVEP was set up on 25 January 2001 by "Administrador de Infraestructuras Ferroviarias (ADIF)" (50 shares) and former RAVE (50 shares, assigned to REFER, following RAVE's liquidation, as described in note 5.15); its object was the development of preliminary studies for the Porto-Vigo and Madrid – Lisbon – Porto railway corridors.

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

As far as AVEP is concerned, it was classified as joint arrangement due to the following:

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

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

Assets, liabilities and results are integrated in REFER as concerns the investment in AVEP, according to respective nature; Until 2013 this investment was recorded at cost, net of impairment losses, added of a provision in the amount of € 122 thousand (note 5.15).

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

As of the date of this report AVEP's financial statements used as basis to integrate assets, liabilities and results were not yet audited. In what concerns CFM4, as of the date of this report no financial statements were made available.

Note 16 describes the balances and transactions with the two groupings above.

(Amounts in € thousand)

5.5 Categories of financial assets and liabilities according to IAS 39

31 December 2014

Categories according to IAS 39	Notes	Loans and accounts receivable	Financial assets at fair value through profit or loss	F.A. Available-for-sale financial assets	Financial assets at fair value through profit or loss	Other Financial liabilities	Non financial assets and liabilities	Total
Assets								
IM assets		**178 444**		**32**			**6 151**	**184 627**
Non current								
Loans and accounts receivable	5.7							0
NAAS	5.6			32				32
				32				**32**
Current								
Cash and cash equivalents	5.11	75 469						75 469
Clients and other accounts receivable	5.10	102 975					6 151	109 126
Derivative financial instruments	5.9							0
		178 444					**6 151**	**184 595**
LTI assets		**4 975 547 094**					**85**	**5 259 299**
Current								
Grantor .- State - Account Receivable	4.1	5 254 047						5 254 047
Clients and other accounts receivable	4.3	5 167					85	5 253
		5 259 214					**85**	**5 259 299**
Total financial assets		**5 437 658**		**32**			**6 237**	**5 443 926**

(Amounts in € thousand)

31 December 2014

Categories according to IAS 39	Notes	Loans and accounts receivable	Financial assets at fair value through profit or loss	F.A. Available-for-sale financial assets	Financial assets at fair value through profit or loss	Other Financial liabilities	Non financial assets and liabilities	Total
Liabilities								
IM assets						**2 563 498**	**34 420**	**2 597 917**
Non current								
Borrowings	5.13					1 135 952		1 135 952
						1 135 952		**1 135 952**
Current								
Borrowings	5.13					1 402 806		1 402 806
Derivative financial instruments	5.9							
Suppliers and other accounts payable	5.14					24 740	34 420	59 160
						1 427 546	**34 420**	**1 461 966**
LTI liabilities						**3 956 499**	**5 558**	**3 962 057**
Non current								
Borrowings	4.4					3 801 786		3 801 786
						3 801 786		**3 801 786**
Current								
Borrowings	4.4					91 261		91 261
Suppliers and other accounts payable	4.5					63 452	5 558	69 010
						154 713	**5 558**	**160 271**
Total financial liabilities						**6 519 996**	**39 978**	**6 559 974**

(Amounts in € thousand)

31 December 2013

Categories according to IAS 39	Notes	Loans and accounts receivable	Financial assets at fair value through profit or loss	F.A. Available-for-sale financial assets	Financial assets at fair value through profit or loss	Other Financial liabilities	Non financial assets and liabilities	Total
Assets								
IM assets		**303 083**	**3 383**	**32**			**6 627**	**313 125**
Non current								
Loans and accounts receivable	5.7							0
NAAS	5.6			32				32
				32				**32**
Current								
Cash and cash equivalents	5.11	80 434						80 434
Clients and other accounts receivable	5.10	222 649					6 627	229 276
Derivative financial instruments	5.9		3 383					3 383
		303 083	**3 383**				**6 627**	**313 093**
LTI assets		**4 975 547**					**88**	**4 975 635**
Current								
Grantor .- State - Account Receivable	4.1	4 970 380						4 970 380
Clients and other accounts receivable	4.3	5 167					88	5 255
		4 975 547					**88**	**4 975 635**
Total financial assets		**5 278 630**	**3 383**	**32**			**6 715**	**5 288 760**

(Amounts in € thousand)

31 December 2013

Categories according to IAS 39	Notes	Loans and accounts receivable	Financial assets at fair value through profit or loss	F.A. Available-for-sale financial assets	Financial assets at fair value through profit or loss	Other Financial liabilities	Non financial assets and liabilities	Total
Liabilities								
IM assets						**2 244 383**	**29 992**	**2 274 376**
Non current								
Borrowings	5.13					1 467 414		1 467 414
						1 467 414		**1 467 414**
Current								
Borrowings	5.13					746 306		746 306
Derivative financial instruments	5.9							
Suppliers and other accounts payable	5.14					30 663	29 992	60 655
						776 969	**29 992**	**806 961**
LTI liabilities						**5 028 765**	**6 305**	**5 035 070**
Non current								
Borrowings	4.4					4 879 119		4 879 119
						4 879 119		**4 879 119**
Current								
Borrowings	4.4					91 261		91 261
Suppliers and other accounts payable	4.5					58 385	6 305	64 690
						149 646	**6 305**	**155 951**
Total financial liabilities						**7 273 148**	**36 297**	**7 309 446**

(Amounts in € thousand)

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

31 December 2013

Categories according to IAS 39	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative instruments		3 383		3 383
	0	**3 383**	**0**	**3 383**

5.6 Available-for-sale financial assets

Available for sale financial assets are as follows:

Available-for-sale financial assets	Notes	31-dec-14	31-dec-13
Gross value of equity holding			
Metro Mondego		27	27
CRV		5	5
	5.5	**32**	**32**

These equity instruments are not listed on an active market; they are recorded at cost net of impairment losses.

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

(Amounts in € thousand)

5.7 Loans and accounts receivable

Loans granted to companies in which REFER has equity holdings - which are not capital instruments of those entities, are as follows:

Loans and accounts receivable	Notes	31-dec-14	31-dec-13
Loans to subsidiaries		56 130	
Loans to associates			19 148
Cumulative impairments in loans	9.	- 56 130	- 19 148
	16.3	0	0

Loans granted concern exclusively GIL.

As already mentioned in note 5.3, following the acquisition of the remaining share capital of GIL to PARQUE EXPO and METROPOLITANO DE LISBOA, loans formerly granted by these entities to GIL were assigned to REFER; as of the date of the assignment, the loans totalled € 25,634 thousand. Consideration for this assignment is recorded under **other income** (note 11).

In 2014 REFER raised the loan to this entity via the transfer of funds in the amount of € 11,348 thousand in order to meet the liabilities undertaken by GIL in financing contracts.

In line with previous years, these loans are under adjustment (note 9), taking into account the risk of GIL not being able to repay them in the future.

(Amounts in € thousand)

5.8 Inventories

Description	Notes	31-dec-14	31-dec-13
Raw -material, subsidiary materials & consumables		21 898	20 203
Impairment in inventories	9.	- 492	- 351
Inventories		**21 406**	**19 852**

Caption raw materials, subsidiary materials & consumables concerns various types of materials included in railway infrastructure maintenance, within the scope of the Infrastructure Maintenance Activity.

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

i. materials that are obsolete and technically depreciated and cannot be used for REFER's activities (they may be sold should an interested buyer emerge); and
ii. a comparison between the market value of materials and their book value;

Expenses with material usage are as follows:

Inventories	Notes	31-dec-14	31-dec-13
Opening balance			
Management of Railw ay Infrastructure		20 203	20 411
Investment in long-term Infrastructure investments	4.2	14 309	14 750
		34 512	**35 162**
Purchases		9 269	5 626
Regularizations		- 2	126
Closing balance			
Management of Railw ay Infrastructure		21 898	20 203
Investment in long-term Infrastructure investments	4.2	16 782	14 309
		38 679	**34 512**
Cost of inventories consumed		**5 100**	**6 402**

Following the analysis made at the end of the year it was decided to increase impairment adjustments by € 141 thousand (Note 9).

5.9 Derivative financial instruments

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

In line with its financial policies, REFER did not use derivative financial instruments for speculative purposes. Although contracted derivatives are efficient instruments to hedge risks, not all would be qualified as hedge accounting instruments according to the rules and requirements of IAS 39 (see Note 2.2. sub-paragraph g)). Thus, it was decided to consider the derivatives portfolio as of negotiation and, consequently, not qualify any of the contracted positions as a hedging instrument.

According to IAS 39, instruments that do not qualify as hedging instruments are classified as trade derivatives in the financial assets and liabilities category at the fair value through profit and loss. Trade derivatives are recorded in the Statement of Financial Position at respective fair value and respective changes are recognised as financial results.

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

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

(Amounts in € thousand)

31 December 2014

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

31 December 2013

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

(Amounts in € thousand)

5.10 Suppliers and other accounts payable

Description	Notes	31-dec-14	31-dec-13
Clients	5.10.1	68 351	183 301
Other accounts receivable	5.10.2	32 449	33 881
Government and other public bodies	5.10.3	4 377	4 975
Accrued income	5.10.4	3 901	6 573
Expenses to recognise		48	377
		109 126	229 107

Balances of **Clients and Other Receivables** are current debts; therefore, they are close to their fair value.

5.10.1. Clients

Caption **Suppliers** is made up as follows:

Clients	Notes	31-dec-14	31-dec-13
Clients - Other related parties	16.4	43 073	166 428
Clients - Subsidiaries	16.2	7 385	7 261
Clients - Associates	16.3		13
Clients - Sundry		17 892	9 599
		68 351	183 301

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

The significant decrease in 2013 to 2014 in the amount of **clients** - **other related parties** derived from the payment by CP of practically its entire debt, which stood at € 15,253 thousand at the end of 2014 (2013: € 146,161 thousand). A significant part of the sum received from CP occurred in December 2014, following the offsetting of balances, where each company made concessions to settle the disputed balances and sums, most of which dating from 2012 (Note 16.4).

Caption **clients** - **other related parties** further includes € 27,820 thousand relating to CP CARGA (€ 20,267 thousand in 2013).

(Amounts in € thousand)

5.10.2. Other accounts receivable

Balances of **Other accounts receivable** are as follows:

Other accounts receivable	Notes	31-dec-14	31-dec-13
Other accounts receivable - Sundry		33 650	35 638
Other accounts receivable - Joint ventures	16.3	391	98
Other accounts receivable - Subsidiaries	16.2	288	7
Other accounts receivable - Other related parties	16.4	103	
Cumulative Impairment	9.	- 1 983	- 1 862
		32 449	33 881

Approximately 41% of the sum shown in Caption **other debtors - sundry** (2013: 40%) includes partial fulfilment of the Protocol with Aveiro Municipal Council for the construction of a new railway station, road-rail interface and renovation of surrounding area started in 2011.

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

Cumulative impairments from other debtors totalled €1,983 thousand, which, was increased by € 121 thousand, after the likelihood of recovery was tested (Note 9). In relation to the likelihood of balance collection, it is considered that the sums due by Municipalities, Local Councils and other public entities or entities benefiting from direct of indirect participation of the State are likely to be fully recovered. The amounts in this situation total € 27,393 thousand, of which € 27,036 thousand are over 720 days overdue.

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

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

i.	Pending lawsuits	€ 1,392 thousand
ii.	Insolvency or liquidation situations	€ 126 thousand
iii.	Situations where overdue debt is over 720 days	€ 464 thousand
	Total cumulative impairments:	€ 1,983 thousand

5.10.3. Government and other public bodies

In relation to this balance, the amount of € 4,224 thousand concerns VAT to be recovered in December 2014.

(Amounts in € thousand)

The remaining balance in the amount of € 153 thousand is due by Social Security (SS) to REFER, as the latter is a centralizing entity and therefore temporarily replaces SS in the payment of sick leaves to employees.

5.10.4. Accrued income

Accrued income includes operating income which at 31 December 2014 was still not invoiced, comprising the following: traction power in the amount of € 1,712 thousand (2013: € 3,868 thousand), concession for the operation of the telecommunications infrastructure to REFER TELECOM, relating to the 4th quarter in the amount of € 962 thousand (2013: € 2,103 thousand) and € 909 thousand relating to rents due by REFER PATRIMÓNIO.

5.11 Cash and cash equivalents

Cash and Cash Equivalents shown in the Cash Flow Statement for the years ending 31 December 2014 and 2013 are reconciled with the amounts shown in captions of the Statement of Financial Position.

Description	Notes	31-dec-14	31-dec-13
Other loans and advances		70 000	78 000
Bank deposits	3.	5 445	2 414
Cash		24	21
Cash and cash equivalent in the Statement of Financial Position		**75 469**	**80 434**
Cheques in transit	5.13	- 11	- 6 822
Cash and cash equivalent in the Cash Flow Statement		**75 458**	**73 612**

The balance shown in caption **other applications** corresponds to the financial application with IGCP, within the strict compliance with provisions in the State Treasury Unity Principle (note 3) set up at the end of the reporting period.

(Amounts in € thousand)

5.12 Share capital

REFER's statutory capital is of € 1,486,000 thousand. In 2014 REFER's statutory capital was increased by € 1,034,800 thousand, as shown hereinbelow (2013: increase in share capital by € 21,000 thousand).

Date of capital increase	Notes	Amount
March 2014	a)	80 306
May 2014	b)	401 927
June 2014	a)	29 447
July 2014	a)	7 890
August 2014	a)	6 948
September 2014	a)	65 363
October 2014	a)	49 790
November 2014	b)	393 129
		1 034 800

a) Increase in cash
b) Increase through conversion of credit

In general, capital increases are intended to finance investment in long duration infrastructure; this resulted in a reduction in loans to this end and consequent drop in interest paid in the period (Notes: 4, 4.4 and 13

(Amounts in € thousand)

5.13 Loans obtained

5.13.1 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	31-dec-14	31-dec-13
Non current loans			
Bond loans		497 375	1 096 461
State		638 577	370 954
	5.5	**1 135 952**	**1 467 414**
Current loans			
Amounts owed to credit institutions		19 948	26 759
State		1 382 858	719 548
	5.5	**1 402 806**	**746 306**
Loans obtained		**2 538 757**	**2 213 721**

In 2014 caption current loans included the amount of € 20.9 million (2013: €25.8 million) relating to accrued interest and expenses to be recognised in loans allocated to Infrastructure Management through the recognition of amortised cost.

5.13.2 Loans maturities and terms

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

(Amounts in € thousand)

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

Name	Date of signature	Amount	Principal due	Repayment			Interest Payment	Interest rate
				Opening date	Closing date	Periodicity		
Without State Guarantee								
REFER Eurobond 2005/2015 (1)	16-03-2005	600 000	600 000	16-03-2015		Bullet	16-mar	4,00%
REFER Eurobond 2006/2021 (1)	30-11-2006	500 000	500 000	13-12-2021		Bullet	13-jan	4,25%
State Loan	15-02-2012	75 000	8 860	31-05-2013	30-11-2016	Half-year	31-May 30-Nov	1,83%
State Loan	06-03-2012	198 400	148 800	31-05-2013	30-11-2016	Half-year	31-May 30-Nov	3,25%
State Loan	26-06-2012	118 284	88 713	31-05-2013	30-11-2016	Half-year	31-May 30-Nov	2,74%
State Loan	26-06-2012	152 436	114 327	31-05-2013	30-11-2016	Half-year	31-May 30-Nov	1,83%
State Loan	03-10-2012	206 246	154 684	31-05-2014	30-11-2017	Half-year	31-May 30-Nov	1,76%
State Loan	03-10-2012	49 960	37 470	31-05-2014	30-11-2017	Half-year	31-May 30-Nov	1,59%
State Loan	24-05-2013	282 937	282 937	31-05-2015	30-11-2020	Half-year	31-May 30-Nov	2,10%
State Loan	06-06-2013	21 723	21 723	31-05-2015	30-11-2020	Half-year	31-May 30-Nov	2,27%
State Loan	03-09-2013	23 394	23 394	31-05-2015	30-11-2020	Half-year	31-May 30-Nov	2,35%
State Loan	06-09-2013	102 488	102 488	31-05-2015	30-11-2020	Half-year	31-May 30-Nov	2,44%
State Loan	30-09-2013	20 000	20 000	31-05-2015	30-11-2020	Half-year	31-May 30-Nov	2,15%
State Loan	14-11-2013	37 000	37 000	31-05-2015	30-11-2020	Half-year	31-May 30-Nov	1,86%
State Loan	27-11-2013	293 000	293 000	31-05-2015	30-11-2020	Half-year	31-May 30-Nov	1,88%
State Loan	09-12-2013	24 000	24 000	31-05-2015	30-11-2020	Half-year	31-May 30-Nov	1,96%
State Loan	05-05-2014	15 000	15 000	31-05-2015	30-11-2020	Half-year	31-May 30-Nov	2,43%
State Loan	28-05-2014	15 000	15 000	31-05-2015	30-11-2020	Half-year	31-May 30-Nov	2,33%
State Loan	30-06-2014	20 000	20 000	31-05-2015	30-11-2020	Half-year	31-May 30-Nov	2,22%
State Loan	29-08-2014	14 000	14 000	31-05-2015	30-11-2020	Half-year	31-May 30-Nov	2,01%
Total			**2 521 397**					
(1) Total considering effective cost			**2 518 667**					

(Amounts in € thousand)

31 December 2013

Name	Date of signature	Amount	Principal due	Repayment			Interest Payment	Interest rate
				Opening date	Closing date	Periodicity		
Without State Guarantee								
REFER Eurobond 2005/2015 (1)	16-03-2005	600 000	600 000	16-03-2015		Bullet	16-mar	4,00%
REFER Eurobond 2006/2021 (1)	30-11-2006	500 000	500 000	13-12-2021		Bullet	13-jan	4,25%
State Loan	26-06-2012	149 719	25 981	31-05-2013	30-11-2016	Half-year	31-May 30-Nov	1,83%
State Loan	03-10-2012	206 246	206 246	31-05-2014	30-11-2017	Half-year	31-May 30-Nov	1,76%
State Loan	03-10-2012	49 960	49 960	31-05-2014	30-11-2017	Half-year	31-May 30-Nov	1,59%
State Loan	24-05-2013	282 937	282 937	31-05-2015	30-11-2020	Half-year	31-May 30-Nov	2,10%
State Loan	06-06-2013	21 723	21 723	31-05-2015	30-11-2020	Half-year	31-May 30-Nov	2,27%
State Loan	03-09-2013	23 394	23 394	31-05-2015	30-11-2020	Half-year	31-May 30-Nov	2,35%
State Loan	06-09-2013	102 488	102 488	31-05-2015	30-11-2020	Half-year	31-May 30-Nov	2,44%
State Loan	30-09-2013	20 000	20 000	31-05-2015	30-11-2020	Half-year	31-May 30-Nov	2,15%
State Loan	14-11-2013	37 000	37 000	31-05-2015	30-11-2020	Half-year	31-May 30-Nov	1,86%
State Loan	27-11-2013	293 000	293 000	31-05-2015	30-11-2020	Half-year	31-May 30-Nov	1,88%
State Loan	09-12-2013	24 000	24 000	31-05-2015	30-11-2020	Half-year	31-May 30-Nov	1,96%
Total			2 186 728					
(1) Total considering effective cost			2 183 189					

(Amounts in € thousand)

The fair value of the fixed rate financial debt at 31 December 2014 is as follows:

31 December 2014

Name	Nominal Value	Principal due	Fair value	Interest rate
Eurobond 05/15	600 000	600 000	601 803	4,00%
Eurobond 06/21	500 000	500 000	517 429	4,25%
Portuguese State Loan	75 000	8 860	9 220	1,83%
Portuguese State Loan	198 400	148 800	154 414	3,25%
Portuguese State Loan	118 284	88 713	90 500	2,74%
Portuguese State Loan	152 436	114 327	115 934	1,83%
Portuguese State Loan	206 246	154 684	156 678	1,76%
Portuguese State Loan	49 960	37 470	37 847	1,59%
Portuguese State Loan	282 937	282 937	287 032	2,10%
Portuguese State Loan	21 723	21 723	22 151	2,27%
Portuguese State Loan	23 394	23 394	23 914	2,35%
Portuguese State Loan	102 488	102 488	100 894	2,44%
Portuguese State Loan	20 000	20 000	19 515	2,15%
Portuguese State Loan	37 000	37 000	35 780	1,86%
Portuguese State Loan	293 000	293 000	283 515	1,88%
Portuguese State Loan	24 000	24 000	23 281	1,96%
Portuguese State Loan	15 000	15 000	14 695	2,43%
Portuguese State Loan	15 000	15 000	14 689	2,33%
Portuguese State Loan	20 000	20 000	19 576	2,22%
Portuguese State Loan	14 000	14 000	13 691	2,01%
		2 521 397	2 542 555	

(Amounts in € thousand)

5.14 Suppliers and other accounts payable

This caption comprises the following amounts:

Description	Notes	31-dec-14	31-dec-13
Suppliers	5.14.1	17 841	21 466
Advances to be forw arded to Sales	5.14.2	17 252	17 281
Accrued expenses	5.14.3	15 320	16 480
Government and other public bodies	5.14.4	4 465	3 432
Other accounts payable	5.14.5	3 430	1 515
Income to recognise	5.14.6	853	481
		59 160	**60 655**

5.14.1 Trade payables

The breakdown of Caption Trade Payables (suppliers) is as follows:

Suppliers	Notes	31-dec-14	31-dec-13
Suppliers - Sundry		8 587	11 693
Suppliers - Subsidiaries	16.2	3 250	3 325
Suppliers - Other related parties	16.4	2 714	2 447
Suppliers - Invoices expected or being checked		2 620	3 539
Suppliers - guarantee w ithheld		670	461
		17 841	**21 466**

5.14.2 Advances to be forwarded to Sales

This caption includes - accounting for 93% of the total (2013: 89%) - the promissory purchase and sale contract entered into in 28/07/2000, for the surface rights in a public domain land in Gaia, Porto; the deed was not yet signed as conditions required to perform the operation are not yet gathered; nonetheless, the company continues to receive sums relating to this contract, totalling € 649 thousand in 2014.

This caption includes the amounts already received pursuant to protocols entered with several entities and in relation to which the conditions are not fulfilled to enable recognition of revenue from the sale of the assets concerned, namely the publication of ministerial orders to de-allocate the assets concerned from public railway domain.

(Amounts in € thousand)

5.14.3 Accrued expenses

Accrued expenses include the liability for holiday pay and holiday bonus relating to 2014 due in 2015, accounting for 61% of this caption (2013: 53%).

This caption also includes the contribution to IMT - Instituto da Mobilidade e dos Transportes, I.P., specifically the fee due by REFER to the Regulatory Authority relating to 2013 and 2014, in the amount of € 2,933 thousand (€1,466 thousand in 2013).

5.14.4 Government and other public bodies

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

Government and other public bodies	31-dec-14	31-dec-13
VAT	2 038	970
Contributions to social security and CGA	1 506	1 532
Income Tax	922	930
	4 465	3 432

Personal Income Tax and Social Security balances correspond to December 2014 wages processed in the year but settled in January 2015. As far as Value Added Tax (VAT) is concerned, figures relate to November and were settled in January 2015.

5.14.5 Other accounts payable

The breakdown of caption **Other accounts payable** is as follows:

Other accounts payable	Notes	31-dec-14	31-dec-13
Other accounts payable - Sundry		2 014	1 513
Other accounts payable - Subsidiaries	16.2	1 416	1
		3 430	1 515

Note the increase in the sum due to **Subsidiaries** as compared to 2013. This increase is justified by the endorsement in March 2014 to the special taxation regime for company groups (RETGS), according to which corporate income tax due is determined on the basis of the algebraic sum of the taxable profits and of the tax losses of the Group's companies.

(Amounts in € thousand)

5.14.6 Income to recognise

This caption includes € 377 thousand (2013: € 641 thousand) 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, to occur over a period ending in 2027.

5.15 Provisions

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

31 December 2014

Description	Opening balance	Increase	Reversal/ Used	Closing Balance
Pending legal proceedings	21 040	5 421	- 2 149	24 312
Other provisions	122		- 122	
	21 162	**5 421**	**- 2 271**	**24 312**

31 December 2013

Description	Opening balance	Increase	Reversal/ Used	Closing Balance
Pending legal proceedings	12 889	15 495	- 7 344	21 040
Other provisions		122		122
	12 889	**15 617**	**- 7 344**	**21 162**

Changes in **Ongoing lawsuits** include the civil and labour lawsuits which are likely to have an unfavourable outcome as far as REFER is concerned, according to the opinion of respective attorneys. The payment or not of this liability will depend on the final outcome of each lawsuit.

The change in caption **Other provisions** results from application of IFRS 11, whereby REFER identified AVEP's investment (stake assigned to REFER, following RAVE's liquidation) as joint arrangement (note 5.4); accordingly, REFER holds an unlimited and several liability for the loans contracted by the Grouping. As of 31 December 2013 the sum of € 122 thousand concerned the share of potential losses to be borne by REFER, in the event of AVEP not meeting its obligations with other entities.

(Amounts in € thousand)

5.16 Income tax

The amounts receivable / (payable) to the State in 2014/2013 relating to income tax are as follows:

Description	31-dec-14	31-dec-13
Corporate Income Tax (CIT)		
Recoverable CIT		420
CIT payable	- 2 127	- 7 283

Amounts recognised in the Income Statement

Tax for the year	31-dec-14	31-dec-13
Current		
CIT - Current tax	- 9 960	- 7 656
Deferred taxes		
Deductible tax losses	35 029	13 879
Tax (expenses) / income for the year	**25 069**	**6 223**

Amounts recognised in the Statement of Comprehensive Income

Headings	31-dec-14	31-dec-13
Transition differences - deferred taxes		- 26 260

The transition difference concerned the tax payable in 2014 stemming from a positive equity change to be considered following a change in accounting rules in 2010, which established that this equity change had to be taxed over 5 years (from 2010 to 2014).

(Amounts in € thousand)

Reconciliation of effective tax rate

Headings	%	31-dec-14	%	31-dec-13
Profits before tax (1)		114 134		95 359
Positive equity changes (2)		- 86 206		- 86 206
Nominal tax rate (3) x [(1) + (2)]	**24,5%**	**6 842**	**26,5%**	**2 426**
Accrued provisions / impairment	-7,9%	- 9 061	-1,4%	- 1 363
Non deductible financial charges	-15,5%	- 17 694	-18,6%	- 17 712
Accrued indemnities	-0,2%	- 271	0,0%	- 3
Accrued other amounts	-0,1%	- 168	-0,3%	- 279
Dividends	1,8%	2 096	0,6%	583
Other non-deductible expenses	0,2%	242	0,3%	319
Tax losses do deduct	10,9%	12 451	11,9%	11 342
State surcharge	-3,7%	- 4 261	-3,0%	- 2 829
Autonomous taxation	-0,1%	- 137	-0,1%	- 138
Deferred tax	30,7%	35 029	14,6%	13 879
Tax (expenses) / income for the year	22,0%	**25 069**	6,5%	**6 223**
(Expenses) / income for current taxes		- 9 960		- 7 656
(Expenses) / income for deferred taxes		35 029		13 879

Movement in deferred tax balances

31 December 2014

Temporary differences	Opening balance	Effect on results	Effect on equity	Closing Balance	Deferred taxes in the Separate Financial Position	
					Assets	Liabilities
Assets						
Tax losses	13 879	8 454		22 333	22 333	
Indemnities		315		315	315	
Liabilities						
Transition differences	- 26 260	26 260				
Net effect	**- 12 381**	**35 029**		**22 648**	**22 648**	

(Amounts in € thousand)

31 December 2013

Temporary differences	Opening balance	Effect on results	Effect on equity	Closing Balance	Deferred taxes in the Separate Financial Position: Assets	Deferred taxes in the Separate Financial Position: Liabilities
Assets						
Tax losses		13 879		13 879	13 879	
Indemnities						
Liabilities						
Transition differences			26 260	26 260		26 260
Net effect		13 879	**26 260**	**- 12 381**	**13 879**	**26 260**

Unrecognised deferred tax assets

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

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

Date of loss	Final reporting date	Amount	Base of deferred taxes	No recovery expectation
2009	2015	236 173	99 372	136 801
2011	2015	79 244		79 244
2012	2017	846	846	
2012*	2017	2 065	2 065	
2013*	2018	8 434	4 063	4 371
		326 762	**106 347**	**220 415**

(*) tax losses stemming from subsidiaries, according to RETGS (REFER PATRIMÓNIO and REFER ENGINEERING).

REFER's reportable tax losses at 31 December 2014 amounted to € 326,762 thousand. According to an estimate made by the Board of Directors, tax losses likely to be recovered as of this date, in view of projected results and taxable profit in future years of the companies included in the RETGS, the effects stemming from the merger of REFER and EP – Estradas de Portugal, S.A. (Note 21.) and the limitations established in the tax law totalled € 106,347 thousand; this sum was used to determine **deferred tax assets**.

(Amounts in € thousand)

5.17 Other financial assets

Caption **Other financial assets** concerned REFER's stake in RAVE, namely the remaining asset subject to distribution at the time of the grouping's liquidation, as approved in General Meeting of 17 January 2014 (note 5.3); this distribution was made in 2014.

6. Services and operating subsidies

6.1 Services rendered

Rendered services are as follows:

Description	Notes	31-dec-14	31-dec-13
Utilisation of slots (fees)		75 226	71 930
Grantor - LTI Revenue	14.	13 220	16 727
Traction Pow er		5 074	5 302
Shunting/Parking Rolling stock		3 095	2 934
Capacity requested and not used		1 337	1 999
Terminals		285	
Crossings		124	89
Performance improvement		114	78
Maintenance of private railw ay lines		65	64
Other services		1 168	998
		99 708	100 121

Rendered services correspond to the activities and sums established in the Network Directory; this document was issued in accordance with Decree-Law 270/2003, of 28 October (as amended by Decree-Law 231/2007, of 14 June and Decree-Law 151/2014, of 13 October) and as provided in Regulation 630/2011, of 5 December, published by IMT's railway regulation unit; they concern fees for the use of the infrastructure by railway operators, determined in accordance with provisions in the said Regulation 630/2011.

Likewise, it includes additional services provided by REFER to railway operators at the latter's request, namely the availability of traction electricity, shunting and parking of rolling stock.

The amounts recorded under **State Grantor – LDI revenue** correspond to internal works debited to long duration investment activity (Note 14).

(Amounts in € thousand)

Caption **Terminals** comprises € 281 thousand relating to the rendering of expedition and reception services in terminals, invoiced to CP CARGA. This sum concerns the invoicing started on 1 December 2014, following the integration of freight terminals (note 4.1.1.).

Caption **Other services** relate to ancillary services provided by REFER to railway operators at their request, namely the supply of diesel and/or water, commercial handling of freight, cleaning of carriages, supply of commercial information, availability of operating facilities in stations and areas for the installation of equipment in stations.

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

6.2 Operating subsidies

Pursuant to the Council of Ministers Resolution 52/2014 of 21 May, the company received € 40,493 thousand (2013: € 43,700 thousand) by way of compensatory payments.

7. Supplies and Services

The Goods & Services Account for the years ended 31 December 2014 and 2013 is made up as follows:

Description	31-dec-14	31-dec-13
Sub-contracts	65 612	63 336
Electricity	10 884	11 541
Specialised w orks	5 022	4 264
Surveillance and safety	4 857	4 598
Cleaning, hygiene and comfort	1 961	2 013
Rents and rentals	1 304	2 111
Fuel	909	934
Maintenance and repair	846	1 072
Insurance	689	703
Water	615	664
Softw are licences	599	813
Communications	592	763
Transport of personnel	540	629
Tolls	224	184
Others below 200	801	777
Supplies and Services	**95 456**	**94 404**

Caption Supplies and Services rose by approximately 1% (€ 1,052 thousand) in relation to 2013.

(Amounts in € thousand)

Caption **sub-contracts** relate to the sub-contracting of maintenance services: i) track maintenance in the amount of €23,135 thousand (2013: € 22,170 thousand), ii) signalling, in the amount of € 14,390 thousand (2013: € 16,053 thousand), iiii) telecommunications, in the amount of € 12,494 thousand (2013: € 12,097 thousand), and iv) overhead lines, totalling € 5,211 thousand (2013: € 4,622 thousand).

The decrease in expenses in caption Software licences was possible thanks to an EAS (Entreprise Agreement Subscription) with Microsoft, comprising the buy out of licences, as mentioned in Note 5.2.

Operating leases

Caption rents and leases includes € 1,069 thousand (2013: € 1,210) relating to expenses with car leasing and € 187 thousand (2013: € 256 thousand) relating to leases of administrative equipment.

As of the date of this report REFER had 226 service vehicles (2013: 228 vehicles) and 191 administrative equipment (the same as in 2013) under lease contracts.

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

Description	Less than 1 year	1 to 5 years
According to contract		
Vehicles	628 950	196 811
Equipment	37 634	

(Amounts in € thousand)

8. Personnel expenses

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

Description	31-dec-14	31-dec-13
Wages	59 452	66 070
Wage expenses	13 610	15 162
Other personnel costs	3 480	3 775
Indemnities	3 260	4 258
Occupational insurance policies	661	530
Remuneration of the members of governing bodies	512	417
Social security expenses	435	347
	81 409	**90 559**

REFER's **Personnel Expenses** fell by nearly € 9,150 thousand from 2013 to 2014, i.e. -10%. The reduction in average staff from 2,642 employees to 2,513 (less 129 employees) contributed to this performance; however, it should be noted that in 2013 the company recorded expenses of € 5.2 million with holiday pay and holiday bonus payable in the said year, which were not considered in 2012, according to the State remuneration policy in force in 2012, which was changed during 2013. The combination of these factors was crucial for the decrease in staff expenses, including employer's contributions, by approximately € 8 million.

Moreover, there was a significant decrease in redundancies paid, from € 4,258 thousand in 2013 (109 people) to € 3,260 thousand (87 people) in 2014.

Adding to the above, we point out 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) expenses for employee representation structure determined in 2014 and 2013 totalled €89 thousand and € 93 thousand, respectively.

(Amounts in € thousand)

The breakdown of these expenses is as follows:

Description	31-dec-14	31-dec-13
Monthly w ages	53	55
Long-service w age rises	5	6
Holiday and Christmas bonuses	10	10
Employer's contribution	17	18
Other	3	4
Expenses with Workers' Representation Structures	**89**	**93**

The number of employees involved in these structures is as follows:

Description	31-dec-14	31-dec-13
Part-time (average no.)	**157**	**165**
Union Leaders	137	137
Committees and sub-committees	20	28
Full time	**5**	**5**
Union Leaders	5	5
Committees and sub-committees		
No. of employees involved in workers' representation structures	**162**	**170**

(Amounts in € thousand)

9. Impairments

The breakdown of Caption Impairments is as follows:

31 December 2014

Impairments	Notes	Opening balance	Increase	Write back for the year	Closing Balance
IM Activity					
loans	5.7	19 148	36 982		56 130
Inventories	5.8	351	141		492
Other accounts receivable	5.10.2	1 862	121		1 983
		21 360	**37 244**		**58 605**
LTI activity					
Grantor - State - Accounts recei	4.1.5	305 200			305 200
Inventories	4.2	317		- 134	182
		305 517		**- 134**	**305 382**
		326 877	**37 244**	**- 134**	**363 987**

31 December 2013

Impairments	Notes	Opening balance	Increase	Write back for the year	Closing Balance
IM Activity					
loans	5.7	14 055	5 093		19 148
Inventories	5.8	413		- 62	351
Other accounts receivable	5.10.2	2 183		- 322	1 862
		16 651	**5 093**	**- 384**	**21 360**
LTI activity					
Grantor - State - Accounts recei	4.1.5	305 200			305 200
Inventories	4.2	275	42		317
		305 475	**42**		**305 517**
		322 126	**5 134**	**- 384**	**326 877**

(Amounts in € thousand)

10. Other expenses

The breakdown of Caption Other Expenses is as follows:

Description	31-dec-14	31-dec-13
Bad debts	5 154	
IMT	1 466	972
Direct and indirect taxes	842	388
Indemnities	225	126
Contributions	221	233
Donations	166	139
Losses on inventories	150	97
Operating expenses < 10	34	26
Other expenses	**8 259**	**1 982**

Caption **Irrecoverable debt** concerns expenses with renegotiation of contracts with CP (note 5.10.1).

The amount recorded under IMT – Instituto da Mobilidade e dos Transportes, I.P., includes adjustments to estimates made in previous years concerning the amount of the fee due by REFER to the Regulatory Authority. This fee is as provided in sub-paragraph 2 of Ministerial Order 12.596/2013, of 1 October (note 5.14.3).

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

Caption **Indemnities** relate to compensation for property damage occurred during works carried out by REFER.

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

(Amounts in € thousand)

11. Other income

The breakdown of caption Other Income is as follows:

Description	Notes	31-dec-14	31-dec-13
Gains on loans	5.3	25 634	
Concessions and licences		6 515	5 717
Telecommunications		3 424	3 023
Miscellaneous sales		2 747	10 237
Subsidies		346	233
Gains on non financial instruments		234	177
Assignment of equipment and personnel		203	1 220
Home Conservation Fund		75	84
Gains on inventories		73	43
Tender documents		53	19
Other income < 50		3 093	2 265
Other income		**42 395**	**23 018**

Gains on loans relate to the acquisition of the loans granted to GIL by PARQUE EXPO 98, S.A. and METROPOLITANO DE LISBOA, S.A (notes 5.3 e 5.7).

Caption **Concessions for the use of licences** includes mainly the concession for the use of commercial areas, which account for 96% (2013: 95%) of the total.

Income from **telecommunications** results from the concession for the operation of the telecommunications infrastructure entered into with REFER TELECOM; figures are as established in the 5th addendum to the contract signed in 2013. The first contract dates from 28 February 2001.

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

(Amounts in € thousand)

12. Gains/(losses) in subsidiaries, associates and joint ventures

Gains/(Losses) in Subsidiaries, Associates and Joint Undertakings for the periods ended at 31 December are as follows:

Description	Notes	31-dec-14	31-dec-13
(Impairments) / Reversals	5.3/5.4	513	593
Gains on subsidiaries	16.2	8 555	2 200
Gains/losses on subsidiaries, associates and joint ventures		**9 068**	**2 793**

Impairments recognised in the year concern the stake held in REFER PATRIMÓNIO.

Gains on subsidiaries concern the distribution of dividends and cumulative results by REFER, following the approval of the proposal for the distribution of results at the general meeting of 20 March 2014.

(Amounts in € thousand)

13. Financial losses and gains

Caption financial losses and gains is made up as follows:

Description	Notes	31-dec-14	31-dec-13
Financial losses			
Interest paid:			
Loans		- 215 078	- 220 281
Derivative financial instruments		- 2 023	- 54 777
Other interest		- 19	- 55
Changes in fair value:			
Derivative financial instruments	5.9	- 3 383	- 16 244
Other financial losses		- 6 463	- 6 508
		- 226 966	**- 297 865**
Financial gains			
Income from tradable instruments and other financial applications		91	89
Interest earned			
Derivative financial instruments		5 440	36 708
Interest earned - State grantor	4.1.4	148 231	156 857
Changes in fair value:			
Derivative financial instruments	5.9		48 350
		154 879	**242 005**
Financial results		**- 72 087**	**- 55 860**

Interest paid concern interest on debt allocated to Investment and Infrastructures Management Activities. It also includes interest relating to the paying leg and premium paid of the only outstanding interest rate swap, which was early liquidated on 22 January 2014 (note 5.9).

Other financial losses concern expenses with the guarantee facility of the Portuguese State and with banking fees and expenses relating to bond issues.

(Amounts in € thousand)

Caption Interest Income includes interest earned on derivative financial instruments, specifically the interest rate swap outstanding until 22 January 2014 (receiving leg and premiums), other interest on financial applications made with IGCP and interest paid by the State grantor (Note 4.1.4). The negative changes in the fair value of derivative financial instruments are recorded under **Financial Losses**, while increases are recorded under **Financial Gains**. The positive net effect of these changes amounted to €3.4 million in 2014 (2013: € 32.1 million).

14. Statement of internal results relating to Investment in Long Duration Infrastructure

Internal works developed for the investment activity in LDI which were recognised in the Statement of Comprehensive Income are as follows (see Note 6.1).

Description	31-dec-14	31-dec-13
Long term Infrastructure investment activity		
Material for investment	1 984	3 288
Equipment	4	10
Labour	377	353
Overhead costs	10 855	13 076
Total of long term Infrastructure investments activity	**13 220**	**16 727**

The decrease by € 3,507 thousand in 2014, as compared to 2013, reflects a reduction in activity stemming from the economic situation and the Grantor's investment policy; on the other hand, the decrease in expenses occurred in 2014 (namely in Personnel and Supplies and Services) reflects the continuous effort made by REFER to implement streamlining measures, following the guidelines of the relevant ministerial authorities.

15. Remuneration of the members of governing bodies

The remuneration of the members of the Board of Directors is governed by the Public Manager Statute as provided in Decree-law 71/2007 of 28 March, as amended by Decree-law 8/2012 of 18 January, jointly with Council of Ministers Resolution 16/2012 of 14 February approving the criteria for determining the remuneration of public managers and Council of Ministers Resolution 36/2012 of 26 March, which approves the ranks of public officers under the responsibility of each Ministry.

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

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

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

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

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

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

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

Likewise, directors did not receive bonuses, to comply with provisions in article 41 of Law 83-C/2013 of 31 December.

(Amounts in € thousand)

Board of Directors	Position	Social Security Regime	31 december 2014		
			Remuneration Main	Remuneration Accessory	Disc. Patron. Social Security
Rui Lopes Loureiro	Chairman	Normal Regime	86	5	20
José Luís Ribeiro dos Santos	Vice-chairman	Normal Regime	80	3	19
José Rui Roque	Member	Normal Regime	74	4	18
Amílcar Álvaro de Oliveira Ferreira Monteiro	Member	Normal Regime	74	4	18
Alberto Manuel de Almeida Diogo	Member	Normal Regime	74	2	18
Remuneration paid			**389**	**18**	**92**

Board of Directors	Position	Social Security Regime	31 december 2013		
			Remuneration Main	Remuneration Accessory	Disc. Patron. Social Security
Rui Lopes Loureiro	Chairman	Normal Regime	84	5	17
José Luís Ribeiro dos Santos	Vice-chairman	Normal Regime	77	5	16
José Rui Roque	Member	Normal Regime	73	2	16
Amílcar Álvaro de Oliveira Ferreira Monteiro	Member	Normal Regime	73	3	16
Alberto Manuel de Almeida Diogo	Member	Normal Regime	73	2	17
Remuneration paid			**379**	**18**	**83**

The Audit Board appointed by Order of the State-Secretary for the Treasury and the State-Secretary for Infrastructures, Transport and Communications on 29 May 2013 remained in office in 2014.

Following the resignation of Chairman of the Audit Board submitted on 17 January 2014, the said State-Secretaries issued an Order dated 21 July 2014 appointing Mr. José Emílio Coutinho Garrido Castel-Branco, as Chairman of the Audit Board.

The remuneration of the members of the Audit Board were fixed pursuant to Order of State-Secretaries mentioned above on 29 May 2013.

The remuneration fixed under Order referred to above was subject to the remuneration reduction established in article 33 of Law 83-C/2013 of 31 December.

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

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

(Amounts in € thousand)

Remuneration figures of the Audit Board are as follows:

Supervisory Board	2014	
	Remuneration Main	Disc. Patron. Social Security
Dr. Pedro Manuel Mota Carecho Grilo	25	
Dr. Pedro Miguel do Nascimento Ventura	25	5
Dr. José Emílio Coutinho Garrido Castel-Branco	9	
Remuneration paid	**58**	**5**

The Audit Firm appointed by Order of the State-Secretary for the Treasury and the State-Secretary for Infrastructures, Transport and Communications dated 13 November 2013, replaced its representative with REFER, as of 1 January 2014.

The above mentioned Order determined that the annual gross remuneration of the SROC would be as provided in the services agreement to be entered into by the Board of Directors and the Audit Firm, up to a maximum amount of 22.5% of an amount equivalent to 12 months of global monthly gross remuneration of the Chairman of the Board of Directors.

The remuneration fixed under the terms referred to above was subject to the remuneration reduction established in article 33 of Law 83-C/2013 of 31 December.

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

(Amounts in € thousand)

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

31 December 2014

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

31 December 2013

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

The sums shown above paid to P. Matos Silva, Garcia Jr., P. Caiado & Associados, SROC, Lda. were paid as remuneration for "specialised works", and concern the fees of the Audit Firm and the External Auditor, subject to the terms and conditions agreed.

(Amounts in € thousand)

16. Balances/transactions with related entities

16.1 Summary of related entities

REFER's related entities as of 31 December 2014 and 2013, under the terms of IAS 24 – Related Party Disclosures are as follows:

31 December 2014

	Relationship
Subsidiaries	
REFER ENGINEERING	REFER holds 98.43% of the share capital
REFER PATRIMÓNIO	REFER holds 99.997% of the share capital
REFER TELECOM	REFER holds 100% of the share capital
GIL	REFER holds 100% of the share capital
Joint operations	
AVEP	REFER holds 50% of the share capital
AEIE, CFM4	REFER holds 33.33% (a)
Other related parties	
ESTRADAS DE PORTUGAL	Joint administration w ith REFER - Jan / 2015
CP	Controlling relationship - State
CP CARGA	Controlling relationship - State

(Amounts in € thousand)

31 December 2013

	Relationship
Subsidiaries	
REFER ENGINEERING	REFER holds 98.43% of the share capital
REFER PATRIMÓNIO	REFER holds 99.997% of the share capital
REFER TELECOM	REFER holds 100% of the share capital
Associated companies	
GIL	REFER holds 33.65% of the share capital
Joint operations	
AVEP	REFER holds 50% of the share capital
AEIE, CFM4	REFER holds 33.33% (a)
Other related parties	
RAVE - ONGOING LIQUIDATION	REFER holds 40% of the share capital
CP	Controlling relationship - State
CP CARGA	Controlling relationship - State

EP – Estradas de Portugal, S.A. is included in **Other Related Parties** as of 31 December 2014 taking into account the ongoing merger of this company into REFER; as from 1 January 2015 the companies share the same board of directors, made up of seven directors, as provided in Decree-law 160/2014 of 29 October and appointment by Resolution of the council of ministers nr. 2/2015 of 31 December 2014 in REFER's case and unanimous resolution of the general meeting of EP, both effective as of 1 January 2015 (Note 21.).

(Amounts in € thousand)

16.2 Balances and transactions with subsidiaries

Balances with subsidiaries were made up as follows:

Company	Notes	31-dec-14	31-dec-13
Accounts receivable			
REFER PATRIMÓNIO		4 548	4 548
LTIs - Accounts receivable	4.3	**4 548**	**4 548**
REFER PATRIMÓNIO		6 711	7 199
REFER TELECOM		371	57
REFER ENGINEERING		303	
Clients	5.10.1	**7 385**	**7 256**
REFER PATRIMÓNIO		16	7
REFER ENGINEERING		58	
REFER TELECOM		214	
Other accounts receivable	5.10.2	**288**	**7**
		12 220	11 811
Balances payable			
REFER PATRIMÓNIO		188	125
REFER TELECOM		3 750	68
LTIs - Suppliers and other accounts payable		**192 909**	**1 825 257**
REFER TELECOM		2 590	2 843
REFER ENGINEERING		660	483
Suppliers	5.14.1	**3 250**	**3 325**
REFER PATRIMÓNIO		1 416	
RAVE - ONGOING LIQUIDATION			1
Other accounts payable	5.14.5	**1 416**	**1**
		8 605	3 520

(Amounts in € thousand)

Transactions with subsidiaries occurred in the period under review are as follows:

Company	Notes	31-dec-14	31-dec-13
Investments, Suppliers & Services and other expensses			
REFER TELECOM		18 570	24 741
REFER ENGINEERING		9 681	4 569
GIL		840	
REFER PATRIMÓNIO		- 37	64
		29 053	**29 375**
Rendering of Services and other income			
REFER PATRIMÓNIO		6 606	5 859
REFER TELECOM		4 126	3 266
REFER ENGINEERING		672	1 067
GIL		41	
		11 444	**10 192**
Gains on subsidiaries			
REFER TELECOM	12.	8 555	2 200
		8 555	**2 200**

(Amounts in € thousand)

16.3 Balances and transactions with associated companies

Balances with associated companies were made up as follows:

Company	Notes	31-dec-14	31-dec-13
Accounts receivable			
AVEP		44	
Cash and equivalents		**44**	**0**
GIL			
Loans and receivables	5.7	**0**	**0**
GIL			13
Clients	5.10.1	**0**	**13**
AEIE, CFM4		391	98
Other accounts receivable	5.10.2	**391**	**98**
		436	**111**
Saldos a pagar			
AVEP		9	
Other accounts payable		**9**	**0**
		0	**0**

(Amounts in € thousand)

Transactions with associated and join operations companies occurred in the period under review were as follows:

Company	31-dec-14	31-dec-13
Investments, Suppliers & Services and other expensses		
AVEP	10	
GIL		841
	10	**841**
Rendering of Services and other income		
GIL		41
	0	**41**

(Amounts in € thousand)

16.4 Balances and transactions with other related parties

Balances with other related entities were made up as follows:

Company	Notes	31-dec-14	31-dec-13
Accounts receivable			
CP CARGA		27 820	20 267
CP		15 253	146 161
Clients	5.10.1	**43 073**	**166 428**
ESTRADAS DE PORTUGAL		103	
Other accounts receivable	5.10.2	**103**	**0**
		43 176	**166 428**
Balances payable			
CP CARGA		- 41	
LTIs - Suppliers and other accounts payable		**- 41**	**0**
CP		2 613	1 861
CP CARGA		100	587
Suppliers	5.14.1	**2 714**	**2 447**
		2 673	**2 447**

(Amounts in € thousand)

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

Company		31-dec-14	31-dec-13
Investments, Suppliers & Services and other expensses			
CP	a)	51 066	6 374
CP CARGA	b)	22 380	486
		73 445	**6 860**
Rendering of Services and other income			
CP		67 191	67 424
CP CARGA		10 472	9 631
ESTRADAS DE PORTUGAL		98	
		77 761	**77 055**

a) The increase occurred concerns the acquisition of Fergráfica Building, for € 2,358 thousand and the freight terminals, for € 40,451 thousands (note 4.1.1).

b) The increase reflects the evaluation of the railway terminals operation and respective equipment, in the amount of € 22,309 thousand (note 4.1.1).

(Amounts in € thousand)

16.5 Balances and invoicing with public entities

Relevant protocols in force as of 31 December 2014 are as follows:

Municipality	Description of Protocol/ Related entity	Cumulative Issued Invoices up to 31/12/2014	Amount Due at 31/12/2014
Accounts receivable			
Espinho	Intervention in Espinho Urban regeneration and levelling of track		620
Aveiro	Construction of the New Station of Aveiro - Road Interface, Urban Regeneration of Surrounding Area, Financing of the Undertaking		13 351
Viana do Castelo	Closure of railway crossings in the Municipality of Viana do Castelo	21	1 783
Sintra	Technical and financial collaboration of REFER and the Municipality of Sintra for the construction of the "Túnel de Agualva"		393
Cascais	Regeneration and Improvement of the Cascais railway line - Carcavelos/Estoril stretch (Revision)		2 801
Fundão	Road and rail infrastructures in the urban area of Fundão - 2nd addenda		2 950
Coimbra	Final closure of 21 railway crossings and respective access roads in the Municipality of Coimbra	22	2 746
Ovar	Closure of 6 railway crossings and respective access roads in the Municipality of Ovar	9	1
		52	**24 644**

(Amounts in € thousand)

17. Recently issued accounting standards and interpretations

17.1 Standards applicable as from 01 January 2014

Standard	Standard Description	Impact in REFER
IAS 27 - Separate Financial Statments (*)	The IAS 27(2008) w as revised, after emition of IFRS 10. This standard concerns only disclosure and accounting requirements of subsidiary investments w hen this entites has to prepar separate financial statments.	Note 5.3
IAS 28 - Investments in associates and join ventures (*)	This standard prescribes the accounting treatment in investiments in associates and join ventures regarding the aplication of the equity method.	Note 5.4
IFRS 10 - Consolidated Financial Statments (*)	This standard repeals and replaces the IAS 27(2008) and (SIC12), the main changes concerns control definition, meaning i) an investor controls an investee, ii) the investor is expose, or has rights, to variable returns through the involvement w ith the investee, and, iii) has the ability to affect those returns due to the its pow er over the investee. Regarding consolidation principles the standard does not change.	Only apllicable in Consolidated financial statments
IFRS 11 - Join Arrangments	This standard repeals and replaces the IAS 31 and (SIC13). The main point its about rights and obligations of joint arrangments instead of their legal form. The standard differenciates betw een i) join operations (the investor shall recognise their part in assets, liabilities, revenues and expenses) and ii) joint ventures (its must be analysed in the scope of IAS 28).	Note 5.4
IFRS 12 - Disclosure in other Entities	The standard prescribes the requirements of disclosures for all kinds of interest in other entities.	Note 5.4 / Note 5.3
IFRIC 21 - Levies	The standard provides guidance w hen to recognise a liability for a levy imposed by a government.	Not aplicable

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

17.2 Amendments effective as from 01 January 2014

Standard	Standard Description	Impact in REFER
IFRS 10 - Consolidated Financial Statments (*)	This standard w as amended to reflect the business model of investiment entities. With this amendment, investment entities, are out of the scope of consolidation,being measured at fair value.	Not aplicable
IFRS 12 - Disclosure in other Entities	This standard w as amended to update the disclosures of investment entities.	Not aplicable
IAS 27 - Separate Financial Statments (*)	This standard w as amended to eliminate the option of measuring the investment entities betw een cost and fair value, in their separate financial statements.	Not aplicable
IAS 32 - Financial Instruments: Presentation	Clarify the right to offset financial assets w ith financial liabilities	Not aplicable
IAS 36 - Impairment of Assets	Clarify the scope of disclosures about recoverable amount of the depreciated assets w hen that amount w as based in fair value minus cost of disposal.	Not aplicable
IAS 39 - Financial Instruments: Recognition and Measurement	The scope of this amendment is to clarify the situations w hen derivate financial instrument designated as hedging instrument is subject to novation betw een counterparties. The new standard allow s the maintenance of hedge accounting despite novation, before this amendment this situation w as not possible.	Not aplicable

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

(Amounts in € thousand)

18. Investment commitments

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

Ninety six per cent (€ 90.4 million) of this total correspond to investments in LDI; the remaining 3% (EUR 2.8 million) correspond to investments in Support and Management Structures.

The sum assigned by the 2015 State Budget under the investment plan known as PIDDAC totals € 3.9 million; the sum is intended to cover part of the minimum projected investment in the National Railway Network.

Programmes/Projects	2015 Estimate
Investment in LTI	
included in PIDDAC	**90 445 472**
Minimum investment programme in National Railw ay Netw ork	90 445 472
Not included in PIDDAC	**0**
Investment in LTI	**90 445 472**
Investment in EAG	**2 821 099**
Total Investment REFER	**93 266 571**

19. Guarantees

As of 31 December 2014, loans benefiting from State guarantees amounted to € 2,566,736 thousand (2013: € 2,644,497 thousand).

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

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

As of 31 December 2014 liabilities for guarantees undertaken totalled € 5,045 thousand (2013: €2,925 thousand). From the total sum referred to above, € 2,622 thousand concern guarantees given to state entities, deriving from construction contracts performed or to be performed by REFER and € 2,136 thousand are guarantees provided to courts within the scope of lawsuits. In 2014 following the integration of the freight terminals (note 4.1.1.) guarantees in the amount of € 280 thousand were provided to the Tax Customs Authority to secure goods stored temporarily and for export.

20. Contingencies

Tax contingencies

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities during a period of four years (five years for social security), except where tax losses exist or tax benefits have been granted or inspections, claims or appeals are in progress, in which case, depending on the circumstances, the period can be extended or suspended. The Board of Directors of REFER, based on information from its tax advisors, believes that any tax contingencies will not have a material impact on the financial statements as at 31 December 2014, taking into account the provisions set up and existing expectations as of this date.

Pending lawsuits

In the year ended at 31 December 2014 pending lawsuits concerning expropriation proceedings totalled € 8,357 thousand (2013: €7,419 thousand). This amount has no impact on the Statement of Financial Position.

In these cases, deposits are made with Caixa Geral de Depósitos in the name of the courts judging the lawsuits, in an amount equivalent to the arbitrated amount; the settlement of these proceedings does not represent an expense of the Company but of the Grantor of the railway infrastructures.

The Company has pending lawsuits relating to railway accidents occurred on the infrastructure under management and for damages caused to third-party property. These lawsuits are covered by insurance. Contingences that may arise from lawsuits ongoing at the Labour Court were duly provisioned, as described in Note 5.15.

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.

21. Subsequent events

The merger process of REFER and EP – Estradas de Portugal, S.A. (EP) is under way, as provided in the Strategic Infrastructures and Transport Plan (PETI3+) approved at the council of ministers meeting of 3 April 2014; the process views the creation of a transport management company in Portugal, called Infraestruturas de Portugal.

Pursuant to provisions in Decree Law 160/2014 of 29 October, REFER and EP have now the same board of directors made up of 7 directors, appointed by Resolution of the council of ministers nr. 2/2015 of 31 December 2014 in REFER's case and by resolution of EP's general meeting, both effective as of 1 January 2015.

Under the terms of Joint Order of the Minister for Finance and the Ministry of Economy dated 2 March 2015, in compliance with paragraph 2 of article 59 of Decree-Law 133/2013 of 4 October and nr. 2 of article 17 of REFER's by-laws, as approved by Decree Law 141/2008 of 22 July, it was decided to increase REFER's statutory capital through subscription in cash, by the amount of € 700,000,000 as follows:

a. Until 9 March 2015 the amount of € 685,000,000; and
b. Until 15 April 2015 the amount of €15,000,000.

The increase in statutory capital scheduled for March 2014 was carried out on 12 March 2015.

Lisbon, 23 March 2015

The Board of directors

Chairman António Manuel Palma Ramalho

Vice - Chairman José Luis Ribeiro dos Santos

Member José Saturnino Sul Serrano Gordo

Member Alberto Manuel de Almeida Diogo

Member Vanda Cristina Loureiro Soares Nogueira

Member José Carlos de Abreu e Couto Osório

Member Adriano Rafael de Sousa Moreira

Chief Financial Officer

Maria do Carmo Duarte Ferreira

Accountant

Isabel Rasteiro Lopes

MANAGEMENT REPORT
Notes to the Financial Statements

2014

PART III

Report and Opinion of Fiscal Board on the Separate Financial Statements

Statutory Auditors Opinion on the Separate Financial Statements

REFER

ANNUAL REPORT AND OPINION OF THE

AUDIT BOARD

ON THE

2014 REPORT AND SEPARATE FINANCIAL STATEMENTS

of

REDE FERROVIÁRIA NACIONAL – REFER, EPE

1. INTRODUCTION

In compliance with legal and statutory provisions and the duties entrusted upon us, the Audit Board hereby submits its report and opinion on the Management Report and separate accounting documents of Rede Ferroviária Nacional – REFER, EPE (REFER), relating to the year ended at 31 December 2014, which are the responsibility of the Board of Directors.

Consolidated accounts will be subject to a separate Report and Opinion.

The Audit Board acted in accordance with provisions in paragraph 1 of article 33 of the Legal Regime for the Public Entrepreneurial Sector (SPE), as approved by Decree-law 133/2013 of 3 October, provisions in the Accounting Standardisation System, approved by Decree-law 158/2009, of 13 July, article 12 of Law 12-A/2010 of 30 June approving additional fiscal consolidation measures, the 2015 State Budget (LOE2015) as approved by Law 82-B/2014 of 31 December, as well as guidelines received from the relevant Government members throughout the year.

2. METHODOLOGY

The methodology followed consisted of a close, direct and loyal collaboration between the Board of Directors, the Audit Board and the Official Auditor of REFER, evidenced in the prompt availability of information and answers to any clarification requested.

Under the terms provided in article 413 of the Commercial Companies Code (CCC) and the by-laws of Rede Ferroviária Nacional – REFER, EPE (REFER), the supervisory board includes an Audit Board and a Statutory Auditor; these bodies maintained and developed an understanding of mutual cooperation, respecting each other's independence and duties, exchanging information and technical opinions.

3. ACTIVITY

Under the terms of article 10, paragraph 2 of REFER, EPE by-laws, as approved by Decree-law no. 104/97 of 29 April, as amended by Decree-law 141/08 of 22 July, the Audit Board currently in office was appointed on May 29, 2013, by the Government members responsible for the Finance and the Transport areas.

The former Chairman of the Audit Board, Mr. Carlos António Lopes Pereira submitted his resignation on 17 January 2014, effective as of 28 February 2014, and was replaced by Mr. José Emílio Castel-Branco by appointment of the Government members responsible for the Finance and Transport areas on 21 July 2014.

Viewing the closure of the accounts, the Audit Board examined the separate financial statements of REFER and corresponding notes for the financial year ended 31 December 2014, as well as the Management Report, the Corporate Governance Report and the Sustainability Report for 2014.

It also analysed the Legal Certification of the Separate Accounts issued by the Official Auditor Sociedade P. Matos Silva, Garcia Jr. P. Caiado & Associados,SROC Lda, SROC nr. 44, represented by associate João Paulo Raimundo Henriques Ferreira on 31 March 2015.

Taking into account the organisational model of REFER, consisting of a Board of Directors, as collective body, to conduct the Company's affairs, the Audit Board reviewed the minutes of the meetings of the Board of Directors and reporting documents, namely the quarterly fiscal implementation and statistics reports; it met with the internal audit body, and followed the evolution of main business and financial indicators, taking into account their consistency with the strategic guidelines established by the shareholder; Finally, it prepared jointly with the official auditor, the quarterly reports on the Board of Directors quarterly reports, which were submitted to the relevant Government members and the BD, as legally required.

4. MAJOR FINDINGS

4.1. Global management model

During 2014 the BD was composed of the Chairman, the Vice-chairman and three members with different areas of responsibility.

In general terms, this corporate body intervenes at strategic, operational and control levels across the business. Its decisions are supported by proposals of the directors responsible for the respective area; there are no identifiable elements of qualitative or quantitative performance to assess the individual merit of each director; notwithstanding, they have managed the company according to strict, high quality standards, based on team spirit.

The year under review was significantly affected by the ongoing economic, financial and fiscal situation in Portugal, with impact on REFER in terms of wage cuts, legal decisions made and financial aid from the shareholder.

Against this background, REFER continued to follow a tight cost control plan, in line with the restrictive measures established in the State Budget for civil servants and the public entrepreneurial sector.

4.2. Compliance with legal obligations

As provided in article 420 of the CCC, the Audit Board, in coordination with the Official Auditor, followed the management and activity of REFER, based on the minutes of the meetings of the BD, and meetings held with the Board of Directors and other managers, discussing issues affecting the company, to finally issue its opinion.

4.2.1 Compliance with remuneration reductions as provided in Law 82-B/2014, of 31 December.

According to the financial statements prepared by the company, the remuneration reductions established under the terms of article 33 of Law 83-C/2013 of 31 December, approving the State Budget for 2014 were duly applied.

4.2.2 Assessment of compliance provided in article 54 nr. 1 of the legal regimen for Public Sector Companies (RJSPE)

REFER prepared its report of good corporate governance practices, comprising the following:

a) The obligations and responsibilities of public-sector companies as provided in articles 43 to 50 of the RJSPE - disclosure of information

b) Prevention of conflicts of interest, via the issuing of independence statements by each member of the BD;

c) Disclosure, on REFER's website, of information required to be disclosed to the public.

4.3. Compliance with the directives issued by the shareholder

The shareholder's directives were communicated to REFER by Circular Order no. 1212 issued by the Directorate-General of the Treasury, dated 27 February 2015.

We have verified the compliance with these directives; we point out the following aspects included in the Management Report, the Separate Financial Statements and the Corporate Governance Report for 2014:

- Within the scope of provisions in article 420 of the Companies Code applicable by virtue of article 33, paragraph 3 of Decree-law 133/2013 of 3 October, it is hereby warranted that, to the knowledge of this Audit Board, REFER complied with the legal directives in force for the State Entrepreneurial Sector, namely in what concerns the remuneration reductions provided in Law 83-C/2013 of 31 December 2013 and Law 75/201 of 12 September, applicable to managing bodies and employees;

- In terms of financial risk management, REFER settled the last swap in January 2014. The company's average funding rate fell from 3.43% in 2013 to 3.23% in 2014, and the company complied with the 2014 State Budget Law, which set up a ceiling for interest-paying debt rises of 4% in 2014 (4%);

- The average payment period to suppliers decreased from 35 days to 27 days in 2014, in line with provisions in Decree-law 62/2013 of 10 May (providing a maximum period of 30 days).

- The Governance Report mentions compliance with legally required wage cuts applicable to managing bodies and employees ;

- The Audit Board points out the procurement policy adopted by REFER, in line with the National Public Procurement System subscribed by the company in 2011.

- Under the terms of the instructions for the preparation of IPGs for 2014 as notified by letter no. 7035 from the Directorate-General of the Treasury and Finance dated 21 November 2013 and Notice nr. 819 of 12 February 2014, we point out the following:

    - As result of the Cost Reduction Plan followed, Personnel Expenses, Cost of Goods Sold and Supplies and Services fell by 27% over 2010, which is more than the figure required under article 61 of Law 83-B/2013 (State Budget Law);

    - Travel expenses rose by 61% in relation to 2013, as result of the company's internationalisation policy;

    - Expenses with communications fell by 22% in relation to 2013;

    - The number of employees was reduced by more than 3% in relation to 2012;

    - According to the 2014 Annual Report, REFER complied only in part with the State's treasury unity principle; it applied to be exempted in specific exceptional situations, and handed over to DGO the proceeds obtained on financial applications with other institutions.

4.4. Specific areas

The BD report describes with sufficient scope, reliability, in-depth and accessibility the evolution of the Company's affairs, which facilitates the understanding of its results and performance. These areas comprise rendered services, human resources, material resources and technologies, financial resources, economic resources and corporate governance.

5. FOLLOW UP AND CONTROL

REFER has a separate internal control unit known as Internal Audit.

REFER has a credible Prevention Plan for Management Risk, including Risks of Corruption and Related Administrative Infractions as well as specific rules on the selection, assessment and qualification of suppliers of goods and services; Its internet website contains relevant information on the transparency and good practices followed at the Company.

The sole official auditor has followed REFER's businesses and records, in cooperation with the Audit Board, as referred to above, having prepared quarterly and annual reports, and issued the legal certification of accounts relating to 2014. The Official Auditor sent to the Audit Board the statement as provided in article 62-B of the Official Auditors Association, approved by DL 224/2008, of 20 November, relating to the auditing of REFER's 2014 financial statements.

6. ACTIVITY

REFER's activity comprises two components: Infrastructure Management and Long Duration Investments (LDI).

As far as Infrastructure Management is concerned, we point out the following aspects:

- The quantification of running trains is measured in millions of trains/km (tK). In 2014 this indicator stood at 36,923 million tK, i.e. 0.971 tK above 2013's. Main operators are CP in the passenger segment and CP Carga in the freight segment. During the year the movement of trains in both segments increased.

- On the back of this increase in activity, income from user fees rose by approximately € 73,929 million in 2013 to nearly € 76,563 million in 2014;

- In terms of service level, the most relevant indicator is punctuality. In 2014 this index did not change in relation to 2013, standing at 85%;

- The safety of the railway network is critical for REFER's business; therefore, the surge in significant accidents to 50 (provisional figure to be adjusted according to IMT records) in 2014 is viewed with concern. According to available data, the safety index worsened in 2014, with 1.344 significant accidents per million tK;

In relation to Investment, we point out the following:

- The global volume of investment stood at € 102.7 million;

- The amount of capital expenditure was of € 77.6 million, and respective implementation rate was of 132%, mainly as result of the transfer of railway terminals from CP Carga (approximately € 62.8 million).

7. ASSESSMENT OF THE FINANCIAL STATEMENTS

The Supervisory Board has confirmed that the separate financial statements of REFER were prepared according to provisions in the International Financial Reporting Standards (IFRS), as adopted in the European Union.

The adoption of IFRS in the preparation of the financial statements is in accordance with the requirements to which the Company is subject as issuer of securities, i.e. bonds listed on regulated markets.

Following the assessment of the financial statements and respective notes for the year ended 31 December 2014, the following aspects should be pointed out:

- REFER carried out capital increases in cash and in specie in the amount of approximately € 1,034.8 million in 2014.
- GIL – Gare Intermodal de Lisboa, S.A., is now 100% held by REFER. Note that the valuation of this asset is null, since flows from these partners' loans were fully recognised as impairment, in view of the credit risk of the balances receivable from this entity.
- The trade receivables caption recorded a relevant decrease as CP settled its outstanding user fees.
- The Statement of Financial Position shows assets in the total amount of € 5,553,494 thousand, including an amount of LDI to be received from the grantor of € 5,254,047 thousand, i.e. € 284 million more than in 2013, notwithstanding the effort made by shareholder to recapitalise the company.
- EBITDA improved significantly, reaching a positive figure of nearly € 1 million, which compares with -€24 million in 2013.
- Operating results did not reflect this positive evolution due to recorded impairments, which rose by over € 32 million due to the impact of the acquisition of GIL, which included the loans of former shareholders: Metro de Lisboa and Parque Expo.
- Both the Profit and Loss Statement and the Statement of Comprehensive Income post the same negative figure of € 89,065 thousand in 2014.
- REFER's current financial structure, though still unbalanced, will tend to improve since it will continue to benefit from capital increases carried out by the shareholder, namely to finance the repayment of debt (mostly medium and long term debt).

8. LEGAL CERTIFICATION OF THE ACCOUNTS

It is the Official Auditor's opinion that the financial statements referred to above present a true and fair view, in all materially relevant aspects, of the financial situation of REFER, free of any reservations, with which we agree. This document is in compliance with requirements in Article 245-A of the Securities Code relating to preparation of the Corporate Governance Report.

The legal certification of accounts issued by the official auditor points out the following:

- "At 31 December 2014 the company posted negative equity of €1,032,919 thousand. Notwithstanding an improvement in operating results occurred since 2011, on the back of streamlining measures to reduce structural charges and operating expenses as imposed by the State Budget and directives from the relevant Government members, financing and future investment are subject to continued financial support of the Shareholder - the Portuguese State, represented by the Ministries for Finance and Economy".

- "As disclosed in note 21 of the Notes, and as already made public, work is ongoing to prepare the merger of REFER and E.P. – Estradas de Portugal, S.A. ("E.P."), by incorporation of EP into REFER, within the scope of the Strategic Infrastructures and Transport Plan ("I.P.")."

- A negative equity does not prevent the Company from continuing to operate, though provisions in paragraph 3 of article 35 of DL 133/2013 of 3 October must be taken into account.

- "At 31 December 2014 Associate GIL – Gare Intermodal de Lisboa, S.A. ("GIL"), which is 100% controlled by the company, recorded negative equity in the amount of € 13.4 million, having to use shareholders' loans on an annual basis. As described in Paragraph 5.7 of the Notes, at 31 December 2014, shareholders' loans provided to GIL totalling € 56.1 million (2013: € 19.1 million) were fully recognised as impairment."

- The Audit Board agrees with this accounting.

- "As disclosed in Note 5.16, in 2014 the company recognised deferred tax assets relating to tax losses deductible in future years, in the amount of € 22.3 million. This recognition was made on the assumption that within the scope of the ongoing merger, estimated tax profit for 2015 and following will allow using such tax losses."

9. OPINION

- The 2014 Report and Accounts presented by the Board of Directors of Rede Ferroviária Nacional – REFER, EPE;

The Audit Board took notice of the Legal Certification of Accounts issued by the Official Auditor, which deserves its agreement.

The Audit Board reviewed the financial statements prepared in accordance with accounting principles generally accepted in Portugal, having concluded that they give a true view of REFER's financial position at 31 December 2014, as well as the results of its operations.

Within the scope of our duties, we have verified that the profit and loss statement by nature, the cash flow statement, the statement of changes in equity and corresponding notes presented by REFER provide an adequate understanding of the financial situation of the Company, including respective results and cash flows.

The 2014 Management Report is sufficiently clear as to the evolution of the business and the position of the Company, highlighting the more relevant aspects and complying with DGTF instructions.

This Audit Board issues the following Opinion, notwithstanding its analysis of the Emphases included in the Legal Certification of Accounts and Audit Report, namely in what concerns the negative equity and provision in paragraph 3 of article 35 of Decree-law 133/2013 of 3 October.

- the 2014 Annual Report presented by the Board of Directors of REFER should be approved;
- The proposal presented by the Board of Directors of Rede Ferroviária Nacional – REFER, EPE, to appropriate the Net Results for the year - in the negative amount of €89,065,163.17 to the Results Brought Forward account, which is in compliance with legal and statutory provisions should be approved.

Lisbon, 06 April 2015

The Audit Board

Chairman	Member	Member
(José Castel-Branco)	(Pedro Ventura)	(Pedro Grilo)

STATUTORY AUDITORS' OPINION AND AUDITORS' REPORT ON THE SEPARATE FINANCIAL STATEMENTS

(Translation of the original version issued in the Portuguese language)

INTRODUCTION

1. In accordance with the applicable legislation, we present our Statutory Auditors' Opinion and Auditors' Report on the financial information included in the Board of Directors Report and the separate financial statements of Rede Ferroviária Nacional - REFER, E.P.E. ("the Company") as at and for the year ended 31 December 2014, which comprise the Statement of Financial Position as at 31 December 2014 (showing total assets of 5.553.494 thousand euros and a negative shareholders' equity of 1.032.919 thousand euros, including a negative net profit of 89.065 thousand euros), the statement of income, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the corresponding notes to the financial statements.

RESPONSABILITIES

2. The Board of Directors is responsible for:

a) the preparation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union that presents fairly the financial position, results of operations, cash flows, changes in equity and comprehensive income of the Company;

b) the preparation of the Company's financial information in accordance with International Financial Reporting Standards as adopted by the European Union and that it is complete, true, current, clear, objective and lawful, as required by the Portuguese Securities Code ("CVM");

c) the adoption of adequate accounting policies and criteria;

d) the maintenance of an appropriate internal control system; and

e) the communication of any relevant fact that may have influenced the activity, financial position or results of the Company.

3. Our responsibility is to verify the financial information included in the above referred documents, namely as to whether it is complete, true, current, clear, objective and lawful, as required by the CVM, in order to issue our professional and independent report based on our audit.

SCOPE

4. We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ("*Ordem dos Revisores Oficiais de Contas*"), which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. Accordingly our audit included:

a) examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements, and assessment of the estimates, which were based on the judgements and criteria defined by the Board of Directors, used in the preparation of the financial statements;

b) assessment of the adequacy of the accounting policies adopted and related disclosure, in the circumstances;

c) examination of the adequacy of the going concern basis of preparation of the financial statements;

d) evaluation of the overall adequacy of the presentation of the financial statements'; and

e) evaluation of whether the financial information is complete, true, current, clear, objective and lawful.

5. Our audit also included verifying that the financial information included in the Board of Directors' Report is consistent with the financial statements, as well as the disclosures required by paragraphs 4 and 5 of article 451.º of the Portuguese Commercial Companies Code ("*Código das Sociedades Comerciais*").

6. We consider that the audit we performed provides a reasonable basis for the expression of our opinion.

OPINION

7. In our opinion, the separate financial statements mentioned above present fairly, in all material respects, the financial position of Rede Ferroviária Nacional - REFER, E.P.E., as at 31 December 2014, and its results of operations, comprehensive income, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and the information contained therein is complete, true, current, clear, objective and lawful.

EMPHASIS OF MATTERS

Without affecting our opinion expressed in paragraph 7. above, we would draw attention to the following matters:

8. As at 31 December 2014 the Company has a negative shareholders' equity of 1.032.919 thousand euros. Despite the fact that the Company has improved its operating income since 2011, as a consequence of the costs reduction measures imposed by the Portuguese State Budget and by the sole shareholder, the financing of the Company's future operating and investing activities depends on the continued financial support of the sole shareholder – the Portuguese State.

As mentioned in Note 21. of the Notes to the Financial Statements, and as publicly disclosed, the initial procedures related with the merger of REFER and E.P. - Estradas de Portugal, S.A. ("EP"), in which REFER will incorporate EP, are still in progress, according to the Strategic Plan of Transports and Infrastructures (PETI3), which states the redenomination of REFER as Infraestruturas de Portugal (“IP”).

9. As at 31 December 2014 the subsidiary company GIL - Gare Intermodal de Lisboa, S.A. ("GIL"), in which the Company has an investment of 100% (33,65% in 2013), has a negative shareholders' equity of approximately 38,9 million euros. As mentioned in Note 5.7 of the Notes to the Financial Statements, as at December 31 2014, the loans granted by the Company to GIL, which amount to approximately 56,1 million euros (19,1 million euros as at December 31, 2013), were fully adjusted for.

10. As mentioned in Note 5.16 of the Notes to the Financial Statements, in 2014 the Company recognised deferred tax assets related with tax losses deductible in future years, which amount to approximately 22,3 million euros. This recognition was made in the assumption that according to the terms of the merger in progress, the estimated tax income for 2015 and the following years will allow the deduction of these tax losses.

REPORT ON OTHER LEGAL MATTERS

10. It is also our opinion that the financial information included in the Board of Directors Report is consistent with the financial statements and that the Report on Corporate Governance includes the information required by article 245.º-A of the Portuguese Securities Code ("CVM").

Lisbon, 31 March 2015

P. Matos Silva, Garcia Jr., P. Caiado & Associados
Sociedade de Revisores Oficiais de Contas, Lda.
represented by

João Paulo Raimundo Henriques Ferreira, R.O.C.

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Statutory capital: € 1 486 000 000
Corporate Tax Nr. 503 933 813