MANAGEMENT REPORT
Notes to the Financial Statements

2013

REFER

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

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STATEMENT OF THE BOARD OF DIRECTORS

2013 was a year of many challenges, during which the Group ability and capacity to reinvent itself was put to the test, while having to respond to stringent fiscal policies.

The major concern of REFER's Management is and will always be to comply with its entrusted mission as sustainably as possible.

The need to reduce expenses and increase revenues required decision-making, among which an overhaul at company and Group levels, and a bet on international expansion. Structures were streamlined, functions were clarified and subsidiaries were made to focus on their respective key business. Overall, the Group evolved to a corporate community where the sharing of knowledge, resources and supporting services is encouraged, with a management system and control based on common principles and references and which follows a concerted strategy aimed at achieving collective goals.

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

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

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

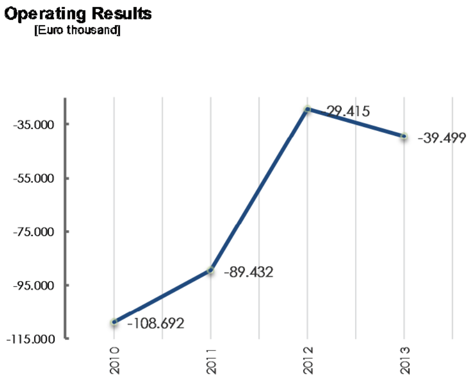
In terms of economic results, there is still much to be done, but the situation is clearly evolving towards the better. In 2013 REFER's EBITDA was negative by € 23.6 million; however, despite a slight deterioration in relation to the previous year due to the resumption of holiday pay and bonuses required by the Constitutional Court, the trend continues to be towards improvement.

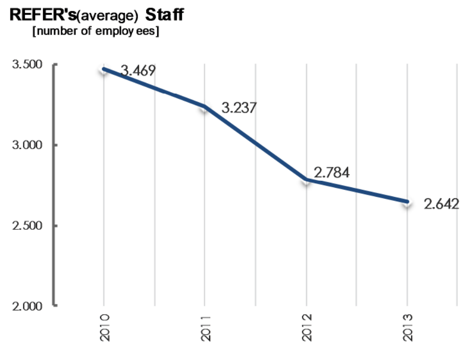
As far as capital expenditure is concerned, it continued to be cut down in relation to previous years, standing at € 71 million (total costs); a different approach has also been adopted, focused on streamlining and recourse to cheaper funding sources.

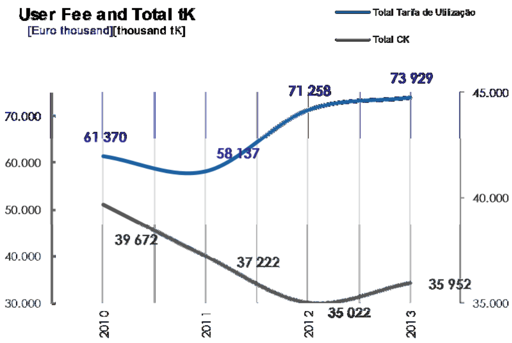
A welcoming note is due to the newly appointed supervising bodies and a thanking note is hereby given to the outgoing supervising bodies for their work.

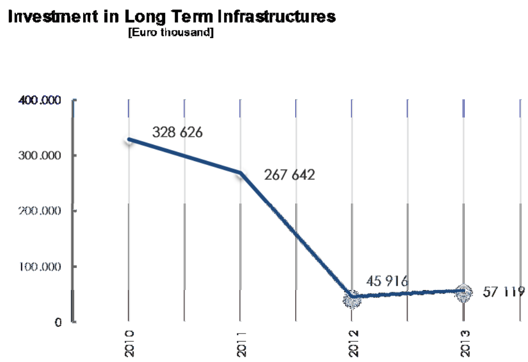
Finally, we must thank all employees and stakeholders whose contribution, as distinct and relevant as it is, was the key driver to achieving the above mentioned transformation and ensuring the provision of a public railway system seeking to become the favourite means of transport for an increasing number of citizens and a reference at national and European level.

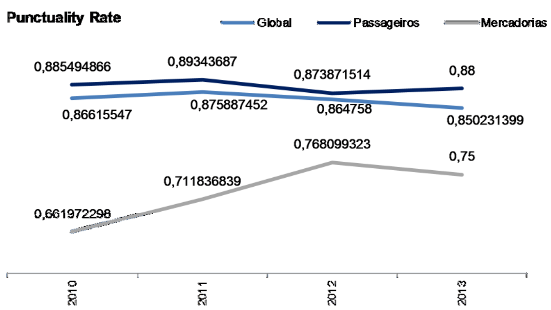
MAIN INDICATORS

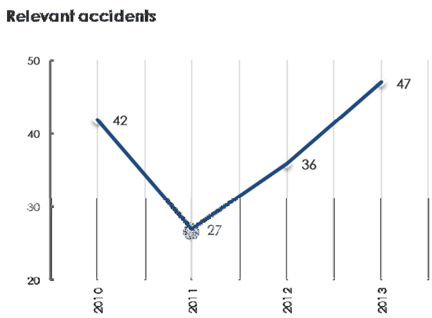












REFER IN 2013

January

Urban art exhibition at São Bento Station

A urban art exhibition was shown at São Bento Station promoted by Idiot Mag, in collaboration with the Faculty of Arts and Design of Matosinhos and Gare Porto, and the support of REFER. The side wall to the car park at Rua da Madeira was temporarily ceded by REFER to be covered with 250 self portraits of students.

Emergency on the rail track Awareness-raising/training actions

In line with the Emergency Plan for 2013, REFER in coordination with railway transport companies, started awareness-raising/training actions addressed to Civil Protection Agents (APC).

February

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

Following a rationale of strategic reorganisation the Refer Group and viewing to unify and strengthen the institutional and corporate identity of the companies within it, for the first time, the same logo will be associated to the name of each subsidiary.

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

Likewise, in addition to adjusting the corporate object to respective business, the corporate name of Ferbritas - Empreendimentos Industriais e Comerciais, S.A. was changed to REFER Engineering, SA, aligning with the internationalisation strategy in which it is investing.

Technical specifications for interoperability

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

March

The REFER Group provides ultrasonic inspection of rails in Mozambique

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

INTERAIL Project

Integrated rail inspection system - A final and public display of the INTERAIL Project - Integrated rail inspection and assessment system was carried out at Castelo de Vide and Portalegre Station.

Led by ISQ and REFER, this project was developed jointly with 13 European partners - companies and universities from seven different countries, namely, Portugal, Belgium, Cyprus, France, Greece, UK and Italy. The project's objectives are in line with the European Strategic Agenda for railway research viewing increased safety, service quality and efficiency of railway infrastructures.

April

New organisation of the REFER Group

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

The orientation towards increased efficiency and economic sustainability, on par with an outward-looking marketing action, including the international market for non core services, were relevant factors taken into account in the recently approved corporate organisation model.

Process-based management

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

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

May

Inauguration of the Agualva-Cacém Station

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

Santarém Station classified as Monument of Public Interest

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

Alfarelos Station | New signalling

Alfarelos station inaugurated a new electronic ESTW-type signalling, with corresponding inclusion of the stretch into the operational coordination centre of Lisbon, replacing the existing electric signalling.

Within this scope, the Convel system was adjusted and telecommunication works were carried out, namely supply and installation of a local radio network, adaptation of the telephone network and complementary works to adjust the track, overhead line and signalling layout.

A number of pedestrian crossings were automated at Formoselha, Ameal, Vila Pouca do Campo and Taveiro and Coimbra B (III/IV and V/VI lines) stations, significantly improving safety conditions of railway users and the public in general.

June

Permanent Management Structures (PMS)

June 6 saw the beginning of operation of the Permanent Management Structures (PMS), one at each OCC (Porto, Lisboa and Setúbal), covering the whole national railway network, translating a remarkable effort to centralise functions and strengthen technical skills.

This new organic structure, which integrates and gathers the Permanent Management Structures and Tele-operation of the Overhead Line represents an optimisation of resources and continues the process of improving the operational performance of REFER as it ensures a functional separation of operation and supervision.

Vilar Formoso Station

Ceremony held to recollect the arrival of Jewish refugees during World War II. An evocative ceremony was held on the 17th of June at Vilar Formoso Station in memory of Aristides de Sousa Mendes and victims of the holocaust; the event was attended by Jewish refugees and descendants who were saved by this diplomat.

Track inspection vehicle for tunnels

Track inspection vehicle - DIT was inaugurated, having resulted from an adaptation of track inspection vehicle DP202. DIT 01 is the first hybrid railway vehicle, i.e. using a diesel engine in addition to being battery operated and emission-free.

July

New Porto-Vigo railway link presented at Campanhã Station

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

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

Innovation - mobile overhead line measurement equipment

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

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

September

Sacavém Bridge - Beginning of anti-corrosion protection works

In line with the anti-corrosion protection plan for metallic bridges, the contract works for the Sacavém Bridge, at km 9.717 of the Northern Line were started.

The metallic structure of Sacavém bridge is exposed to various agents (moisture, salinity, pollution, etc.), which provide a high degree of wear and tear to the painting. For the parts of the structure which suffered more damage, replacement/reinforcement works will be carried out during the contract works, using internal means.

Coimbra A Station classified as Monument of Public Interest

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

Anti-corrosion protection works at the Oeste Line

In line with the anti-corrosion protection plan for metallic bridges for 2013, the contract for the anti-corrosion treatment of metallic bridges on the Oeste line was awarded on September 23, 2013. This contract is to be performed within 150 days and represents an investment of €289,300. It will cover seven bridges over the Sizandro River and two hydraulic crossings in the municipalities of Torres Vedras and Bombarral, while remaining bridges in this Line will be renovated in 2014.

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

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

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

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

October

Railway heritage at the Lisbon Real Estate Exhibition

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

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

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

November

Atlântico Corridor - Beginning of Operation

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

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

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

December

REFER – CFL Cooperation Protocol

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

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

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

Esgueira Bridge Renovation - Northern Line

The renovation works of the Esgueira Bridge - a reinforced concrete structure with a total length of 247,78 meters were completed at km 274,094 of the Northern Line which crosses the A25 Motorway.

The implemented solution as compared to other possible ones, ensured the structural safety and functionality of the bridge and a correct rail track-structure interaction, without requiring expansion equipment, which made the works easier to perform and minimized the impact on road and rail traffic (A25), and finally it was also less expensive.

Oeste Line - completion of slope stabilisation works

The contract works for slope stabilisation on km 33,480 to km 33,800, and km 44,500 to km 44,650, on the Oeste Line was completed on December 13.

These works had been contracted on May 23 for €947 thousand, to be made within 210 days.

The works on slope from km 33,480 to 33,800 included a slurry/stabilisation wall at the top and its redesigning, by decreasing its angle of inclination and building stabilising decks in between.

On slope at km 44,500 to 44,650 (entrance of the Tunnel of Sapataria) the works performed included slurry/stabilisation walls at the foot and top of the slope (made up of prefabricated modules founded on micro piles) and the geometrical redesigning of the slope, decreasing its angle of inclination and building a stabilising deck in between.

ECONOMIC SITUATION

BACKGROUND

Current projections for the Portuguese economy point to a moderate recovery in 2014-2015, following a contraction of nearly 6% in 2011-2013.

A gradual upturn in internal demand is also likely. The evolution of private and public consumption will continue, nevertheless, to be influenced by the fiscal consolidation process and deleveraging of the private sector, and lingering unfavourable conditions in the labour market.

Exports should keep their healthy growth, sustained by a rally in external demand, though at slower pace than before the financial crisis.

An increase in current account and capital account surpluses is also expected for the next few years, which is one of the most outstanding characteristics of the adjustment process of the Portuguese economy.

MACROECONOMIC SCENARIO 2013-2014

[Banco de Portugal projections for 2012 - 2014]

[%]

	Change rate	
	2013	2014
Gross Domestic Product	-1.9	1.3
Private Consumption	-3.6	0.1
Public Consumption	-2.4	1.5
Contribution to GDP growth (in p.p.)		
Net exports	2.0	4.8
Internal demand	-4.0	0.8
Harmonised Index of Consumer Prices	0.9	1.0

Source: Economic Bulletin: Winter 2012, Banco de Portugal

Banco de Portugal's current projections confirm this outlook for a gradual recovery of the Portuguese economy.

As from the end of 2013, the economy should record positive GDP growth rates, in year-on-year terms. In 2014 and 2015, Portugal's growth should move closer to figures currently projected for the euro area as a whole. This favourable evolution should be supported by robust exports of goods and services and by an acceleration in domestic demand, particularly corporate investment.

The correction of the economic imbalances accumulated over the past decades should continue to occur over the next few years due to:

- the reallocation of resources towards tradable goods and services companies, which will continue influence the structure of the labour market, the orientation of investment decisions and the flow of new loans granted by the financial system;
- current projections, which underline the predominantly structural nature of the correction of external imbalance;
- a significant adjustment in wage costs in the private sector over the past few years, while wages are expected to evolve in line with productivity; and
- the fiscal consolidation process which will continue, in the light of the commitments assumed at European level.

The adjustment process is likely to be kept on a permanent basis, both as concerns fiscal consolidation in the medium term and in what concerns the much needed structural reforms.

On May 17, 2014 the adjustment programme which the Portuguese Government undertook with the IMF-ECB-EC will end. How the country will handle this reality will be crucial to perceive future risks and the fiscal policy measures to deal with them, which are bound to have a direct or indirect impact on REFER.

ACTIVITY

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

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

INFRASTRUCTURE MANAGEMENT

This area covers the management of the railway infrastructure's capacity, maintenance, upkeep and management of respective command and control systems, including signalling, regulation and dispatching, so as to ensure the safety and quality levels required from a public railway transport service.

INVESTMENT

This area encompasses the construction, installation and modernisation of the infrastructure, which are carried out at the expense of the state (assets belonging to the public railway domain).

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

Income and Loss Statement	Investment	Management of infrastructures	Other complementary activities	Results not allocated to activities	Total Company
User Fee		83.394			83.394
Other services rendered	16.727				16.727
Operating subsidies		43.700			43.700
Other income	0.000		23.018		23.018
Operating Revenues	**16.727**	**127.094**	**23.018**	**2.793**	**169.631**
Cost of Goods Sold	3.294	3.006	0.101		6.402
Sub-contracts	0.101	61.709	1.526		63.336
Other Supplies and Services	2.064	27.146	1.858		31.068
Personnel expenses	10.617	73.566	6.376		90.559
Depreciation and amortisation for the year	0.542	2.083	0.138		2.762
Impairment of Assets		0.000		4.750	4.750
Provisions for other risks and charges				8.272	8.272
Other expenses	0.100	1.677	0.204		1.982
Operating expenses	**16.718**	**169.187**	**10.203**	**13.023**	**209.130**
Operating profit/(loss)	**0.009**	**-42.093**	**12.815**	**-10.230**	**-39.499**
Financial gains	185.101		0.184	86.657	242.005
Financial losses	185.109	81.912		67.291	297.865
Results before tax		**-112.070**	**12.904**	**3.807**	**-95.359**
Tax for the year		7.314	-0.842	-0.248	6.223
Net profit for the year		**-119.384**	**13.746**	**4.055**	**-89.136**

INFRASTRUCTURE MANAGEMENT

I. National Railway Network

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

Characterisation of the National Railway Network

[km]

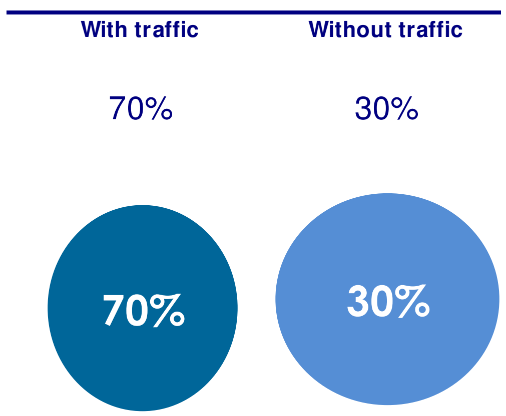
	With railway traffic					Without railway traffic	National Railway Network
	Electrified			Non electrified	TOTAL		
	25,000V	1,500V	Sub-Total				
Wide track	**1 605**	**25**	**1 630**	**802**	**2 432**	**547**	**2 979**
Single track	1020	0	**1 020**	802	**1 822**	547	2 369
Double track	537	25	**562**	0	**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.

In 2013 70.3% of the railway network was operating; in other words, tracks suitable for train running covered 2,544 km (3 km more than in 2012).

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

National Railway Network



REFER has deployed sophisticated speed control systems throughout the network. The Convel system which is shared by Operators and REFER, provides high traffic safety levels, ensuring 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

In line with the Plan for the Elimination and Reclassification of Level Crossings (LCs) for 2013, to be carried out pursuant to article 2 of Decree-law 568/99 of 23 December, assisted by municipal councils and the road authority Estradas de Portugal, 12 actions were carried out involving a total investment of €252 thousand, of which €226 thousand were paid by REFER.

At the end of 2013 railway lines (IET50) under operation included 870 LCs, of the following type:

Type of Level Crossing

LC per typology	Quantity
Public LC	**781**
Automatic (Road):	**356**
Automatic with double half barriers	3
Automatic with half barriers	343
Automatic with no barrier	10
Guarded	**45**
Unguarded	**245**
Type D	187
5th Cat.	58
Pedestrians	**135**
Automatic	27
Non automatic	108
Private LCs	**89**
Automatic	8
Non automatic	81
Total LCs	**870**

Note that in 2013 LCs with active protection equipment (436) represented more than 50% of total LCs.

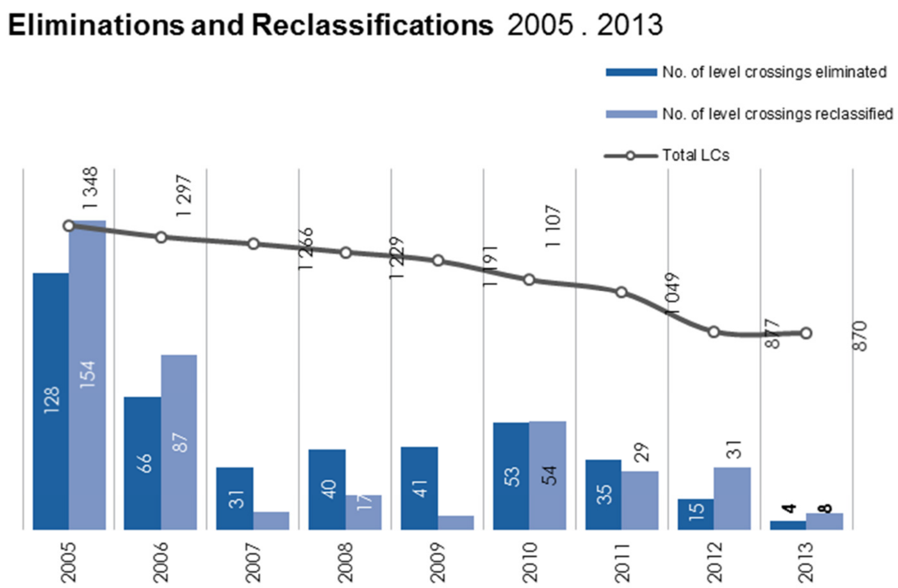
The consequent average density of LCs at the end of 2013 was of 0.342 LC/km (2012: 0.345).

The awareness-raising and safety campaign "Stop, Look both ways and Listen before crossing" was maintained in 2013.

On May 7 - International Level Crossing Safety Day - various awareness-raising and information actions were carried out at level crossings and disclosed through the media, and the 2nd edition of the drawing contest on LC safety was held.

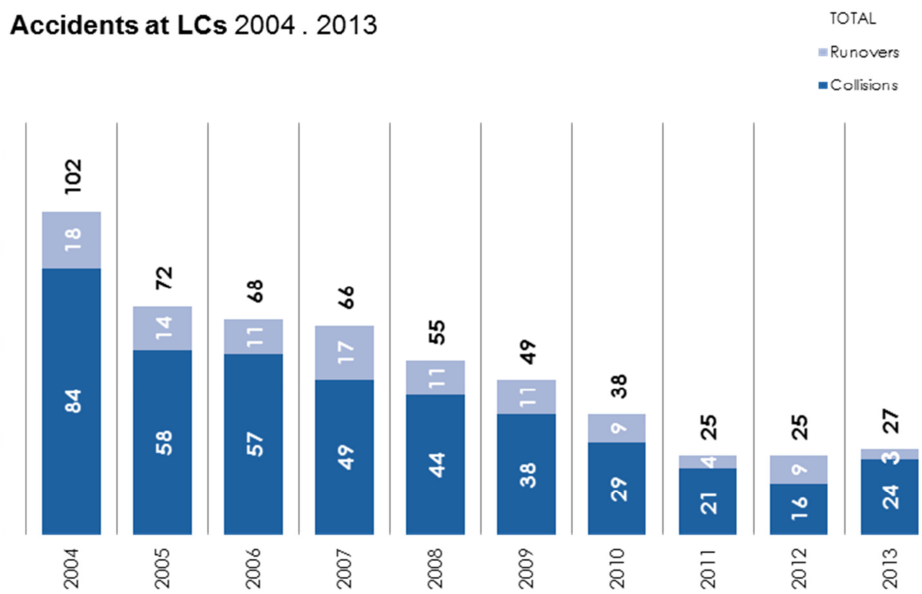
A Christmas campaign was carried out in December, supported by TV spot and advertisements in newspapers.

The following graph shows the evolution in the number of Level Crossings and the actions developed in the last nine years:



As far as the accident rate is concerned, in 2013 the number of accidents at level crossings totalled 27 (24 collisions and 3 people hit by trains), resulting in 10 fatalities, 5 serious injuries and 7 minor injuries, corresponding to a FWI (Fatalities and Weighted Injuries) of 10.535.

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



The elimination of LCs and improvement of safety conditions has translated in a steady decline in the accident rate. As result,-the target rate set forth for 2015 was reached ahead of schedule in 2011 and consolidated in 2012 and 2013. In fact, the strategic guidelines for the railway sector targeted a decrease in the accident rate by 60% over 2005 (i.e. less than 29 accidents).

II. Business Development

The purpose is to promote and develop strategies for the creation and reinforcement of **business opportunities** in the railway market, consolidating and enhancing the position of the REFER Group at national and international levels.
REFER is responsible for managing the national railway infrastructure providing a public service, and it is entitled to charge fees for the use of the infrastructure.

The fixing of tariffs is made in accordance with Regulation 630/2011 of 5 December, as published by the Railway Regulation Unit of 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, as amended by Decree-laws 231/2007, 20/2010 and 27/2011, 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.

This **Network Directory** is issued each year, establishing the characteristics of the Portuguese railway network and the general conditions for the provision of capacity and other services.

Additionally, the document 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.

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

REFER provides the following services to operators:

ESSENTIAL SERVICES
These include all provisions necessary to exercising the right of access to the infrastructure.

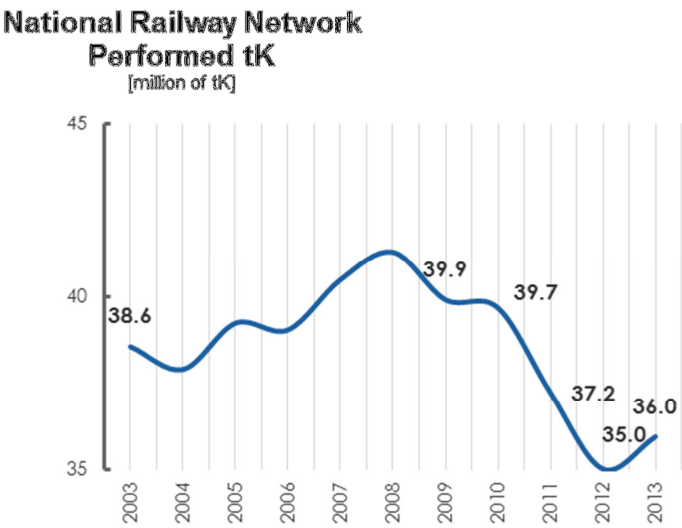
ADDITIONAL SERVICES

Services which REFER may provide, namely: Provision of electric power for traction under the terms of the relevant law; shunting, parking of rolling stock; and, special contracts relating to exceptional transport operations.

AUXILIARY SERVICES

Services which REFER can provide in identified facilities, namely: Provision of market information; availability of operational facilities at stations; availability of areas for the installation of equipment at stations; supply of labour force for operational activities (supply of fuel and other); access to telecommunications (as provided in specific document, to be supplied upon request); authorisations for train movement; and development of studies and scenarios on capacity and viability of supply.

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

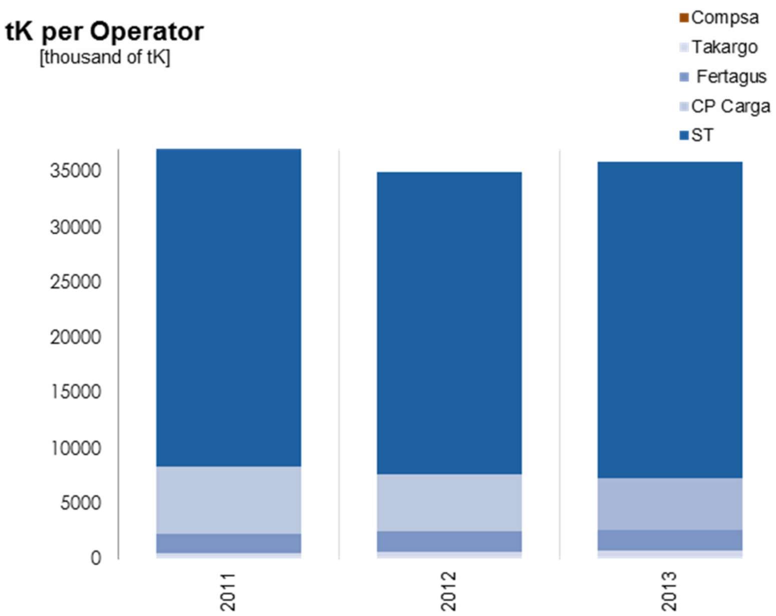


Unit: million of tK

USE OF NETWORK	2012	2013	Ch. 2013/2012	%
Passenger	28,490	29,682	1,192	4%
Freight	5,693	5,450	-243	-4%
Unladen	839	820	-19	-2%
TOTAL	**35,022**	**35,952**	**930**	**3%**

This rise was mainly driven by passenger transport (+1.2 million tK). Freight transport posted an opposite performance, falling from 5.7 million tK in 2012 to 5.5 million tK in 2013.

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



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

CP - Comboios de Portugal continues to be the operator with the highest impact on REFER's turnover, accounting for 80% of total tK using the national railway network.

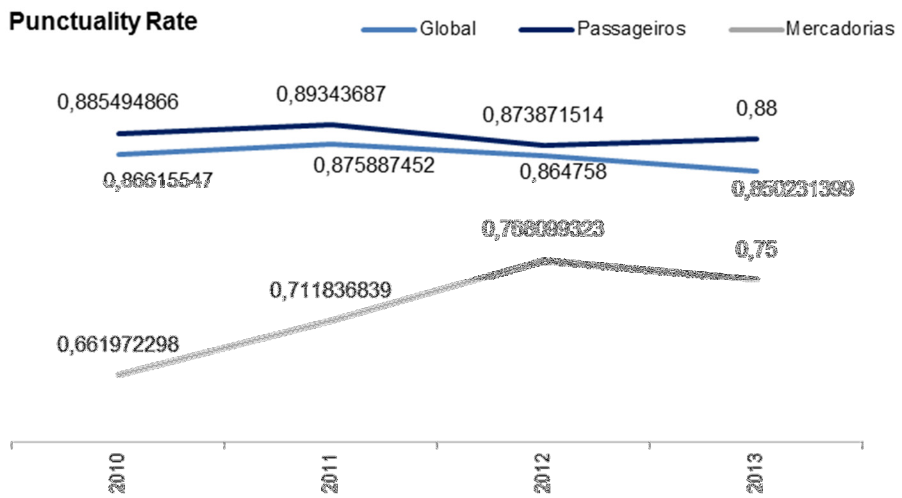
CP Carga's use of the railway infrastructure declined by approximately 7%, whereas Takargo's increased by 12% in 2013, over the same period of 2012.

III. Service Level

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

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

In 2013 the global punctuality rate stood at 85%, which compares to 86% in 2012. This decline was mainly due to the performance of freight trains (75% vs. 77% in 2012).



IV. Maintenance and upkeep

REFER promotes management policies and the **coordination of maintenance,** by establishing the strategic planning for the maintenance of the infrastructure, ensuring and monitoring its performance, thus:

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

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

- Preparation of the maintenance management plan for 2014, which views to establish the set of contributions for meeting the strategic goals laid down;
- Reduction in paper consumption, resorting to mobile equipment for operational use, as provided in the eBTCC project (civil construction and low tension inspection project);
- Approval of the contracting strategy for the maintenance of electronic signalling, in order to ensure adequate quality and safety standards, reinforce internal skills and reduce operating costs;

- Development of track geometry inspections and ultrasonic probing of tracks with heavy equipment, with the purpose of assessing the whole national railway network under operation;
- Beginning of the certification process of REFER as entity responsible for the maintenance of wagons, in accordance with regulation 445/2011 EC, expected to be completed in the first quarter of 2014;
- Development of the Railway Equipment Maintenance Plan;
- Transformation of track maintenance vehicle in May 2013 into "track maintenance vehicle for tunnel inspection DIT-01", this being the first hybrid rail vehicle equipped to work inside tunnels without noise or harmful fumes;
- Definition of a Management Model for the Deposit of Materials and the Materials Maintenance Plan for 2014, seeking excellence in planning;
- Development of various operating activities, such as mechanical protection operations, improvement of track superstructure, reinforcement and renovation of bridges, tunnels and slopes as succinctly described in annex to this document.

Viewing to ensure safety and quality levels on the national railway network, a number of actions were developed, amongst which the following:

Geotechnics - various measures were taken, namely inspection of various lines to verify their behaviour and plan interventions.

Electric engineering – viewing to mitigate risks at level crossings, automatic reset modules were installed.

Maintenance Strategy for Electronic Signalling – creation of conditions to reduce as much as possible the scope of actions required, which implies the study and development of maintenance roadmaps separating core functions of the technology supplier and functions likely to be performed by other services suppliers.

Inspection and Diagnosis - inspections were made to the general network, in nearly 2,450 km of rail tracks (96% of the network under operation), the results of which are presented below in terms of reference indicator.

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%	1723
Global	82%	13%	6%	15 236

Inspection results showed high quality indexes in 82% of the total.

V. Safety

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

As far as **railway operation safety** is concerned, within the scope of REFER's mission to ensure a reliable and safe railway infrastructure, the following actions developed are worth pointing out:

- Definition and disclosure of railway safety indicators on a daily and monthly basis, promoting the analysis and follow up of deviations, with the purpose of maintaining under control adequate railway safety levels;
- Risk analyses and inspections and audits to railway safety processes, so as to identify risk situations and establish mitigating measures, and ultimately reduce incidents/accidents to the minimum. To this end, 46 inspection actions were carried out during 2013:
- Coordination of safety certification relating to rolling stock and railway equipment, ensuring consistence in processes and compatibility between the various components of the railway infrastructure. Issuing of 16 opinions on railway safety and of 7 special circulation authorizations.

Promotion of pro-active attitudes at personnel level, focusing the adequacy of safe behaviours.

The purpose is to instill collective awareness to sensitive safety issues in general and in railway operation in particular, as it has a direct and positive impact on REFER's activity.

Actions developed in this field viewed to promote knowledge and encourage collaboration with different technical railway specialties.

The indicator relating to significant accidents per million of train-kilometre stood at 1.295 at the end of 2013. This is a provisional figure since final data provided by railway transport companies was still being reviewed as of the date of this report, under the supervision of IMT.

2013	January	February	March	April	May	June	July	August	September	October	November	December
Relevant accidents (RA)	6	4	7	2	3	2	2	4	5	7	3	2
Cumulative RA	6	10	17	19	22	24	26	30	35	42	45	47
RA/106 tK index	2.02	1.75	1.98	1.64	1.49	1.36	1.24	1.25	1.29	1.39	1.35	1.30

REFER will continue to maintain safety levels on the National Railway Network and will seek to improve the indicator of significant accidents per million train-kilometre even further.

Occupational Safety – seeking to promote occupational safety and cooperation with external entities developing activities on the railway infrastructure, an assessment of occupational risks was carried out and various prevention measures were laid down, including the following:

- Preparation of Risk Analysis Cards and definition of prevention measures in the performance of activities;
- Design and development of training in the field of occupational safety;
- Analysis and contributions of documentation for tender purposes and preparation of the safety management instrument;
- Analysis of the development of the safety management instrument;
- Follow-up of prevention measures by means of inspections and audits, promoting their efficiency and operability;
- Performance of audits to check the implementation of the occupational safety management system;

In order to ensure the existence of safety plans to guarantee the continuity of the business in an emergency situation, simulations/exercises were carried out to test emergency procedures and emergency procedures/planning and actions were developed in the field of fire protection and safety in buildings.

The protection of the railway infrastructure and its integrity was ensured by the **Safety of Persons and Property Area**, consisting of the identification and analysis of vulnerabilities, in coordination with other areas, namely Maintenance, Operations and Engineering, and Security Forces, and the promotion of specific actions and strategies to reduce attacks on railway property with financial and operational impact on the Group's business. As result, the occurrence of theft of non precious metals fell to 232 in 2013 from 395 in 2012, with a financial impact of less €660 thousand.

INVESTMENT

REFER's main object is the management of the railway infrastructure. To this end, the Company must develop its activities in accordance with modernisation and efficacy principles, in order to ensure a regular and continuous provision of public service, based on the most adequate means.

Accordingly, REFER must promote strategies, plans and programmes ensuring a sustainable development of the railway network and implement the Investment Plan concerning Long Term Infrastructures(LTI).

Investment in LTI is made by REFER on behalf of the State, using the following **financing sources**: Chapter 50 of PIDDAC; budget appropriations; community funds and financial debt.

In 2013 the **global volume of investment**, at technical costs, made by REFER totalled €m57.8, corresponding to a rate of implementation of 83% as against a planned amount for the period of €m69.

Summary of investments in LTI and MSS - 2013

Investment at technical costs — Unit: Euro thousand

2013 Investment	Budget	Effective 2013	% implementation
Total	**69,343**	**57,836**	**83%**
Long term infrastructures investment	**64,197**	**57,119**	**89%**
Network Safety and Efficiency [a]	13,522	20,849	154%
Total Metropolitan Areas	10,733	12,031	112%
Inter regional links	13,880	10,956	79%
Infrastructure renovation	15,970	6,006	38%
Links to logistics platforms and harbours	5,961	3,671	62%
Mondego Mobility System	4,131	3,605	87%
Investment relating to high speed railway			
Management Incentive Structures	**5,146**	**718**	**14%**
Investments in Fixed Assets	670	41	6%
Operating expenditure	4,346	682	16%
Studies [c]	130	-5	-4%

[a] Includes €9,724,370.64 relating to the transfer of optical fibre assets from Refer Telecom

[c] Negative effective value concerns settlement of invoices from previous years

[b] the amount of €120,494,047.83 relates to the transfer of assets subsequent to the merger of RAVE into REFER

Investment in Long Term Infrastructures (technical costs) corresponds to a rate of implementation of 89% as against a planned amount for the period of €m64.

The current scarcity of resources and constraints resulting from the austerity measures imposed by the relevant authorities and the economic and financial situation, led to a considerable decrease in investment, which fell to one of the lowest levels of the last few years (€m57), although slightly above 2012's (+€m11.2).

Investment made in 2013 concerned mainly the completion of works, namely the contract for the quadrupling of track from PK 13,750 to 18,250 of the Sintra Line, the renovation of Barcarena and Cacém stations, closure of claims, and applications of financial rebalances in a global amount of €m12.5.

Note that REFER's assets in Long Term Infrastructures increased by €m120 as result of the transfer of intangible assets (projects), following the merger of RAVE into REFER (not reflected in graph above), which correspond to:

Transfer of RAVE assets

Investment at technical costs

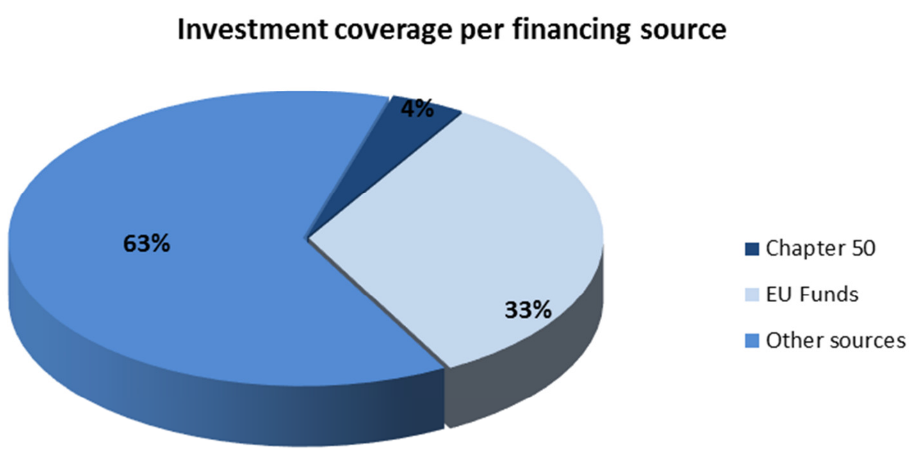
Unit: Euro thousand

Project	Effective
Transfer of high speed assets	120,494
Porto-Vigo rail link	7,155
Lisboa-Porto rail link	65,938
Lisboa-Madrid rail link	43,825
Aveiro-Salamanca rail link	2,174
Évora-Faro Huelva rail link	1,402
Investment relating to high speed railway	**120,494**

The amount of investment **Management Support Structures** totalled €m0.7, corresponding to an implementation rate of 14% as compared to the amount planned for the year under review totalling approximately €m5.

Approximately 95% of the amount spent in Management Support Infrastructures concerned the acquisition of tools & dies and vehicles.

As mentioned above, investment made in 2013 is covered by the following financing sources:



RESULTS AND EQUITY STRUCTURE

RESULTS

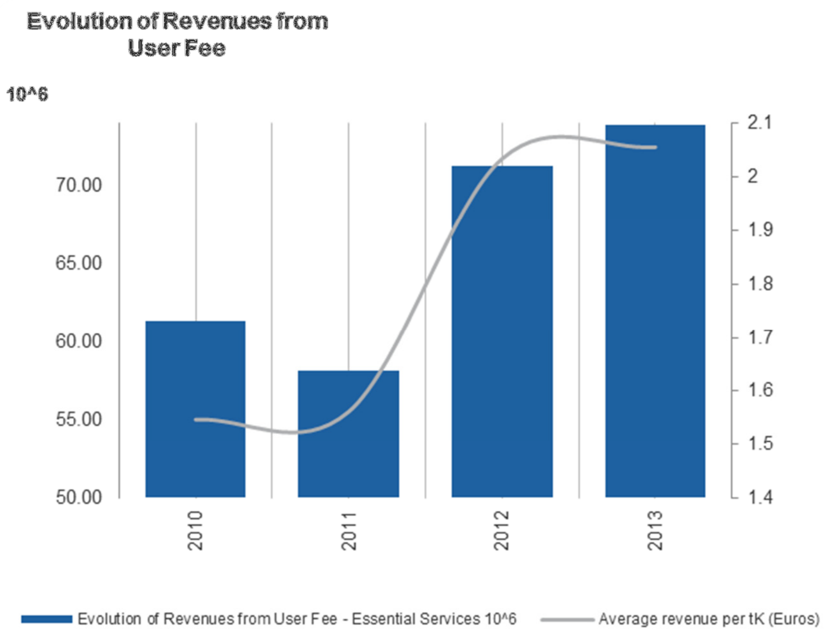
REFER operating results in 2013 fell by €m10 (-€m39 in 2013 as against -€m29 in 2012), reversing the improving trend of the past few years. This performance resulted from the combined effect of an increase in both income (+11%) and expenses (+14%).

Unit: €m

INCOME AND LOSS STATEMENT	2012	2013	% Change
Sales and services	100.388	100.121	0%
Operating subsidies	39.600	43.700	10%
Other income	13.427	25.811	92%
Operating Revenues	**153.415**	**169.631**	**11%**
Cost of Sales	4.326	6.402	48%
Supplies and Services	88.041	94.404	7%
Personnel expenses	77.800	90.559	16%
Depreciation and amortisation for the year	3.101	2.762	-11%
Impairments	4.979	4.750	-5%
Provisions for other risks and charges	0.819	8.272	910%
Other expenses	3.765	1.982	-47%
Operating expenses	**182.830**	**209.130**	**14%**
Operating profit/(loss)	**-29.415**	**-39.499**	**34%**

Operating Revenues	2012	2013	Deviation	%
User Fee	71.258	73.929	2.671	3.7%
Other services rendered	9.726	9.465	-0.261	-2.7%
Other income	11.897	25.811	13.914	117.0%
Sub-Total	**92.881**	**109.205**	**16.324**	**17.6%**
Compensatory indemnities	39.600	43.700	4.100	10.4%
State Grantor	20.934	16.727	-4.208	-20.1%
Operating Revenues	**153.415**	**169.631**	**16.216**	**10.6%**

Income rose by €m16 over 2012 on the back of an increase in the **User Fee** (+€m2.7) and an escalation in **Non core Income** (+€m14).



Income arising from **User Fees** totalled €m74, growing by 3.7% (+€m2.7) over the same period of the previous year. This surge stemmed from an increase (2.7%) in the effective use of the infrastructure (+930 thousand tK) combined with a rise in the basic tariff per tK (€1.95 in 2012 to €2.0 in 2013).

Unit: €m

USER FEE	2012	2013	Ch. 2013/2012	%
Passenger	59.195	62.939	3.744	6%
Freight	7.613	7.475	-0.138	-2%
Unladen	1.421	1.516	0.095	7%
TOTAL USAGE CHARGE	**68.230**	**71.930**	**3.700**	**5%**
Capacity requested and not used	3.028	1.999	-1.029	-34%
TOTAL	**71.258**	**73.929**	**2.671**	**4%**
BASE TARIFF / CK	**1.95 €**	**2.00 €**	**0.05 €**	**3%**

The passenger segment was responsible for the increase recorded in the basic tariff (+€m3.7) as opposed to the freight segment, which fell by 2% (-€138 thousand), as result of the current recessive climate.

The drop occurred in Capacity Requested and Not Used (-€m1) translates the decrease in labour conflicts and consequent fall in trains withdrawn.

In 2013 the amount received from the State by way of **Compensatory Allowance** for the rendering of public services increased by €m4.1. This allowance totalled €m43.7 in 2013 as provided in the State Budget for 2013 and confirmed by Council of Ministers Resolution 23/2013.

Non Core income evolved favourably in line with the strategy laid down by the company:

Unit: €m

Non core income	2012	2013	Deviation	%
Commercial areas	6.245	5.108	-1.138	-18.2%
Telecommunications	1.255	3.023	1.768	140.9%
Land, buildings and other facilities	0.476	0.609	0.133	28.0%
Supply of energy and w ater	0.552	1.086	0.534	96.9%
Sale of w aste	3.324	10.237	6.913	207.9%
Rolling stock and other railw ay equipment	0.117	0.001	-0.117	-99.2%
Lease of advertising space	0.032	0.015	-0.016	-51.4%
Assignment of personnel	0.047	1.220	1.173	2495.8%
Gains/(losses) on subsidiaries and associates	-1.530	2.961	4.491	-293.5%
Other	1.379	1.550	0.171	12.4%
TOTAL	**11.897**	**25.811**	**13.914**	**117.0%**

The most relevant impact resulted from an increase in **Sales of Waste** (+€m6.9), namely rails and other ferrous waste sold to Siderurgia Nacional.

This contract started in November 2012, with invoicing reaching €m2, while invoicing in 2013 totalled €m11.7 against sales made throughout the year.

Operating expenses rose in relation to 2012 (+€m26).

Unit: €m

Operating expenses	2012	2013	Deviation	%
Cost of Sales	4.326	6.402	2.076	48.0%
Supplies and Services	88.041	94.404	6.362	7.2%
Personnel expenses	77.800	90.559	12.759	16.4%
Depreciation and amortisation for the year	3.101	2.762	-0.339	-10.9%
Impairments	4.979	4.750	-0.228	-4.6%
Provisions for other risks and charges	0.819	8.272	7.453	910.1%
Other expenses	3.765	1.982	-1.783	-47.4%
Operating expenses	**182.830**	**209.130**	**26.300**	**14%**

The most relevant changes in relation to the previous year affected the following items:

- Supplies and Services grew by €m6 (+7%) over 2012;
- Personnel Expenses rose by €m13 over 2012;
- Provisions grew by €m7 in relation to 2012.

Supplies and Services

Unit: €m

Supplies and Services	2012	2013	Deviation	%
Sub-contracts	58.975	63.336	4.361	7%
Car fleet	2.956	2.436	-0.520	-18%
Communications - fixed and mobile	0.334	0.316	-0.018	-5%
Training	0.082	0.124	0.042	50%
Cleaning	1.785	2.012	0.227	13%
Surveillance	4.734	4.598	-0.136	-3%
Electricity	6.167	6.239	0.071	1%
Traction Power	5.127	5.302	0.175	3%
Other supplies and services	7.881	10.039	2.159	27%
Total Supplies and Services	**88.041**	**94.404**	**6.362**	**7%**

Subcontracts - this caption accounts for nearly 67% of Supplies and Services. This caption grew by €m4.4 over 2012 due to the fact that a number of maintenance contracts were started during the said year, as against a performance period of 12 months in 2013.

This caption is basically made up of subcontracted maintenance works, namely maintenance of tracks, signalling, telecommunications, overhead line, all of which account for 87% of subcontracting expenses.

Unit: €m

Sub-contracts	2012	2013	Deviation	%
Tracks	18.818	22.170	3.352	18%
Signalling	16.701	16.054	-0.647	-4%
Telecommunications	11.896	12.097	0.200	2%
Overhead line	4.026	4.622	0.596	15%
Low tension	0.963	1.445	0.482	50%
Traction sub-stations	0.679	0.751	0.072	11%
Civil w orks	2.150	2.769	0.619	29%
Engineering w orks - Bridges and Tunnels	0.161	0.119	-0.043	-26%
Level Crossings	0.591	0.358	-0.233	-40%
Recovery of materials	0.462	0.441	-0.021	-4%
Emergency train	1.473	1.473		
Lifts and escalators	1.055	1.038	-0.017	-2%
TOTAL	**58.975**	**63.336**	**4.361**	**48%**

Car Fleet – this item was reduced by €500 thousand over 2012 (-18%). The car fleet was cut down by 47 vehicles as some car leases ended and were replaced by cars which the company had available.

Unit: €m

CAR FLEET	2012	2013	Deviation	%
Car lease rents	1.586	1.210	-0.376	-24%
Fuel	0.862	0.742	-0.120	-14%
Tolls	0.209	0.184	-0.024	-12%
Maintenance	0.180	0.184	0.003	2%
Insurance	0.119	0.117	-0.002	-2%
Total	**2.956**	**2.436**	**-0.520**	**-18%**

Expenses per car fell by 6% over 2012.

Personnel Expenses grew by €m12.8 (16.4%) over the same period of 2012, following the resumption of holiday pay and bonuses as provided in the amending budget following the Constitutional Court's decision.

Unit: €m

Personnel expenses	2012	2013	Deviation	%
Personnel expenses (w ithout redundancies)	76.157	86.177	10.020	13%
Redundancies	1.560	4.258	2.698	173%
Total	**77.717**	**90.435**	**12.718**	**16%**
Average staff	**2,793**	**2,677**	**- 116**	**-4%**

In 2013 REFER complied with the State Budget directives in terms of remuneration.

During the economic programme linked to the international financial assistance, public companies must seek to optimise their operating expenses, adopting the measures provided in Article 64 of Law 66-B/2012 - 2013 State Budget, of 31 December.

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

Expenses	2009	2010	2011	2012	2013	Ch. 2013/2010	SB goal
Cost of Goods Sold + Supplies and Service:	257	277	231	169	187	-32%	-15%
Travel - Accommodation allow ances	0.9	0.7	0.3	0.3	0.2	-74%	-50%
Communications	0.7	0.6	0.5	0.3	0.3	-50%	`-50% average 2009/2010

Net Results

In 2013 Net Results improved by €m3, on the back of better financial results (€m6.5) and the positive effect of the recognition of deferred tax assets relating to reportable tax losses to be deducted to future taxable income.

[10^6 Euros]

Net Results	2012 (a)	2013 (b)	% Change (b)/(a)
Operating Revenues	153.4	166.8	9%
Operating expenses	182.8	206.3	13%
Operating profit/(loss)	**-29.4**	**-39.5**	**-34%**
Financial Results	**-62.3**	**-55.9**	**10%**
Tax for the year	-0.3	6.2	1999%
Net Results	**-92.1**	**-89.1**	**3%**

CASH FLOWS

(Million Euros)

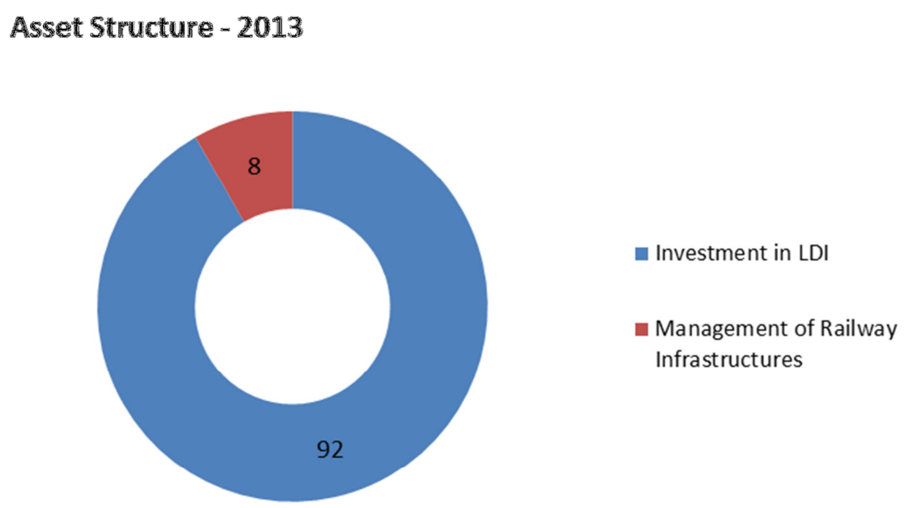
Cash-flow Statement	31.12.2012	31.12.2013
Operating deficit	- 67	- 128
Investment deficit	161	24
Financial costs	- 265	- 251
Total requirements	**- 171**	**- 355**
Short Term Debt		
State Debt	2 863	3 152
Medium/Long-term debt	4 082	4 009
Total debt	**6 945**	**7 161**

EQUITY STRUCTURE

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

Assets

REFER's capital structure did not change much in relation to 2012, i.e., Investment in Long Term Infrastructures continues to bear the largest weight in terms of total assets, accounting for 92% of the total in 2012 as in 2013.



Assets allocated to the Railway Infrastructure Management Activity fell by €m40 as result of the following:

- reduction in **derivative financial instruments** (-€m13) - during the year, REFER settled in advance five out of six swaps held at the end of 2012
- decrease in **cash and cash equivalent** (-€m132) - at 31 December 2012 this caption recorded a balance of €m212 resulting of an inflow in the amount of €m126 stemming from five applications for European funds (of which only two were expected to be applied for in 2013), while the remaining related to the full disbursement of State loans foreseen for 2012. At 31 December 2013 the balance of this heading was of €m80.
- Increase in **Clients and other accounts receivable** (+€m92) resulting mainly from an increase in receivables from client CP, which more than doubled (€m73 in 2012 to €m146 in 2013).

Assets allocated to Investment in Long Term Infrastructures rose by €m159, mainly due to an increase in financial assets Grantor - State - Account Receivable. This increase resulted from the combined effect of an upsurge in assets under concession and in the subsidies to cover such assets, while, on the other hand, interest paid rose by €m156.

[10³Euros]

Assets	31.12.2012	31.12.2013	Change	% Ch.
Management of Railway Infrastructure	435 893 835	395 868 950	-40 024 885	-9%
Investment in long-term Infrastructure investments	4830 558 518	4989 627 655	159 069 137	3%
Total assets	5266 452 353	5385 496 605	119 044 252	2%

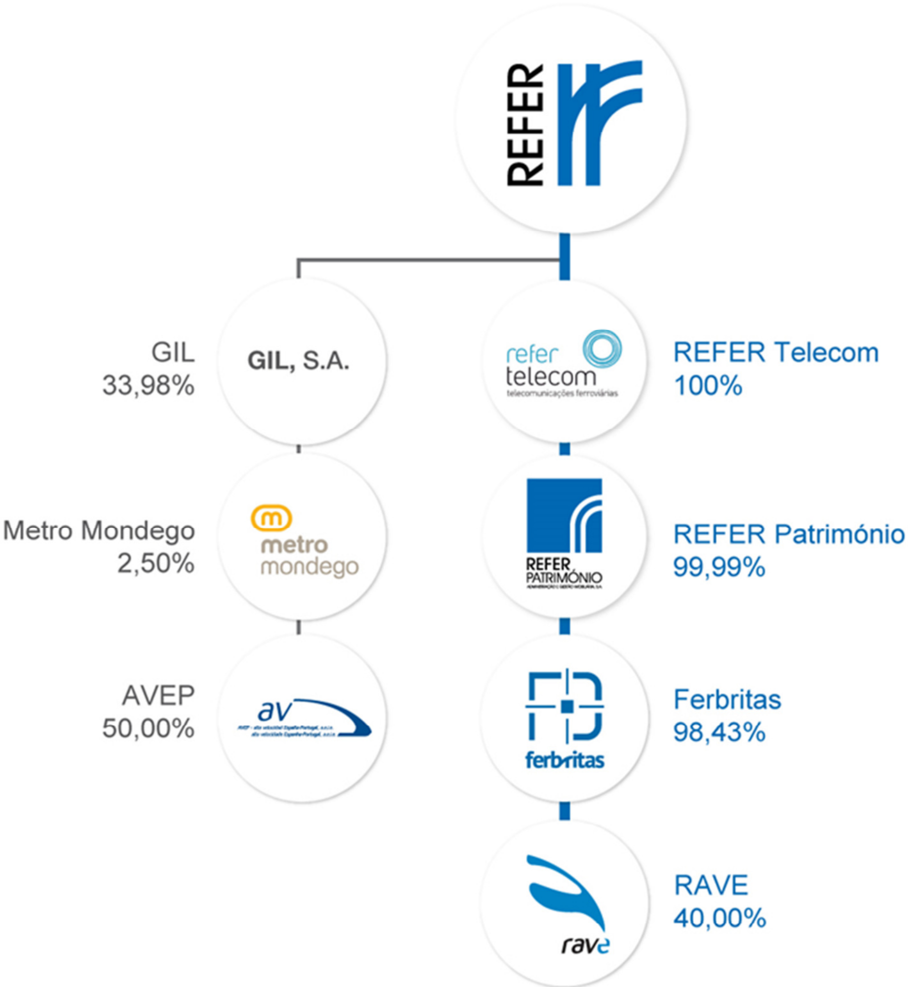
Liabilities

Total liabilities rose by €m213 over 2012. The most relevant change was recorded in Caption Borrowings.

Liabilities	31.12.2012	31.12.2013	Change	% Ch.
Management of Railway Infrastructure	2269 359 430	2329 080 081	59 720 652	3%
Non current	1625 791 269	1488 575 930	-137 215 339	-8%
Current	643 568 161	840 504 152	196 935 991	31%
Investment in long-term Infrastructure investments	4881 350 629	5035 070 166	153 719 537	3%
Non current	4734 991 853	4879 119 087	144 127 233	3%
Current	146 358 775	155 951 079	9 592 304	7%
Total Liabilities	7150 710 058	7364 150 247	213 440 188	3%

THE GROUP

REFER has a set of equity holdings in companies with different corporate objects concerning the exploitation and profitable use of assets not entirely allocated to railway activity.



AFFILIATE COMPANIES AND MAIN ACTIVITIES

REFER TELECOM – Serviços de Telecomunicações, SA

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 **Operator of Voice Over IP services** (VoIP) of nomad use and 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 infrastructure concession granted by the Shareholder, providing a wide range of state-of-the-art and high quality services in the field of Information Technology and Communications, viewing to obtain market gains. In addition to rendering railway telecommunications services, REFER Telecom provided technical advisory to its shareholder.

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

REFER PATRIMÓNIO – Administração e Gestão Imobiliária, SA

Its shareholders are REFER, EPE and REFER Engineering and its share capital is of €m15.

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

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

- valuation, return and requalification of the real estate property not allocated to railway operation, ensuring its financial and environmental sustainability;
- Creation and updating of the Public Railway Domain (PRD) database, permitting permanent access to all information available concerning REFER's real estate assets.

- Management, maintenance and current administration of stations, real estate undertakings and remaining property not allocated to the operation.

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

REFER Engineering, SA

(Formerly, FERBRITAS - Empreendimentos Industriais e Comerciais, SA)

Its shareholders are REFER, EPE and REFER Património and its share capital is of €m1.5.

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, SA, is the Portuguese company set up to develop and coordinate the works and studies required for decision-making concerning the planning, building, financing, supply and operation of a high-speed rail network to be installed in mainland Portugal linking to its counterpart Spanish network. The merger of the company's activity into REFER started in 2011 was completed in 2013.

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

The last General Meeting took place on January 17, 2014, having 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.

2013 INDICATORS

REFER subsidiaries' main indicators for 2013 are as follows:

2013 Indicators
(Euros)

Associates	December 2013					
	REFER Engineering,	Refer Património	Refer Telecom	RAVE*	G.I.L.	Metro Mondego
Equity Holding	98.43%	99.99%	100.00%	40.00%	33.98%	2.50%
Non current assets	4 433 350	7 708 077	10 421 041	0	70 882 035	35 806 195
Current assets	4 200 273	17 191 151	29 352 608	420 719	4 923 477	1 077 244
Total assets	8 633 623	24 899 228	39 773 650	420 719	75 805 511	36 883 438
Equity	5 611 722	8 770 922	25 353 987	420 719	- 11 350 891	26 835 647
Net results	- 3 616 853	642 664	2 258 016	39 609	60 265	- 22 656
Liabilities	3 021 901	16 128 306	14 419 663	0	87 156 402	10 047 792
Operating income	6 489 220	12 051 685	24 920 666	51 526	4 865 888	636 186
Operating expenses	10 086 443	10 660 633	21 609 907	12 859	3 074 710	644 587
Number of employees	168	67	177	0	6	0
Turnover / no. of employees	28 763	163 994	130 298	n.a.	783 677	n.a.
Cost to Income Coverage	64%	113%	115%	401%	158%	99%
Gearing	65%	35%	64%	100%	-15%	73%

* Liquidation statements relate to 30 November 2013. RAVE was liquidated in January 2014

FINANCIAL MANAGEMENT AND DEBT

REFER's financial management throughout 2013 was governed by its shareholder's directives, as established directly in the Company's budget and the State Budget for 2013, having thus maintained its Reclassified Public Company status.

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

REFER's budget included in the 2013 State Budget as approved by Law 66-B/2012 of 31 December resulted from projected financial requirements in the amount of €m892. These financing requirements - translated in State loans, were mainly meant to cover the deficit of infrastructure management activity (-€m12.7)[1], working capital (-€m50.9) and debt service obligations (-€m847). Investment would be fully covered by Chapter 50 of PIDDAC and, to a larger extent, by community funds, giving rise to a surplus for this activity of €m18.2, in economic terms. REFER's financial management was thus developed in close conjunction with fiscal management, so as to ensure that limits set forth would not be exceeded and would not aggravate the public deficit.

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

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

- Favourable liquidity situation at the beginning of the year: in fact, at the end of 2012 REFER had a cash balance of €m212, deriving from an inflow in the amount of €m126 relating to advances from five community funds that had been

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

applied for (of which only two were planned to be submitted in 2013) , while the remaining stemmed from the way Law 8/2012 requires the budget to be set up, namely by amplifying prospective financial requirements via an obligation to previously set up the corresponding reserve funds, which implied the full disbursement of the State loans foreseen for 2012 (€m800.3).

- As result of an anticipation in the funding applications referred to above, it was necessary to offset in 2013 the deviation which these early applications caused on the revenues side. Five new applications for European funds were thus submitted, for which an advance payment in the amount of €m75.6 was received in December, permitting to face the capital expenditure included in REFER's budget.

- Early settlement of five swaps: within the scope of the duties entrusted upon IGCP to manage the derivative financial instruments portfolios of RPCs, this government agency informed REFER on the need to early settle its three swaps with Barclays Capital and two swaps with JPMorgan. The cancellation of these operations gave rise to a net payment of -€12,486,000, of which €8,514,000 related to the inflow from Barclays Capital in May and €m21 concerned an outflow to JPMorgan in June. Note that following these operations, REFER kept only one swap in the notional amount of €m150 entered with Bank of America Merrill Lynch, the market value of which stood at €m3.4 as of 31 December 2013.

- Capital increase in cash in the amount of €m21: This operation permitted to face the early settlement of the swaps with JPMorgan referred to hereinabove.

- CP and Fertagus did not make any payment for the use of the infrastructure; as result, the amount due by these companies at 31 December 2013 totalled over €m125.

While combining fiscal implementation with the materialisation of the events mentioned above, REFER revised its financial requirements over the year, reporting them the Directorate-General for Treasury and Finance (DGTF) on a regular basis. As result, two loans were contracted with the Portuguese State. The first loan, entered in May 24, provided the disbursement of five tranches from May to October, totalling €450,541,837, which were fully withdrawn. The second loan was signed on November 13, for a total amount of €m410, to be disbursed in four tranches in November and December, while the final two tranches were subject to the timely reception or not of an advance of community funds expected in December. REFER did not need to use the final tranche in the amount of €m56; accordingly, the amount owed for this second loan totals €m354. This meant a decrease in projected funding requirements via State loans, from €m892 to €m804.5.

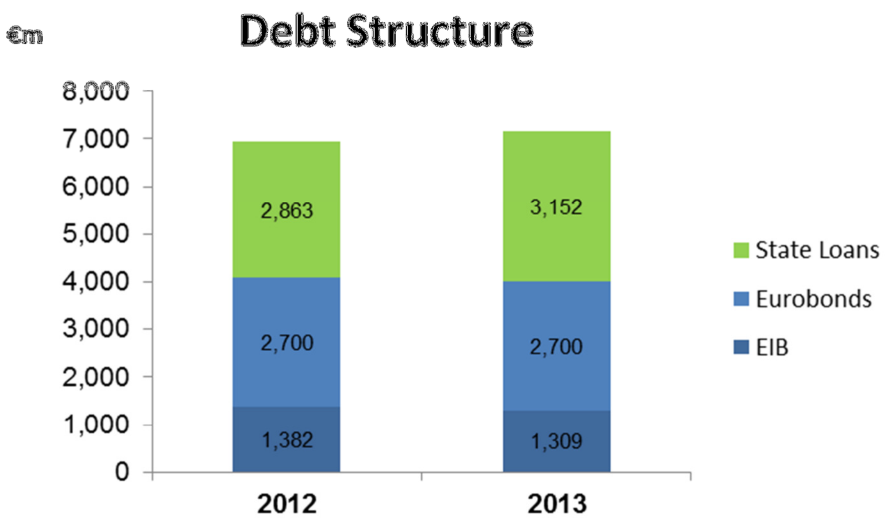
REFER ended the year with a cash balance of €m73.6, of which €m71 were invested in CEDIC with the IGCP, in line with provisions in the State's Treasury Unity Principle set forth in the 2013 State Budget *(see chapter on "State Treasury Unity")*. While this cash balance could have been used to early repay existing State loans, the lack of information as to the timing of the planned financing operations and capital increase as provided in the 2014 State Budget recommended taking up a conservative stance, keeping a liquidity level that would allow the Company to face its commitments in the first months of the year, which included a significant amount of debt service.

EVOLUTION OF FINANCIAL DEBT

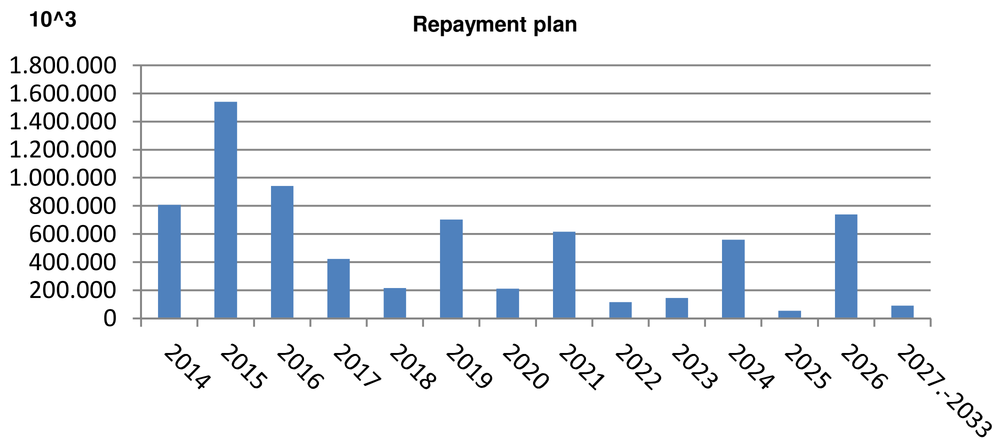
During 2013 REFER obtained medium and long term loans from its shareholder in the amount of €m804.5, to face its debt service, infrastructure activity deficit and working capital. The amount of debt repayments totalled €m588.6, of which €m515.7 concerned a partial repayment of the State loan contracted in 2011, while the remaining €m72.9 related to loans entered with the European Investment Bank. As result, in 2013 REFER's financial debt worsened by €m216, moving from €m6,945, in nominal terms in 2012, to €m7,161 in 2013.

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

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

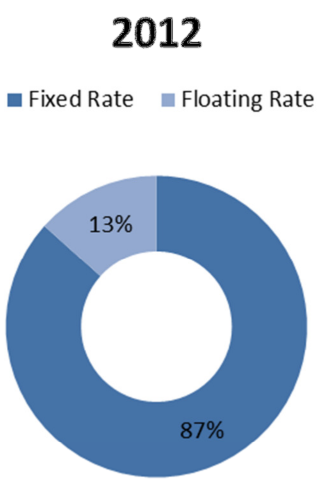


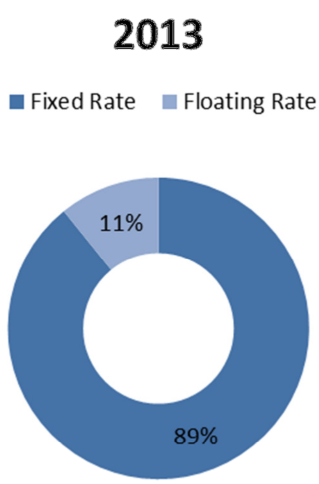
Loans entered with the State since 2011 are due in 2016, 2017 and 2020, with an interest-free grace period of 12 months and a repayment plan of 8 to 12 equal and consecutive principal instalments. These loans are subject to fixed interest rate. EIB loans entered for longer terms are also subject to a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



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

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





On 22 January 2014 a mandate agreement was entered between REFER and IGCP conferring to the latter the managing powers to cancel the only swap (contracted with Bank of America Merrill Lynch) still outstanding at the end of 2013, which occurred on January 27 representing an inflow of €3,417,000. As result, REFER ceased to hold any interest rate risk hedging instrument.

REVIEW OF THE FINANCIAL RESULTS

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

The following table illustrates REFER's financial performance:

Unit: €m

	2012	2013	% Ch.
Financial Results from Investment Activity	**-185.1**	**-156.9**	**28.2**
Financial gains			
Financial losses*	-185.1	-156.9	28.2
Financial Results from Infrastructure Management Activity	**-81.7**	**-69.9**	**11.8**
Financial gains	0.2	0.1	-0.1
Financial losses	-81.9	-70.0	11.9
Financial Results from Hedging Activity	**19.4**	**14.0**	**-5.3**
Interest earned on derivatives	51.6	36.7	-14.9
Interest paid on derivatives	-67.0	-54.8	12.2
Change in the fair value of derivatives - Gains	35.1	48.4	13.3
Change in the fair value of derivatives - Losses	-0.3	-16.2	-16.0
Overall Financial Result	**-247.5**	**-212.7**	**34.8**
Allocated amount - State Grantor*	185.1	156.9	-28.2
Financial result (Income Statement)	**-62.4**	**-55.9**	**6.5**

In 2013 Global Financial Result stood at -€m212.7, made up as follows:

- Financial Results allocated to the Infrastructure Management Activity (IM): -€m69.9
- Financial Results allocated to Investment Activity (LTI): -€m156.9
- Financial Results from Hedging Activity: +€m14.

As compared to 2012, Global Financial Results improved by €m34.8. All segments except for Hedging Activity, contributed to this improvement in financial results - Infrastructure Management and Long Term Infrastructure Investment.

Note that the increase in indebtedness in 2013 was by €m216, in nominal terms (nominal debt stock in 2013: €m7161), although net financing requirements (deducted of debt repayments) stood at €m354.5. This fact stems from the existence of a cash balance in the amount of €m212 at the end of 2012, deriving from advances on community funding occurred in the last month of that year.

Among the main factors contributing to a decrease in debt related expenses, the following are worth noting:

- Downward revision of the interest rate relating to the medium and long term loan entered with the State in 2011. This rate initially stood at 6.5% but was revised downwards to 2.77% effective as from June 2012 and fully integrated in 2013;
- The fall in the Euro short-term interest rates (Euribor) to levels below 1%, benefited loans subject to variable interest rate.

As far as hedging is concerned, it should be noted that the cash component suffered a deterioration by €m2.6 as against 2012 as result of the early settlement of five swaps occurred in May to June. As mentioned above, the early settlement of these swaps was decided after the IGCP took the responsibility for the management of the State's derivative portfolios, as provided by Decree-law 133/13 (public entrepreneurial sector framework). In what concerns the fair value component, the early repayment of the five swaps mentioned above, the global market value of which was negative at the end of 2012 (-€m28.7) adding to the return to positive territory of the fair value of the only operation outstanding at 31 December 2013 (€m3.4), permitted a positive net change at the end of the period (by €m32.2).

As for the decrease in the amount chargeable to the Grantor in 2013 and 2012, the largest slice stemmed from a decrease in the stock of financial debt to hedge investment in LTI, with consequent impact on the financial expenses charged to this activity. This effect stemmed from an advance in the amount of €m75.6 received from five community funds, as mentioned above.

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

Annual average financing rate

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

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

In 2004 REFER obtained long term ratings from Moody's and S&P, in order to be able to diversify its financing sources against a domestic market lacking the capacity to respond to the amounts and terms concerned. REFER's first issue in the amount of €m600 was launched in March 2005.

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

Hedging activity over the past ten years translated in effective savings of €m32, on the back of an active management of debt and derivatives portfolios and a conservative and risk-aversion approach developed by REFER's financial management, in line with its nature of public company.

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, and gives a true and fair view of the assets and liabilities, financial situation and results of REFER, and that the management report faithfully describes the evolution of the Company's business, performance and position, providing a true account of the main risks and uncertainties which it faces.

Under the terms of provisions in force, it is hereby proposed to transfer the Net Losses for the Year in the amount of € 89,135,977 (eighty nine million one hundred and thirty five thousand nine hundred and seventy seven Euros) – to Results Brought Forward.

Lisbon, 31 March 2014

THE BOARD OF DIRECTORS

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

MANAGEMENT REPORT
Notes to the Financial Statements

2013

PART II
NOTES TO THE FINANCIAL STATEMENTS

REFER

PART II

FINANCIAL STATEMENTS

and NOTES

This report refers to the company **Rede Ferroviária Nacional – REFER, EPE.** (REFER).

Economic and social data presented in this report relate to the company's operations in 2013

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

Rede Ferroviária Nacional – REFER, E.P.E.
Estação de Santa Apolónia
1100-105 Lisboa
www.refer.pt
Share capital: 451 200 000 Euros
Tax no: 503 933 813

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STATEMENT OF COMPLIANCE

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

Under the terms and for the purposes of provisions in Article 245, no.1, sub paragraph c) of the Securities Code, each member of the Board of Directors of REFER, EPE., 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 2013 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	Eng. Rui Lopes Loureiro
Vice chairman	Eng. José Luís Ribeiro dos Santos
Member	Dr. Alberto Manuel de Almeida Diogo
Member	Dr. José Rui Roque
Member	Eng. Amílcar Álvaro de Oliveira Ferreira Monteiro

FINANCIAL STATEMENTS
31 December 2013

STATEMENT OF FINANCIAL POSITION
31 December 2013

Assets	Notes	2013	2012
Management of Railway Infrastructure	5.	**395 868 950**	**435 893 835**
Non current			
Tangible fixed assets	5.1	34 657 418	36 009 510
Intangible assets	5.2	1 575 505	1 974 420
Investments in subsidiaries	5.3	12 359 801	11 717 157
Investments in associates and joint ventures	5.4	0	0
Available-for-sale financial assets	5.6	31 875	31 875
Loans and accounts receivable	5.7	0	0
Deferred tax assets	5.16	13 879 201	
		62 503 800	49 732 962
Current			
Inventories	5.8	19 852 139	19 998 369
Derivative financial instruments	5.9	3 383 345	16 243 974
Clients and other accounts receivable	5.10	229 107 357	136 902 792
Income tax refund	5.16	420 000	770 000
Other financial assets	5.17	168 288	
Cash and cash equivalents	5.11	80 434 020	212 245 737
		333 365 149	386 160 873
Investment in long-term Infrastructure investments	4.	**4 989 627 655**	**4 830 558 518**
Current			
Grantor .- State - Account Receivable	4.1	4 970 379 781	4 807 872 548
Inventories	4.2	13 992 736	14 475 401
Clients and other accounts receivable	4.3	5 255 138	8 210 569
		4 989 627 655	4 830 558 518
Total assets		**5 385 496 605**	**5 266 452 353**

To be read jointly with the Notes to the Financial Statements

STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2013

Equity and Liabilities	Notes	2013	2012
Equity			
Capital and reserves attributable to shareholders			
Share capital	5.12	451 200 000	430 200 000
Other changes in equity - deferred taxes	5.16	- 26 259 959	
Cumulative results		-2 314 457 705	-2 222 343 923
		-1 889 517 665	-1 792 143 923
Net profit/(loss) for the year attributable to shareholders		- 89 135 977	- 92 113 782
Total equity		**-1 978 653 641**	**-1 884 257 705**
Liabilities			
Management of Railway Infrastructure		**2 329 080 081**	**2 269 359 430**
Non current			
Borrowings	5.13	1 467 414 270	1 612 902 005
Provisions	5.15	21 161 659	12 889 264
Deferred tax liabilities	5.16	26 259 959	
		1 514 835 889	1 625 791 269
Current			
Borrowings	5.13	746 306 414	541 553 110
Derivative financial instruments	5.9		44 966 433
Suppliers and other accounts payable	5.14	60 654 891	56 774 316
Income tax payable	5.16	7 282 888	274 302
		814 244 192	643 568 161
Investment in long-term Infrastructure investments	4.	**5 035 070 166**	**4 881 350 629**
Non current			
Borrowings	4.4	4 879 119 087	4 734 991 853
		4 879 119 087	4 734 991 853
Current			
Borrowings	4.4	91 260 694	72 880 694
Suppliers and other accounts payable	4.5	64 690 384	73 478 081
		155 951 079	146 358 775
Total Liabilities		**7 364 150 247**	**7 150 710 058**
Total equity and liabilities		**5 385 496 605**	**5 266 452 353**

To be read jointly with the Notes to the Financial Statements

PROFIT AND LOSS STATEMENT
31 December 2013

Headings	Notes	2013	2012
Rendered Services	6.1	100 120 846	100 388 188
Operating subsidies	6.2	43 700 000	39 600 000
Cost of materials consumed		- 6 401 663	- 4 326 086
Supplies and services	7.	- 94 403 514	- 88 041 190
Personnel expenses	8.	- 90 559 074	- 77 799 661
Depreciation and amortisation for the year	5.1/5.2	- 2 761 805	- 3 100 946
Provisions	5.15	- 8 272 395	- 818 939
Impairments	9.	- 4 750 406	- 4 978 798
Other expenses	10.	- 1 981 527	- 2 234 274
Other income	11.	23 017 877	13 427 143
Gains/(losses) on subsidiaries, associates and joint ventures	12.	2 792 644	- 1 530 397
Operating Results		- 39 499 017	- 29 414 959
Financial losses	13.	- 297 865 183	- 334 312 385
Financial gains	13.	242 004 776	271 941 345
Results before tax		- 95 359 425	- 91 785 999
Tax for the year	5.16	6 223 448	- 327 784
Net profit for the year		**- 89 135 977**	**- 92 113 782**

To be read jointly with the Notes to the Financial Statements

REFER

STATEMENT OF COMPREHENSIVE INCOME
31 December 2013

Headings	Notes	2013	2012
Results recognised in the income statement		- 89 135 977	- 92 113 782
Other comprehensive income			
Items that will not be reclassified in results			
Transition differences - deferred taxes	5.16	- 26 259 959	
		- 26 259 959	0
Items that may be reclassified in results			
		0	0
Comprehensive Result		**- 115 395 936**	**- 92 113 782**

To be read jointly with the Notes to the Financial Statements

NOTE:

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

STATEMENT OF CHANGES IN EQUITY
31 December 2013

	Notes	Share capital	Other changes	Cumulative results	Income/(loss) attributable to shareholders	Total Equity
Balances at 31 December 2011	a)	**430 200 000**		**-2 060 270 975**	**- 162 072 948**	**-1 792 143 923**
Changes in the period						
Appropriation of comprehensive results for 2011				- 162 072 948	162 072 948	0
2012 Comprehensive Results					- 92 113 782	- 92 113 782
	b)	0	0	- 162 072 948	69 959 166	- 92 113 782
Balances at 31 December 2012	c) = a) + b)	**430 200 000**	**0**	**-2 222 343 923**	**- 92 113 782**	**-1 884 257 705**
Operations with equity holders						
Capital increase		21 000 000				21 000 000
	d)	21 000 000	0	0	0	21 000 000
Changes in the period						
Appropriation of comprehensive results for 2012	(e)			- 92 113 782	92 113 782	0
Transition differences - deferred taxes	f)		- 26 259 959			- 26 259 959
Result stemming from the income statement	g)				- 89 135 977	- 89 135 977
2013 Comprehensive Results	h) = f) + g)	0	- 26 259 959	0	- 89 135 977	- 115 395 936
Balances at 31 December 2013	c)+d)+e)+h)	**451 200 000**	**- 26 259 959**	**-2 314 457 705**	**- 89 135 977**	**-1 978 653 641**

To be read jointly with the Notes to the Financial Statements

REFER

CASH FLOW STATEMENT
31 December 2013

Headings	Notes	2013	2012
Operating Activities			
Cash receipts from clients		7 304 188	68 887 237
Cash paid to suppliers		- 97 845 672	- 103 952 690
Cash paid to personnel		- 85 362 236	- 76 909 268
Flows generated by operations		- 175 903 720	- 111 974 721
Other operating cash received/(paid)		47 753 516	44 752 725
Net cash from operating activities (1)		**- 128 150 204**	**- 67 221 996**
Investing activities			
Cash receipts relating to:			
Investment subsidies		87 245 056	263 280 455
Dividends	12.	2 200 000	2 800 000
		89 445 056	266 080 455
Cash payments relating to:			
Tangible assets		86 088 023	99 881 269
		86 088 023	99 881 269
Net cash from investing activities (2)		**3 357 033**	**166 199 186**
Financing activities			
Cash receipts relating to:			
Borrowings		825 541 837	3 036 924 941
Capital injections	5.12	21 000 000	
Interest		36 807 895	51 816 429
		883 349 732	3 088 741 370
Cash payments relating to:			
Borrowings		609 573 600	2 669 767 260
Interest and similar costs		287 520 080	316 731 330
		897 093 680	2 986 498 590
Net cash from financing activities (3)		**- 13 743 948**	**102 242 780**
Change in cash and cash equivalents (4)=(1)+(2)+(3)		**- 138 537 119**	**201 219 970**
Cash and cash equivalents at the end of the year	5.11	73 612 216	212 149 335
Cash and cash equivalents at the beginning of the year	5.11	212 149 335	10 929 364
Change in cash and cash equivalents		**- 138 537 119**	**201 219 970**

To be read jointly with the Notes to the Financial Statements

THE BOARD OF DIRECTORS

Financial Manager
Dra. Maria do Carmo Duarte Ferreira

Chairman
Eng. Rui Lopes Loureiro

The Official Accountant
Dra. Isabel Rasteiro Lopes

Vice Chairman
Eng. José Luís Ribeiro dos Santos

Member
Dr. Alberto Almeida Diogo

Member
Dr. José Rui Roque

Member
Eng.º Amílcar Ferreira Monteiro

Lisbon, 31 March 2014

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

for the year ended as of 31 December 2013

1. REFER ECONOMIC ACTIVITY

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

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

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

1.1 REFER MISSIONS

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

LONG TERM INVESTMENTS (LTI)

This mission covers investments associated to:

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

As described hereinabove, the financing required for 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 and subsidies.

MANAGEMENT OF INFRASTRUCTURES

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

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.

In terms of the user fees, under the terms of Decree-Law no. 270/2003 of 28 October, as amended by Decree-Law no. 231/2007 of 14 June, REFER is responsible for establishing and collecting the fees due for the use of the infrastructure, in order to finance the management of its infrastructure, in accordance with the rules defined in the aforementioned legal decree, as well as those provided in Regulation no. 630/2011, of 12 February, by Instituto da Mobilidade e dos Transportes IP (IMT).

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

USER FEES FOR ESSENTIAL SERVICES

a) Base Fees

Main services provided by the infrastructure manager include the following:

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

b) User Fee for capacity requested but not used

The amount payable capacity requested but not used corresponds to:

- 100% of the applicable user fee if the non-utilisation is notified from the date for which the capacity was requested to three days (inclusive) prior to that date;
- 10% of the applicable user fee if the non-utilisation is notified from three days (exclusive) to 14 days inclusive) prior to the date for which the capacity was requested;
- 5% of the applicable user fee if the non-utilisation is notified more than 14 days (exclusive) in relation to the date for which the capacity was requested;
- No user fee is applicable for requested and non used capacity in cases of replacement of an allocated path, provided it is confirmed that the new path has the same origin and destination and a time of departure within 24 hours in relation to the path of origin, in case of a passenger train or seven days in case of a freight train.

USER FEES FOR ADDITIONAL SERVICES

a) Traction Power

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

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

b) Shunting

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

c) Parking of Rolling Stock

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

USER FEES FOR AUXILIARY SERVICES

Services involving the use of REFER labour 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 publication cost.

2. BASES OF PRESENTATION AND ACCOUNTING POLICIES

2.1 BASES OF PRESENTATION

The financial statements presented herein reflect the results of REFER’s operations and its financial position for the years ending at 31 December of 2013 and 2012, and they constitute the Company's separate financial statements.

These financial statements were assessed by the Board of Directors at a meeting held on 31 March 2014, where it was decided to submit them to the approval of the relevant Ministry. The Board of Directors is of the opinion that these financial statements give a true and fair view of REFER's operations, its financial position, performance and cash flows.

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

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

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

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

a) Equity holdings in subsidiaries

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

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

The acquisition of subsidiaries is initially recorded by the **purchase method**, as provided in IFRS 3. Subsequently, the subsidiaries are measured at cost, net of any impairment losses, in accordance with option provided in IAS 27 for separate financial statements.

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

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

b) Equity holdings in associated companies

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

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

The acquisition of associated companies is initially recorded by the purchase method, as provided in IFRS 3. Subsequently, the subsidiaries are measured at cost, net of any impairment losses, in accordance with option provided in IAS 27 for separate financial statements.

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

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

c) Equity holdings in jointly controlled companies

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

Holding in European Economic Interest Grouping AVEP corresponds to a jointly controlled entity, as the said company is the result of a partnership entered by RAVE (which was succeeded by REFER) and ADIF (Spanish company), in equal percentage (50%).

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

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

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

Following 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 Term Investment Activity substantiates the existence of a concession arrangement between the State (Public Entity) and REFER (considered as private entity although its sole shareholder is the State), and that it must be developed according to directives from the State, while its financing is ensured by subsidies and loans with financial institutions and mosty secured by the State, bond loans and shareholder loans, where REFER is the "Concessionaire".

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

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

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

IFRIC 12 applies to infrastructures:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

    - The investment necessary to construction of transport infrastructures which are public domain assets, is a State responsibility as provided in the Base Law on the Land Transportation System. Notwithstanding, over the past decades, state-owned corporations operating in the land transportation and railway sectors have carried the burden of having to register in their financial statements - via the issuing og debt - the charges stemming from this investment made on behalf of the State.

- 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 (...)

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

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

The financial asset is made up of the assets subject to concession, which include public railway domain property, to which REFER only has access to provide Infrastructure Management services, plus the return on assets arising from the sale or improvements made to such assets, deducted of any subsidies received, plus interest on loans allocated to the concession. As there is no established maturity due to the fact that there is no official concession contract, it is assumed that the amounts receivable will mature when they will be debited. Consequently, as from that date the concessionaire (REFER) is deemed to be entitled to the interest on the amounts due. The determination of the said interest is made based on the same terms of the funding obtained to directly finance this activity. The company thus charges interest and other financial expenses incurred with the loans contracted to finance the concession.

LONG TERM INFRASTRUCTURES ("LTIs")

Tangible fixed assets classified as long term infrastructures belong to the railway public domain, and REFER only has access to them so as to supply the infrastructure management services. They are recorded as “long term infrastructures investment activity” in the **Statement of Financial Position** since they do not qualify as assets controlled by this entity. In addition to the acquisitions and construction made subsequent to the split-off of CP, these assets also include the assets of extinguished departments and property transferred from CP, which is deemed as "public domain assets".

e) Tangible fixed assets

ALLOCATED TO INFRASTRUCTURE MANAGEMENT

Tangible fixed assets recorded in REFER’s Statement of Financial Position concern equipment used by REFER for infrastructure management purposes and not allocated to long term infrastructure investment activities. They are **initially registered** at cost.

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

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

Gains or losses from the disposal of assets are determined by the difference between the asset's realisation value and the accounting value, and are recognised in the Statement of Comprehensive Income.

DEPRECIATION

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

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

An asset's lifetime is reviewed at the end of each year so that depreciation complies with the use /enjoyment standards of the asset.

LEASES

The classification of the 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 a 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.

FINANCE LEASES

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

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

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

OPERATING LEASES

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

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

f) Intangible assets

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

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

AMORTISATION

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

g) Derivative financial instruments

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 depends on the nature of the hedged risk and the efficacy of the hedging.

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

HEDGE ACCOUNTING

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

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

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

h) Financial assets

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

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

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

HELD-TO-MATURITY INVESTMENTS

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

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

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

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

These assets are recorded in the Statement of Financial Position, net of any recognised impairment loss.

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

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

These assets are recorded in the Statement of Financial Position, net of any impairment loss recognized.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

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

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

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 derivatives, financial instruments at the fair value through income. The valuation models most frequently used are discounted cash flow models and option evaluation models which include, for example, interest rate curves and market volatility.

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

j) Impairment of Assets

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

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

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

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

k) Inventories

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

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

At its warehouses, REFER has materials to be applied in the construction of tangible fixed assets for its Long Term Infrastructure Investment Activities. These inventories are shown in the Statement of Financial Position as “Long-term Infrastructure Investment Activities”.

l) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the amounts recorded in the Statement of Financial Position, including cash and deposits with banks.

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

m) Financial liabilities

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

n) Non current loans

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 holds medium and long-term loans, in the form of bilateral loans and bonds, to finance the construction of long term infrastructures (LTI) and the infrastructure management activity. Loans to finance the building of LTI are recognised on the Statement of Financial Position in caption “Long Term Infrastructure Investment Activities”

o) Suppliers and other accounts payable

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

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

p) Impairments and Provisions

Impairments are recognised when losses in the 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 legal processes in progress and for which it is highly probable that they may imply outflows from 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, regardless of when it is received in line with the accrual concept of accounting. The differences between the amounts received and the corresponding income are registered in caption “other receivables”.

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

r) Income tax

Income tax is recognised in the Statement of Comprehensive Income, except when it concerns gains or losses recognised directly in equity, in which case it is also recognised directly in equity.

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

Deferred taxes are 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.

Any differences in the tax rate, for the purposes of deferred taxation, are recognised in results, except for deferred taxes recognised directly in equity, where these differences accompany the said deferred tax in equity.

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

t) Government grants

Government grants are recognised in the Statement of Comprehensive Income in the same period as when the associated expenses are incurred, from the moment when they are likely to be received.

Government grants obtained to finance assets acquired/built in long term infrastructures are recognised in the Statement of Financial Position under caption "Grantor-State-Account Receivable", since as they are awarded within the scope of the activity under concession, they represent the repayment of part of the expenses incurred and are deducted in 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 activity is the provision of a public service of consisting of the management of overall national railway infrastructure network. REFER needs to rely on complementary services to carry out its main activity; however, the risks and returns associated to them are directly linked to the said main activity.

In view of the aforementioned aspects, on 31 December 2013, only one business segment was identified. REFER clients make up the entirety of this segment, and the whole activity is carried out in Portugal.

v) Related entities

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

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

REFER discloses in Note 16 the balances and transactions with related entities which it controls or over which it holds significant influence as of 31 December 2013. In relation to public entities with which REFER entered protocols directly related to the Long Term Infrastructure Investment activity, the Company adopted the exception permitted of only disclosing the most relevant transactions (see note 16.5).

2.3 MAIN ESTIMATES AND JUDGMENTS USED FOR PREPARING THE FINANCIAL STATEMENTS.

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

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

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

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

RECOGNITION OF INCOME/EXPENSES

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

PROVISIONS FOR ONGOING LEGAL PROCEEDINGS

The Board of Directors believes it is highly probable that some ongoing legal proceedings may imply outflows of economic benefits from the company. Therefore, an estimate is made of the liability, which is duly recorded as a provision (Note 5.15).

3. FINANCIAL RISK MANAGEMENT POLICIES

FINANCIAL RISKS

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

Decree-law 133/2013 of 3 October introduced changes to the autonomy of reclassified public companies (EPR) in what concerns access to funding with the financial system and risk management though derivative financial instruments. In fact, Article 29 of the said Decree-law determines that EPRs cannot access funding with financial institutions except for those of multilateral nature (e.g.. European Investment Bank), while article 72 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)).

EXCHANGE RISK MANAGEMENT

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

CREDIT RISK MANAGEMENT

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

At operating level, the main clients of REFER are CP, Fertagus, Takargo and CP Carga. Credit risk stemming from operational activity is mainly related to non compliance with the payment to REFER of liabilities assumed by the said entities for services rendered by REFER. CP is the main counterparty as exclusive passenger transport operator for the whole network, except for the 25 de Abril Bridge crossing, which is operated by Fertagus. In 2013 CP and Fertagus did not make any payment for the use of the infrastructure; as result, the amount due by these companies at 31 December 2013 totalled over €m125. Therefore, although credit risk is strongly concentrated on CP, it is mitigated by the legal nature of this company, which is also a public owned company (EPE) 100% held by the Portuguese State. Impairment adjustments for accounts receivable are calculated on the basis of the counterparty's risk profile and financial condition.

As for credit risk associated with financial activity, REFER is exposed to the national banking sector through its demand deposits balances and to the international banking sector with which it has contracted derivative financial instruments. So far REFER did not incur any impairment resulting from the non compliance with any contractual obligations with banks, and in what concerns derivative financial instruments, this risk was null as of the date of the financial statements, as all such contracts were fully settled (note 21).

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

Financial institutions

Rating	2013	2012
>=AA-	0	0
>=A-	3 383 345	16 245 195
< A-	0	0
< =BBB+	88 788	90 994
< =BB+	126 059	480 546
No rating	2 198 665	211 657 100
	5 796 857	**228 473 835**

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

LIQUIDITY RISK MANAGEMENT

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

Given the legal nature of REFER, the ability to act on such risk is limited. However, REFER sets out to minimise the probability of a breach of commitment by means of a stringent and thoroughly planned management of its activity. A conservative management of liquidity risk implies the maintenance of an adequate level of cash and cash equivalent to face existing liabilities. Following REFER's integration into the State's consolidation perimeter in 2011, the Company is financed directly by the Portuguese State and therefore, its liquidity risk was considerably reduced.

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

31 December 2013

	Notes	Less than 1 year	1 to 5 years	+ than 5 years
Borrowings				
Borrowings for capital expenditure		822 059 223	2 023 537 476	2 948 214 675
Other loans		211 606 838	1 703 056 450	839 073 903
		1 033 666 061	**3 726 593 926**	**3 787 288 578**
Suppliers and other accounts payable	**5.5**	**89 047 939**		
Guarantee		**5 192 951**	**19 422 061**	**22 502 742**
		1 127 906 951	**3 746 015 987**	**3 809 791 320**

31 December 2012

	Notes	Less than 1 year	1 to 5 years	+ than 5 years
Loans obtained				
Borrowings for capital expenditure		744 862 846	2 376 683 097	3 118 163 656
Other loans		74 639 391	1 577 750 559	585 000 000
Derivative Instruments (gross outflows)		61 733 272	161 553 145	151 550 608
Derivative instruments (gross inflows)		- 44 324 205	- 145 385 951	- 157 846 000
		836 911 304	**3 970 600 850**	**3 696 868 264**
Suppliers and other accounts payable	**5.5**	**96 817 659**		
Guarantee		**5 302 272**	**20 007 389**	**27 132 087**
		939 031 235	**3 990 608 239**	**3 724 000 351**

INTEREST RATE RISK MANAGEMENT

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

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

INTEREST RATE SENSITIVITY TEST

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

i. REFER uses derivative financial instruments (swaps) to hedge the interest rate risk associated with medium and long term loans indexed to floating interest rates. The financial flow of the underlying loan is offset by the receiving leg of the respective swap, resulting in a net position equal to that of the paying leg of the swap;

ii. REFER uses derivative financial instruments (swaps) to reduce financial costs associated with fixed rate medium and long term loans. The financial flow of the underlying loan is offset by the receiving leg of the respective swap, resulting in a net position equal to that of the paying leg of the swap;

iii. At 31 December 2013, REFER had not acknowledged any loan obtained at a fair value;

iv. Changes to the fair value of loans and derivative financial instruments and other assets and financial liabilities are estimated by discounting future cash flows, using market rates at the time of reporting;

v. Under these assumptions, at 31 December 2013 an increase or decrease by 0.5% and 5%, respectively, in interest rate curves (of the Euro and Pound Sterling) and by 5% in their volatility curve, would result in the following variations in the fair value of the loans and derivative financial instruments, with consequent direct impact on results:

31 December 2013

	Increase/(decrease) in the fair value of derivative instruments			
	Change in the Interest rate curve		Change in the volatility curve	
	-0.50%	0.50%	-5%	5%
EUR	438 575	- 2 451 872	88 602	- 131 007
GBP	- 2 148 315	382 087	45 459	- 131 957

	Increase/(decrease) in the fair value of loans	
	Change in the Interest rate curve	
	-0.50%	0.50%
EUR	115 030 519	- 178 431 053

	Net effect on results			
	Change in the Interest rate curve		Change in the volatility curve	
	-0.50%	0.50%	-5%	5%
EUR	- 114 591 944	175 979 181	88 602	- 131 007
GBP	- 2 148 315	382 087	45 459	- 131 957

31 December 2012

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

	Increase/(decrease) in the fair value of loans	
	Change in the Interest rate curve	
	-0.50%	0.50%
EUR	117 729 584	- 112 843 158

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

CAPITAL RISK MANAGEMENT

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

After reviewing the financial requirements in terms of investment and operating activity, the State's contribution and community funds, REFER's financing plan is laid out. In 2013 via the State Budget, the State granted medium and long term loans to REFER totalling €m804.5 to face the debt service andthe deficit in infrastructure and rolling stock management, and made a capital increase by €m21; the share capital of REFER now totals €451,200,000.

4. LONG TERM INFRASTRUCTURE INVESTMENT (LTI) ACTIVITIES

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

Description	Notes	2013	2012
Activity in long term Infrastructure investments			
Assets		**4 989 627 655**	**4 830 558 518**
Current		**4 989 627 655**	**4 830 558 518**
Grantor .- State - Account Receivable	4.1	4 970 379 781	4 807 872 548
Inventories	4.2	13 992 736	14 475 401
Clients and other accounts receivable	4.3	5 255 138	8 210 569
Liabilities		**5 035 070 166**	**4 881 350 629**
Non current		**4 879 119 087**	**4 734 991 853**
Borrow ings	4.4	4 879 119 087	4 734 991 853
Current		**155 951 079**	**146 358 775**
Borrow ings	4.4	91 260 694	72 880 694
Suppliers and other accounts payable	4.5	64 690 384	73 478 081

4.1 GRANTOR - STATE - ACCOUNT RECEIVABLE

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

Financial Assets - State account	Notes	2013	2012
Assets under concession	4.1.1	8 559 486 201	8 367 198 832
Subsidies	4.1.2	-4 346 375 117	-4 159 737 590
Return on assets	4.1.3	- 3 088 956	- 3 088 956
Charged Interest	4.1.4	1 065 557 653	908 700 262
Impairments	4.1.5 / 9.	- 305 200 000	- 305 200 000
	4.1	**4 970 379 781**	**4 807 872 548**

4.1.1 ASSETS UNDER CONCESSION (LTI)

As of 31 December 2013 increases included the amount of €120,494,048 relating to the transfer of assets from RAVE to REFER within the scope of the merger process and the amount of €9,791,054 relating to the agreed transfer of the optical fibre and videoconference infrastructure from REFER TELECOM to REFER. The increase concerning the transfer of RAVE assets is fully covered by government grants also transferred following the merger (note 4.1.2)

Changes occurred in the year are summed up as follows:

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		236 639 673	591 663			237 231 337
Buildings and other constructions		6 050 744 636	180 613 955	178 640	- 33 873	6 231 503 357
Basic equipment		30 268 679				30 268 679
Work in progress		2 047 255 280	- 181 011 023	189 802 543		2 056 046 800
Advances on account of AFT		5 013 190	- 1 093 344	43 058		3 962 904
		8 369 921 457	**- 898 749**	**190 024 241**	**- 33 873**	**8 559 013 076**
Assets under Concession - Discontinued LTI						
Land and natural resources		- 8 873 466			3 173 000	- 5 700 466
Buildings and other constructions		6 150 841			22 750	6 173 591
		- 2 722 625			**3 195 750**	**473 125**
Total assets under concession - LTIs	**4.1**	**8 367 198 832**	**- 898 749**	**190 024 241**	**3 161 877**	**8 559 486 201**

31 December 2012

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

ASSETS UNDER CONCESSION (DISCONTINUED LTI)

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

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

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

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

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

4.1.2 GOVERNMENT GRANTS

Changes occurred in **government grants** were as follows:

31 December 2013

Description	Note	Opening balance	Increases	Reimburse ments	Closing Balance
PIDDAC		**1 013 920 610**	**86 664 017**		**1 100 584 627**
REFER		1 013 920 610	2 355 187		1 016 275 797
RAVE			84 308 830		84 308 830
Cohesion Fund		**1 469 861 426**	**84 656 928**	**-53.433**	**1 554 464 921**
RTE-T		**64 679 917**	**36 185 218**	**- 20 815 203**	**80 049 931**
REFER		29 828 857			29 828 857
High Speed					
Studies			36 185 218	- 2 722 250	33 462 968
Poceirão-Caia		18 337 737		- 3 125 000	15 212 737
Lisboa - Poceirão		6 321 250		- 6 321 250	
Signalling and Telecom.		7 492 073		- 7 492 073	
Preparatory w orks		2 700 000		- 1 154 630	1 545 370
FEDER-IOT		**635 868 943**			**635 868 943**
Other		**975 406 695**			**975 406 695**
Government Grants	**4.1**	**4 159 737 590**	**207 506 163**	**- 20 868 636**	**4 346 375 117**

31 December 2012

Description	Note	Opening balance	Increases	Reimburse ments	Closing Balance
PIDDAC		**1 003 750 992**	**10 169 618**		**1 013 920 610**
REFER		1 003 750 992	10 169 618		1 013 920 610
Cohesion Fund		**1 217 142 085**	**252 719 341**		**1 469 861 426**
RTE-T		**64 679 917**			**64 679 917**
REFER		29 828 857			29 828 857
High Speed					
Poceirão-Caia		18 337 737			18 337 737
Lisboa - Poceirão		6 321 250			6 321 250
Signalling and Telecom.		7 492 073			7 492 073
Preparatory w orks		2 700 000			2 700 000
FEDER-IOT		**635 547 003**	**321 939**		**635 868 943**
Other		**975 406 695**			**975 406 695**
Government Grants	**4.1**	**3 896 526 692**	**263 210 898**		**4 159 737 590**

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

Increases recorded during 2013 result mainly from the transfer of government grants within the scope of the merger of RAVE into REFER (note 4.1.1), where €84,308,830 relate to PIDDAC funding and €36,185,218 correspond to Community Funds within the scope of the RTE-T. These government grants cover all intangible assets included in the merger process.

In relation to the increase in government grants directly granted to REFER, note an increase in the amount of €84,656,928 stemming mainly from advances received concerning new applications to the Cohesion Fund to comply with goals set forth in the 2013 State Budget.

Repayments in the amount of €20,815,203 concern mainly the decision to cancel the funding for several applications relating to the High Speed Train Project in Portugal taken by the Agency for the Execution of the RTE-T, following political decisions on this subject.

4.1.3 RETURN ON ASSETS

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

Description	Note	2013	2012
Return on assets	4.1	- 3 088 956	- 3 088 956

4.1.4 CHARGED INTEREST

Charged interest derive from the situation already explained in note 2.2.d). The change occurred in this item is as follows: 2013: €156,857,391 (2012: €185,100,802) is recorded under caption Financial gains - interest earned - grantor - State (Nota 13).

Description	Notes	2013	2012
Charged Interest		1 065 557 653	908 700 262
	4.1	**1 065 557 653**	**908 700 262**

4.1.5 IMPAIRMENT

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

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

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

4.2 INVENTORIES

This caption refers to warehoused materials specifically purchased to be used in building railway infrastructures.

Description	Notes	2013	2012
Inventories		14 309 330	14 750 434
Impairment in inventories	9.	- 316 593	- 275 033
	4.	**13 992 736**	**14 475 401**

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	2013	2012
Clients and other accounts receivable	4.	5 255 138	8 210 569

Accounts receivable include a sum of €619,682 receivable from the Municipal Council of Espinho (2012: €619,682) and an amount receivable from REFER PATRIMONIO of €4,547,631 (2012: €4,547,631), relating to the Sines land swap. Impairment concerning the Sines Urban Park Project (€2,820,000) was allocated to caption Assets under Concession (discontinued LTI) – (note 4.1.1.).

4.4 BORROWINGS

Loans allocated to LTI activity are as follows:

Description	Notes	2013	2012
Non current loans			
Amounts owed to credit institutions		1 217 736 315	1 308 997 010
Bond loans		1 596 164 217	1 595 807 651
State Loan		2 065 218 555	1 830 187 193
	4.	**4 879 119 087**	**4 734 991 853**
Current loans			
Amounts owed to credit institutions		91 260 694	72 880 694
	4.	**91 260 694**	**72 880 694**
Loans obtained		**4 970 379 781**	**4 807 872 548**

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

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

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

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

	Name	Date of signature	Amount (€)	Principal due	Repayment Opening date	Repayment Closing date	Repayment Periodicity	Interest Payment	Interest rate	Final interest rate
FINANCING SECURED BY EIB	CP III Linha do Norte-B	14/07/1997	49 879 790	29 927 874	15/06/2008	15/06/2022	Annual	15-Mar 15-Jun 15-Sep 12/jan	EIB variable, cannot exceed Euribor 3M+0.15%	0.313%
	Douro Line	09/09/1996	43 894 215	13 168 265	15/09/2007	15/09/2016	Annual	15-Mar 15-Jun 15-Sep 15/dez	EIB variable, cannot exceed Euribor 3M+0.15%	0.313%
	Tagus railway crossing	01/10/1996	99 759 579	29 927 874	15/09/2007	15/09/2016	Annual	15-Mar 15-Jun 15-Sep 15/dez	EIB variable, cannot exceed Euribor 3M+0.15%	0.313%
	Tagus-B railway crossing	14/11/1997	99 759 579	26 602 554	15/09/2003	15/09/2017	Annual	15-Mar 15-Jun 15-Sep 15/dez	EIB variable, cannot exceed Euribor 3M+0.15%	0.313%
	Tagus-C railway crossing	26/11/1998	25 000 000 25 000 000 49 759 579	10 292 500 10 757 500 16 586 526	15/09/2004	15/09/2018	Annual	15-Mar 15-Jun 15-Sep 15/dez	1st fixed instalment 2nd fixed instalment 3rd fixed instalment	4.670% 5.800% 0.313%
	Minho Line-A	26/11/1998	25 000 000 25 000 000 24 819 685	10 292 500 10 757 500 8 273 228	15/09/2004	15/09/2018	Annual	15-Mar 15-Jun 15-Sep 15/dez	1st fixed instalment 2nd fixed instalment 3rd fixed instalment	4.670% 5.800% 0.313%
	CP III Linha do Norte-D	10/11/2000	25 937 491	20 749 993	15/09/2011	15/09/2020	Annual	15-Mar 15-Jun 15-Sep 15/dez	EIB variable, cannot exceed Euribor 3M+0.15%	0.313%
	Connection to Algarve-A	08/10/2001	90 000 000	78 000 000	15/09/2012	15/09/2021	Annual	15-Mar 15-Jun 15-Sep 15/dez	EIB variable, cannot exceed Euribor 3M+0.12%	0.303%
	Minho Line-B	08/10/2001	59 855 748	51 874 981	15/09/2012	15/09/2021	Annual	15-Mar 15-Jun 15-Sep 15/dez	EIB variable, cannot exceed Euribor 3M+0.12%	0.303%
	CPIII/2 L. Norte-A	02/10/2002	100 000 000	95 000 000	15/03/2013	15/03/2022	Annual	15-Mar 15-Jun 15-Sep 15/dez	EIB variable, cannot exceed Euribor 3M+0.12%	0.303%
	CPIII/2 L. Norte-B	15/07/2004	200 000 000	200 000 000	15/12/2014	15/12/2023	Annual	15-Mar 15-Jun 15-Sep 15/dez	EIB variable, cannot exceed Euribor 3M+0.15%	0.313%
	Suburban	25/11/2004	100 000 000	76 190 476	15/06/2009	15/06/2024	Annual	15-Mar 15-Jun 15-Sep 15/dez	EIB variable, cannot exceed Euribor 3M+0.15%	0.313%
	Suburban B	14/12/2005	100 000 000	80 952 381	15/09/2010	15/09/2025	Annual	15-Sep	Revisable rate	3.615%
	Suburban C	12/10/2006	55 000 000	47 142 857	15/03/2011	15/03/2026	Annual	15-Mar	Revisable rate	4.247%
	Connection to Algarve-B	02/10/2002	30 000 000	28 000 000	15/03/2013	15/03/2022	Annual	15-Mar 15-Jun 15-Sep 15/dez	EIB variable, cannot exceed Euribor 3M+0.12%	0.303%
	CP III 2 Linha do Norte-C	08/01/2009	100 000 000	100 000 000	15/06/2017	15/06/2026	Annual	15-Mar 15-Jun 15-Sep 15/dez	Euribor 3M+0,054%	0.237%
	CP III Linha do Norte-D	08/01/2009	100 000 000	100 000 000	15/12/2017	15/12/2026	Annual	15-Mar 15-Jun 15-Sep 15/dez	Euribor 3M+0,056%	0.239%
EIB with no guarantee	Refer V	20/08/2008	160 000 000	160 000 000	15/03/2014	15/03/2033	Annual	15-Mar	Revisable rate	4.786%
	Refer VI	10/09/2009	110 000 000	104 500 000	15/09/2013	15/09/2032	Annual	15-Sep	Revisable rate	2.976%
Eurobond w/ Guarantee	Eurobond 06/26 (1)	08/11/2006	600 000 000	600 000 000	16/11/2026		Bullet	16-Nov	Rate	4.047%
	Eurobond 09/19 (1)	18/02/2009	500 000 000	500 000 000	18/02/2019		Bullet	18-Feb	Rate	5.875%
	Eurobond 09/24 (1)	18/10/2009	500 000 000	500 000 000	18/10/2024		Bullet	18-Oct	Rate	4.675%
Borrowings Non Guaranteed	State Loan	30/12/2011	2 062 771 620	1 547 078 715	31/05/2013	30/11/2016	Half-year	31-May 30-Nov	Rate	2.770%
	State Loan	14/02/2012	75 000 000	75 000 000	31/05/2014	30/11/2017	Half-year	31-May 30-Nov	Rate	3.420%
	State Loan	14/02/2012	198 400 000	198 400 000	31/05/2014	30/11/2017	Half-year	31-May 30-Nov	Rate	3.250%
	State Loan	26/06/2012	118 283 966	118 283 966	31/05/2014	30/11/2017	Half-year	31-May 30-Nov	Rate	2.740%
	State Loan	26/06/2012	152 436 438	126 455 873	31/05/2014	30/11/2017	Half-year	31-May 30-Nov	Rate	1.830%
	Total			**4,974,215,564**						
	(1) Total considering effective cost			**4,970,379,781**						

Repayment terms and conditions of the loans to finance investment projects

31 December 2012

	Name	Date of signature	Amount (€)	Principal due	Repayment – Opening date	Repayment – Closing date	Repayment – Periodicity	Interest Payment	Interest rate	Final interest rate
FINANCING SECURED BY EIB	CP III Linha do Norte-B	14/07/1997	49 879 790	33 253 193	15/06/2008	15/06/2022	Annual	15-Mar 15-Jun 15-Sep 12/jan	EIB variable, cannot exceed Euribor 3M+0.15%	0.313%
	Douro Line	09/09/1996	43 894 215	17 557 686	15/09/2007	15/09/2016	Annual	15-Mar 15-Jun 15-Sep 15/dez	EIB variable, cannot exceed Euribor 3M+0.15%	0.313%
	Tagus railway crossing	01/10/1996	99 759 579	39 903 832	15/09/2007	15/09/2016	Annual	15-Mar 15-Jun 15-Sep 15/dez	EIB variable, cannot exceed Euribor 3M+0.15%	0.313%
	Tagus-B railway crossing	14/11/1997	99 759 579	33 253 193	15/09/2003	15/09/2017	Annual	15-Mar 15-Jun 15-Sep 15/dez	EIB variable, cannot exceed Euribor 3M+0.15%	0.313%
	Tagus-C railway crossing	26/11/1998	25 000 000	12 082 500	15/09/2004	15/09/2018	Annual	15-Mar	1st fixed instalment	4.670%
			25 000 000	12 570 000				15-Jun	2nd fixed instalment	5.800%
			49 759 579	19 903 832				15-Sep	3rd fixed instalment	0.313%
								15/dez		
	Minho Line-A	26/11/1998	25 000 000	12 082 500	15/09/2004	15/09/2018	Annual	15-Mar	1st fixed instalment	4.670%
			25 000 000	12 570 000				15-Jun	2nd fixed instalment	5.800%
			24 819 685	9 927 874				15-Sep	3rd fixed instalment	0.313%
								15/dez		
	CP III Linha do Norte-D	10/11/2000	25 937 491	22 479 159	15/09/2011	15/09/2020	Annual	15-Mar 15-Jun 15-Sep 15/dez	EIB variable, cannot exceed Euribor 3M+0.15%	0.313%
	Connection to Algarve-A	08/10/2001	90 000 000	84 000 000	15/09/2012	15/09/2021	Annual	15-Mar 15-Jun 15-Sep 15/dez	EIB variable, cannot exceed Euribor 3M+0.12%	0.303%
	Minho Line-B	08/10/2001	59 855 748	55 865 364	15/09/2012	15/09/2021	Annual	15-Mar 15-Jun 15-Sep 15/dez	EIB variable, cannot exceed Euribor 3M+0.12%	0.303%
	CPIII/2 L. Norte-A	02/10/2002	100 000 000	100 000 000	15/03/2013	15/03/2022	Annual	15-Mar 15-Jun 15-Sep 15/dez	EIB variable, cannot exceed Euribor 3M+0.12%	0.303%
	CPIII/2 L. Norte-B	15/07/2004	200 000 000	200 000 000	15/12/2014	15/12/2023	Annual	15-Mar 15-Jun 15-Sep 15/dez	EIB variable, cannot exceed Euribor 3M+0.15%	0.313%
	Suburban	25/11/2004	100 000 000	80 952 381	15/06/2009	15/06/2024	Annual	15-Mar 15-Jun 15-Sep 15/dez	EIB variable, cannot exceed Euribor 3M+0.15%	0.313%
	Suburban B	14/12/2005	100 000 000	85 714 286	15/09/2010	15/09/2025	Annual	15-Sep	Revisable rate	3.615%
	Suburban C	12/10/2006	55 000 000	49 761 905	15/03/2011	15/03/2026	Annual	15-Mar	Revisable rate	4.247%
	Connection to Algarve-B	02/10/2002	30 000 000	30 000 000	15/03/2013	15/03/2022	Annual	15-Mar 15-Jun 15-Sep 15/dez	EIB variable, cannot exceed Euribor 3M+0.12%	0.303%
	CP III 2 Linha do Norte-C	08/01/2009	100 000 000	100 000 000	15/06/2017	15/06/2026	Annual	15-Mar 15-Jun 15-Sep 15/dez	Euribor 3M+0,054%	0.237%
	CP III Linha do Norte-D	08/01/2009	100 000 000	100 000 000	15/12/2017	15/12/2026	Annual	15-Mar 15-Jun 15-Sep 15/dez	Euribor 3M+0,056%	0.239%
EIB with no guarantee	Refer V	20/08/2008	160 000 000	160 000 000	15/03/2014	15/03/2033	Annual	15-Mar	Revisable rate	4.786%
	Refer VI	10/09/2009	110 000 000	110 000 000	15/09/2013	15/09/2032	Annual	15-Sep	Revisable rate	2.976%
Eurobond w/ Guarantee	Eurobond 06/26 (1)	08/11/2006	600 000 000	600 000 000	16/11/2026		Bullet	16-Nov	Rate	4.047%
	Eurobond 09/19 (1)	18/02/2009	500 000 000	500 000 000	18/02/2019		Bullet	18-Feb	Rate	5.875%
	Eurobond 09/24 (1)	18/10/2009	500 000 000	500 000 000	18/10/2024		Bullet	18-Oct	Rate	4.675%
Borrowings Non Guarantee	State Loan	30/12/2011	1 830 187 193	1 830 187 193	31/05/2013	30/11/2016	Half-year	31-May 30-Nov	Rate	2.770%
	Total			**4,812,064,897**						
	(1) Total considering effective cost			**4,807,872,548**						

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

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

In 2013 the funding allocated to the hedging of the investment activity grew by €m67, in nominal net terms. This increase results from the following breakdown per type of loan:

- EIB loans fell by €m72.8 over 2012;

- Bond loans remained at the same level;

- State loans rose by €m140 over 2012.

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

Financing at fixed rate - fair value
31 December 2013

Name	Nominal Value	Principal due	Fair value	Interest rate
EIB - Minho A	25 000 000	10 292 500	11 368 259	4,67% Fixed
EIB - Minho A	25 000 000	10 757 500	12 215 198	5,80% Fixed
EIB - Tejo C	25 000 000	10 292 500	11 368 259	4,67% Fixed
EIB - Tejo C	25 000 000	10 757 500	12 215 198	5,80% Fixed
EIB - Suburbans B	100 000 000	80 952 381	90 340 682	3.615% Fixed
EIB - Suburbans C	55 000 000	47 142 857	54 623 137	4,247% Fixed
EIB - REFER V	160 000 000	160 000 000	165 503 387	4.786% Fixed
EIB - REFER VI	110 000 000	104 500 000	111 178 727	2.976% Fixed
Eurobond 06/26	600 000 000	600 000 000	456 752 258	4.047% Fixed
Eurobond 09/19	500 000 000	500 000 000	500 726 336	5.875% Fixed
Eurobond 09/24	500 000 000	500 000 000	413 505 157	4.675% Fixed
Borrowings Portuguese State Loan 1	2 062 771 620	1 547 078 715	1 533 895 448	2.77% Fixed
Borrowings Portuguese State Loan 1	75 000 000	75 000 000	73 897 309	3.42% Fixed
Borrowings Portuguese State Loan 1	198 400 000	198 400 000	194 789 098	3.25% Fixed
Borrowings Portuguese State Loan 1	118 283 966	118 283 966	113 786 283	2.74% Fixed
Borrowings Portuguese State Loan 1	152 436 438	31 359 396	29 872 490	1.83% Fixed
		4 004 817 315	3 786 037 226	

4.5 SUPPLIERS AND OTHER ACCOUNTS PAYABLE

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

Caption **accrued expenses** includes the amount of €50,550 thousand (2012: €55,481 thousand) in accrued interest with loans contracted for investment in LTI.

Description	Notes	2013	2012
Accrued expenses		50 550 255	55 481 276
Trade payables - Sundry		7 835 008	9 432 595
Suppliers - guarantee w ithheld		6 305 121	8 564 210
	4.	**64 690 384**	**73 478 081**

5. INFRASTRUCTURE MANAGEMENT ACTIVITY

5.1 TANGIBLE FIXED ASSETS

In 2013 and 2012, changes in Tangible Fixed Assets and respective depreciation captions were as follows:

31 December 2013

Gross value	Opening balance	Transfers	Increases	Disposals / regularisations	Closing Balance
Tangible assets					
Land and natural resources	4 869 109	431 414		- 353 000	4 947 523
Buildings and other constructions	33 151 048	189 083		- 22 750	33 317 381
Basic equipment	23 663 232	148 685	198 327	- 290 731	23 719 514
Transport equipment	6 201 936		287 175	- 82 823	6 406 289
Tools and utensils	559 708	- 1 125	4 876		563 459
Administrative equipment	9 747 652		21 089	- 211 010	9 557 731
Other tangible fixed assets	448 789			- 10 373	438 416
Work in progress	2 548 108	- 3 100	3 300		2 548 308
Total gross tangible assets	**81 189 583**	**764 957**	**514 768**	**- 970 686**	**81 498 621**

Depreciation	Opening balance	Transfers	Depreciation for the year	Disposals / regularisations	Closing Balance
Tangible assets					
Buildings and other constructions	12 232 275		969 716		13 201 990
Basic equipment	17 069 448		946 348	- 280 566	17 735 230
Transport equipment	6 050 919		84 464	- 70 734	6 064 650
Tools and utensils	558 822		4 637		563 459
Administrative equipment	8 873 957		228 064	- 210 871	8 891 150
Other tangible fixed assets	394 652		445	- 10 373	384 724
Total Depreciation	**45 180 073**		**2 233 674**	**- 572 543**	**46 841 204**
Total net tangible assets	**36 009 510**	**764 957**	**- 1 718 906**	**- 398 143**	**34 657 418**

REFER

31 December 2012

Gross value	Opening balance	Transfers	Increases	Disposals / regularisations	Closing Balance
Tangible assets					
Land and natural resources	4 844 786	85 084		- 60 760	4 869 109
Buildings and other constructions	32 689 951	1 399 440		- 938 343	33 151 048
Basic equipment	23 196 422	689 138	164 032	- 386 360	23 663 232
Transport equipment	6 263 119		40 813	- 101 996	6 201 936
Tools and utensils	558 080		1 627		559 708
Administrative equipment	10 481 071	9 261	30 082	- 772 761	9 747 652
Other tangible fixed assets	453 178			- 4 389	448 789
Work in progress	3 016 113	- 637 010	169 005		2 548 108
Total gross tangible assets	**81 502 720**	**1 545 913**	**405 560**	**- 2 264 610**	**81 189 583**

Depreciation	Opening balance	Transfers	Increases	Disposals / regularisations	Closing Balance
Tangible assets					
Buildings and other constructions	11 341 836		970 554	- 80 115	12 232 275
Basic equipment	16 010 492		1 432 068	- 373 111	17 069 448
Transport equipment	6 037 038		115 877	- 101 996	6 050 919
Tools and utensils	554 462		4 360		558 822
Administrative equipment	9 307 034		339 633	- 772 710	8 873 957
Other tangible fixed assets	393 718		5 323	- 4 389	394 652
Total Depreciation	**43 644 579**		**2 867 814**	**- 1 332 321**	**45 180 073**
Total net tangible assets	**37 545 003**	**1 545 913**	**- 2 149 117**	**- 932 289**	**36 009 510**

5.2 INTANGIBLE ASSETS

The most significant Intangible Assets concern the deployment of information systems to support the company's activity. The increase recorded in the year concerns mainly an integrated management system for technical documentation.

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

31 December 2013

Gross value	Opening balance	Transfers	Increases	Disposals / regularisations	Closing Balance
Intangible assets					
Development expenses	925 656	294 398			1 220 055
Software	17 969 538	826 031			18 795 569
Industrial property and other rights	29 928				29 928
Intangible assets in progress	1 002 634	- 986 638		- 4 575	11 421
Total gross intangible assets	**19 927 756**	**133 792**	**- 20 056 972**	**- 4 575**	**20 056 972**

Amortisation	Opening balance	Transfers	Amortisation for the year	Disposals / regularisations	Closing Balance
Intangible assets					
Development expenses	706 583		177 584		884 167
Software	17 216 825		350 547		17 567 372
Industrial property and other rights	29 928				29 928
Total Amortisation	**17 953 336**		**528 131**		**18 481 467**
Total net intangible fixed assets	**1 974 420**	**133 792**	**- 2 103 636**	**- 4 575**	**1 575 505**

31 December 2012

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

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

5.3 INVESTMENTS IN SUBSIDIARIES

In 2013 and 2012, investments in subsidiaries recorded the following changes:

Subsidiaries	Notes	2013	2012
Opening balance		**19 506 632**	**20 506 631**
Transfers	5.17	- 1	- 999 999
Closing Balance		**19 506 631**	**19 506 632**
Cumulative impairments	12.	- 7 146 830	- 7 789 475
Net value		**12 359 801**	**11 717 157**

Changes occurred in 2013 derive from: i) on 17 January 2014, approval by shareholders of the sharing project of RAVE (note 5.17), where the underlying financial asset was valued according to its recoverable value at the date of the sharing (note 5.17), and ii) reversal of adjustments on the investment in REFER PATRIMÓNIO, in the amount of €642,644 (2012: -€4,255,397), due to the positive result posted by the latter in 2013.

In 2012 balance “transfers" stemmed from decision taken at the General Meeting of RAVE, held on 27 November 2012 concerning the liquidation of this company and the transfer of the investment held by the latter in the European economic interest grouping called Alta Velocidade Espanha Portugal – AEIE (AVEP). This equity holding corresponds to 50% of AVEP's capital. The said transfer was carried out free of charge, and did not originate therefore any financial flow.

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

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

Information on subsidiaries, including percentage capital held, location and value, is presented below:

Subsidiaries

Companies	2013 % holding	2013 Value of equity holding	2012 % holding	2012 Value of equity holding
REFER ENGINEERING , S.A. Rua José da Costa Pedreira nº 11 - Lisboa	98,43%	2 589 142	98,43%	2 589 142
REFER PATRIMÓNIO - Promoção e Com.De Edif., S.A. Palácio de Coimbra - Rua de Santa Apolónia nº 53 - Lisboa	99,997%	8 770 659	99,997%	8 128 015
REFER TELECOM - Serviços e Telecomunicações,S.A. Rua Passeio do Báltico, 4 - 1990-036 Lisboa	100,00%	1 000 000	100,00%	1 000 000
RAVE - Rede Ferroviária de Alta Velocidade, S.A. - Em liquidação Av D.João II Lote 1.07.2.1, 1º Piso- Parque das Nações - Lisboa			40,00%	
		12 359 801		**11 717 157**

5.4 INVESTMENTS IN ASSOCIATE COMPANIES AND JOINT VENTURES

At 31 December 2013 and 2012 this caption was made up as follows:

Associates and joint ventures	Notes	2013	2012
Opening balance		**1 397 475**	**322 476**
Increases		50 000	75 000
Transfers	5.3		999 999
Closing Balance		**1 447 475**	**1 397 475**
Cumulative impairments	12.	- 1 447 475	- 1 397 475
Net value		**0**	**0**

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

In 2013,a transfer in the amount of €50,000 (2012: €75,000) was made in favour of AVEP to cover for operating expenses of this grouping of companies.

AVEP is an European economic interest grouping E.E.I.G. with head-office in Spain and, according to the law relating to these instruments, REFER is severally and unlimitedly liable for the debts generated by the group, whatever their nature.

In the light of the above, as AVEP's equity is negative, in addition to an increase in impairment losses by €50,000 recorded in the income statement under caption "Gains/(losses) in Subsidiaries/Associates and Joint Undertakings" (Note 12), a provision was set up in the amount of €121,655, recorded under caption "Provisions" (Note 5.15), to cover the share of losses to be borne by REFER.

Information relating to equity holdings in associate companies and main captions in respective financial statements are shown below. Figures in table below concerning AVEP were withdrawn from non audited financial statements available at the date of approval of REFER's accounts.

Description of Equity Holdings in Associated Companies:

31 December 2013

Companies	Equity Holding	Equity	Profit/(loss) for the year	Total assets	Total liabilities	Income for the period	Book value
Associates							
GIL	33.98%	- 11 350 891	60 265	75 805 511	87 156 402	4 865 888	0
Centro Intermodal de Logística, S.A.							
Av.D. João II, Estação do Oriente, lote 1.15							
1990-233 Lisboa							
Joint ventures							
AVEP - Alta Velocidade de Espanha e Portugal, AEIE	50.00%	- 243 309	- 470 043	127 190	370 499	68	0
Rua Sor Angela de la Cruz, n.º3, Planta 8 Madrid							

31 December 2012

Companies	Equity Holding	Equity	Profit/(loss) for the year	Total assets	Total liabilities	Income for the period	Book value
Associates							
GIL Centro Intermodal de Logística, S.A. Av.D. João II, Estação do Oriente, lote 1.15 1990-233 Lisboa	33.98%	- 11 040 038	- 583 802	75 930 591	86 970 628	4 743 005	0
Joint ventures							
AVEP - Alta Velocidade de Espanha e Portugal, AEIE Rua Sor Angela de la Cruz, n.º3, Planta 8 Madrid Madrid	50.00%	2 776 987	- 37 742	4 513 345	1 736 358	904	0

5.5 CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES ACCORDING TO IAS 39

Financial assets and liabilities classified according to IAS 39 are as follows:

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		**302 914 324**	**3 551 633**	**31 875**			**6 627 053**	**313 124 885**
Non current								
Loans and accounts receivable	5.7							0
AFDV	5.6			31 875				31 875
				31 875				**31 875**
Current								
Cash and cash equivalents	5.11	80 434 020						80 434 020
Clients and other accounts receivable	5.10	222 480 304					6 627 053	229 107 357
Other financial assets	5.17		168 288					168 288
Derivative financial instruments	5.9		3 383 345					3 383 345
		302 914 324	**3 551 633**				**6 627 053**	**313 093 010**
LTI assets		**4 975 547 094**					**87 825**	**4 975 634 919**
Current								
Grantor .- State - Account Receivable	4.1	4 970 379 781						4 970 379 781
Clients and other accounts receivable	4.3	5 167 313					87 825	5 255 138
		4 975 547 094					**87 825**	**4 975 634 919**
Total financial assets		**5 278 461 418**	**3 551 633**	**31 875**			**6 714 878**	**5 288 759 804**

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						**2 244 383 359**	**29 992 215**	**2 274 375 575**
Non current								
Borrowings	5.13					1 467 414 270		1 467 414 270
						1 467 414 270		**1 467 414 270**
Current								
Borrowings	5.13					746 306 414		746 306 414
Derivative financial instruments	5.9							
Suppliers and other accounts payable	5.14					30 662 675	29 992 215	60 654 891
						776 969 089	**29 992 215**	**806 961 305**
LTI liabilities						**5 028 765 044**	**6 305 121**	**5 035 070 166**
Non current								
Borrowings	4.4					4 879 119 087		4 879 119 087
						4 879 119 087		**4 879 119 087**
Current								
Borrowings	4.4					91 260 694		91 260 694
Suppliers and other accounts payable	4.5					58 385 263	6 305 121	64 690 384
						149 645 958	**6 305 121**	**155 951 079**
Total financial liabilities						**7 273 148 404**	**36 297 337**	**7 309 445 740**

31 December 2012

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		**346 712 459**	**16 243 974**	**31 875**			**2 436 070**	**365 424 378**
Non current								
Loans and accounts receivable	5.7							0
AFDV	5.6			31 875				31 875
				31 875				**31 875**
Current								
Cash and cash equivalents	5.11	212 245 737						212 245 737
Clients and other accounts receivable	5.10	134 466 722					2 436 070	136 902 792
Derivative financial instruments	5.9		16 243 974					16 243 974
		346 712 459	**16 243 974**				**2 436 070**	**365 392 503**
LTI assets		**4 815 859 861**					**223 256**	**4 816 083 117**
Current								
Grantor .- State - Account Receivable	4.1	4 807 872 548						4 807 872 548
Clients and other accounts receivable	4.3	7 987 313					223 256	8 210 569
		4 815 859 861					**223 256**	**4 816 083 117**
Total financial assets		**5 162 572 320**	**16 243 974**	**31 875**			**2 659 326**	**5 181 507 495**

31 December 2012

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					**44 966 433**	**2 186 358 904**	**24 870 527**	**2 256 195 863**
Non current								
Borrow ings	5.13					1 612 902 005		1 612 902 005
						1 612 902 005		**1 612 902 005**
Current								
Borrow ings	5.13					541 553 110		541 553 110
Derivative financial instruments	5.9				44 966 433			44 966 433
Suppliers and other accounts payable	5.14					31 903 789	24 870 527	56 774 316
					44 966 433	**573 456 899**	**24 870 527**	**643 293 859**
LTI liabilities						**4 872 786 418**	**8 564 210**	**4 881 350 629**
Non current								
Borrow ings	4.4					4 734 991 853		4 734 991 853
						4 734 991 853		**4 734 991 853**
Current								
Borrow ings	4.4					72 880 694		72 880 694
Suppliers and other accounts payable	4.5					64 913 871	8 564 210	73 478 081
						137 794 565	**8 564 210**	**146 358 775**
Total financial liabilities					**44 966 433**	**7 059 145 322**	**33 434 738**	**7 137 546 492**

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

31 de dezembro de 2013

Classe de acordo com IAS 39	Nível 1	Nível 2	Nível 3	Total
Ativos financeiros				
Inst.financeiros derivados		3 383 345		3 383 345
		3 383 345		**3 383 345**

31 de dezembro de 2012

Classe de acordo com IAS 39	Nível 1	Nível 2	Nível 3	Total
Ativos financeiros				
Inst.Financeiros Derivados		16 243 974		16 243 974
		16 243 974		**16 243 974**
Passivos financeiros				
Inst.Financeiros Derivados		44 966 433		44 966 433
		44 966 433		**44 966 433**

5.6 AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

Available-for-sale financial assets	Notes	2013	2012
Gross value of equity holding			
Metro Mondego		26 875	26 875
CRV		5 000	5 000
	5.5	**31 875**	**31 875**

These equity instruments are not listed on an active market, and are recorded at cost net of impairment losses, according to policy disclosed in Note 2.2.h).

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

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 summarised as follows:

Loans and accounts receivable	Notes	2013	2012
Loans to associates		19 147 631	14 054 971
Cumulative impairments in loans	9.	- 19 147 631	- 14 054 971
	16.3	**0**	**0**

In 2013, in line with previous years, REFER increased its partners' loans to associated company GIL to ensure this company's compliance with its liabilities. These partners' loans were adjusted by impairment during this year (see Note 9) given the credit risk of the balances receivable from this entity.

REFER

5.8 INVENTORIES

Description	Notes	2013	2012
Raw -material, subsidiary materials & consumables		20 203 017	20 411 418
Impairment in inventories	9.	- 350 878	- 413 048
Inventories		**19 852 139**	**19 998 369**

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

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

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

Following the analysis made during 2013, the Company recognised a reversal in adjustment for inventory impairments in the amount of €62,171.

5.9 DERIVATIVE FINANCIAL INSTRUMENTS

REFER uses derivative financial instruments to manage its exposure to financial risks.

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

Although contracted derivatives are efficient instruments to hedge risks, not all would be qualified as hedge accounting instruments according to the rules and requirements of IAS 39 (see Note 2.2. 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.

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. At 31 December 2013 and 31 December 2012, the nominal value of REFER's derivatives portfolio totalled €m150 and €m1,450, respectively, for an overall financial debt of €bn7.16 in 2013 and €bn6.94 in 2012.

During the second half of 2013, within the scope of the renegotiation of the derivatives portfolios of the State corporate sector led by IGCP, REFER settled in advance three swaps contracted with Barclays Capital and two swaps contracted with JPMorgan. The cancellation of these operations gave rise to a net payment of €m12.48, of which €m8.51 refers to the inflow from Barclays Capital in May and €m21 concern the outflow to JPMorgan in June. Note that following these operations, REFER kept only one swap in the notional amount of €m150 entered with Bank of America Merrill Lynch, the market value of which stood at €m3.4 as of 31 December 2013. At the date of the accounts, this swap was settled.

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

31 December 2013

Hedged instrument	% hedging	Description	Fair value (€)		Change in fair value Dec 13/ Dec 12 (€)		Nominal amount (€m)	Maturity
			Assets	Liabilities	<0	>0	Dec-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)]	3 383 345			5 834 137	150	16/03/2015
Eurobond 05/15		Plain vanilla			- 15 824 208		150	16/03/2015
Eurobond 05/15		Plain vanilla				15 873 079	150	16/03/2015
Eurobond 05/15		10Y-2Y EUR Spread Rib				25 266 011	300	16/03/2015
Eurobond 06/21	100%	Cap KO (Eur 12m < 7%)				1 376 551	500	13/12/2021
Eurobond 06/26	50%	Cap KO (Eur 12m < 6.50%)			- 419 766		200	16/11/2026
			3 383 345		**- 16 243 974**	**48 349 777**	**1 850**	

REFER

31 December 2012

Hedged instrument	% hedging	Description	Fair value (€)		Change in fair value Dec 12/ Dec 11 (€)		Nominal amount (€m)	Maturity
			Assets	Liabilities	<0	>0	Dec-12	
Schuldshein West LE	100%	Digital Cap (Stibor 12m <6,25%;Euribor 12m < 6,25%; Eur 6m < 6.00%)				3 335	200	08/10/2012
Schuldshein West LB		Cap KO (Eur 6m < 6%)				3 992 776	200	08/10/2012
Eurobond 05/15	100%	Dual Range [(10Y GBP-10Y EUR Spread) e (10Y-2Y EUR Spread)]		- 2 450 791		14 025 276	150	16/03/2015
Eurobond 05/15		Plain vanilla	15 824 208			424 668	150	16/03/2015
Eurobond 05/15		Plain vanilla		- 15 873 079	- 276 456		150	16/03/2015
Eurobond 05/15		10Y-2Y EUR Spread Rib		- 25 266 011		2 759 564	300	16/03/2015
Eurobond 05/15		Cap KO (Eur 12m < 7%)		- 1 376 551		8 398 741	500	13/12/2021
Eurobond 06/21	100%	Cap KO (Eur 12m < 6.50%)	419 766			5 493 901	200	16/11/2026
Eurobond 06/26	50%		**16 243 974**	**- 44 966 433**	**- 276 456**	**35 098 261**	**1 850**	

5.10 CLIENTS AND OTHER ACCOUNTS RECEIVABLE

Description	2013	2012
Clients	183 300 915	97 499 696
Other accounts receivable	33 881 437	35 487 162
Accrued income	6 573 424	2 305 504
Government and other public bodies	4 974 739	1 252 881
Expenses to recognise	376 841	357 549
	229 107 357	**136 902 792**

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

Caption Suppliers is made up as follows:

Clients	Notes	2013	2012
Clients - Other related parties	16.4	166 427 690	87 250 076
Clients -Subsidiaries	16.2	7 261 375	6 611 492
Clients -Associates	16.3	12 565	
Clients - Sundry		9 599 284	3 638 128
		183 300 915	**97 499 696**

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

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

The other accounts receivable are as follows:

Other accounts receivable	Notes	2013	2012
Other accounts receivable - Sundry		35 638 165	37 668 588
Other accounts receivable - Associates/Joint ventures	16.3	98 000	
Other accounts receivable - Subsidiaries	16.2	6 932	1 877
Cumulative Impairment	9.	- 1 861 660	- 2 183 303
		33 881 437	**35 487 162**

In caption **other debtors,** approximately 40% (2012: 38%) concerns the 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.

This caption further includes expropriation amounts required by Courts until a conclusive decision on the said expropriation proceedings is issued.

Cumulative impairments from other debtors totalled €1,861,660, the reversal of which, after assessing the probability of recovery, amounted to €321,643 (Note 9).

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

Caption **accrued income** concerns operating income, including traction power in the amount of €3,868,124 and the 5th addendum to the concession contract for the operation of the telecommunications infrastructure with REFER TELECOM, in the amount of €2,103,216, to be invoiced in 2014.

As to caption **State and other public entities** it is made up of the VAT amount receivable relating to the month of December 2013, in the amount of €4,852,029.

The balance owed to Social Security in the amount of €122,320 results from the fact of REFER being a centralising company, as such, it can advance employees the amounts payable by Social Security for sick leaves.

5.11 CASH AND CASH EQUIVALENTS

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

Description	Notes	2013	2012
Other loans and advances		78 000 000	
Bank deposits		2 413 511	212 229 861
Cash		20 509	15 876
Cash and cash equivalent in the Statement of Financial Position		**80 434 020**	**212 245 737**
Cheques in transit	5.13	- 6 821 804	- 96 402
Cash and cash equivalent in the Cash Flow Statement		**73 612 216**	**212 149 335**

The materially relevant balance shown in caption Cash Equivalent corresponds to a financial application with IGCP in strict compliance with provisions in the State Treasury Unit Principle set up at the end of the reporting year; the average monthly balance of this caption in 2013 was of €15,418 Euros

5.12 SHARE CAPITAL

In December 2013, statutory capital was increased by €21,000,000 to €451,200,000.

5.13 BORROWINGS

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	2013	2012
Non current loans			
Bond loans		1 096 460 680	1 095 684 486
State		370 953 590	517 217 519
	5.5	**1 467 414 270**	**1 612 902 005**
Current loans			
Amounts owed to credit institutions		26 758 708	20 033 306
State		719 547 706	521 519 804
	5.5	**746 306 414**	**541 553 110**
Loans obtained		**2 213 720 684**	**2 154 455 115**

In 2013 caption current loans included the amount of €m23.7 (2012: €m25.8) 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:

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

31 December 2013

Name	Date of signature	Amount (Euro)	Principal due	Repayment			Interest Payment	Interest rate
				Opening date	Closing date	Periodicity		
Without State Guarantee								
REFER Eurobond 2005/2015 (1)	16/03/2005	600 000 000	600 000 000	16/03/2015		Bullet	16/Mar	4.00%
REFER Eurobond 2006/2021 (1)	30/11/2006	500 000 000	500 000 000	13/12/2021		Bullet	13/Jan	4.25%
State Loan	26/06/2012	149 718 804	25 980 565	31/05/2013	30/11/2016	Half-year	31-May 30-Nov	1.83%
State Loan	03/10/2012	206 245 814	206 245 814	31/05/2014	30/11/2017	Half-year	31-May 30-Nov	1.76%
State Loan	03/10/2012	49 959 779	49 959 779	31/05/2014	30/11/2017	Half-year	31-May 30-Nov	1.59%
State Loan	24/05/2013	282 936 806	282 936 806	31/05/2015	30/11/2020	Half-year	31-May 30-Nov	2.10%
State Loan	06/06/2013	21 722 536	21 722 536	31/05/2015	30/11/2020	Half-year	31-May 30-Nov	2.27%
State Loan	03/09/2013	23 394 171	23 394 171	31/05/2015	30/11/2020	Half-year	31-May 30-Nov	2.35%
State Loan	06/09/2013	102 488 324	102 488 324	31/05/2015	30/11/2020	Half-year	31-May 30-Nov	2.44%
State Loan	30/09/2013	20 000 000	20 000 000	31/05/2015	30/11/2020	Half-year	31-May 30-Nov	2.15%
State Loan	14/11/2013	37 000 000	37 000 000	31/05/2015	30/11/2020	Half-year	31-May 30-Nov	1.86%
State Loan	27/11/2013	293 000 000	293 000 000	31/05/2015	30/11/2020	Half-year	31-May 30-Nov	1.88%
State Loan	09/12/2013	24 000 000	24 000 000	31/05/2015	30/11/2020	Half-year	31-May 30-Nov	1.96%
Total			**2 186 727 995**					
(1) Total considering effective cost			**2 183 188 675**					

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

31 December 2012

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

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

31 December 2013

Name	Nominal Value (€)	Principal due (€)	Fair value (€)	Interest rate
Eurobond 05/15	600 000 000	600 000 000	600 796 173	4% Fixed
Eurobond 06/21	500 000 000	500 000 000	410 256 247	4.25% Fixed
Portuguese State Loan 12/17	118 359 408	118 359 408	112 747 395	1.83% Fixed
Portuguese State Loan 12/17	206 245 814	206 245 814	196 169 636	1.76% Fixed
Portuguese State Loan 12/17	49 959 779	49 959 779	47 344 247	1.59% Fixed
Portuguese State Loan 13/20	282 936 806	282 936 806	181 862 093	2.10% Fixed
Portuguese State Loan 13/20	21 722 536	21 722 536	14 088 257	2.27% Fixed
Portuguese State Loan 13/20	23 394 171	23 394 171	13 587 184	2.35% Fixed
Portuguese State Loan 13/20	102 488 324	102 488 324	59 812 995	2.44% Fixed
Portuguese State Loan 13/20	20 000 000	20 000 000	11 490 789	2.15% Fixed
Portuguese State Loan 13/20	37 000 000	37 000 000	20 922 426	1.86% Fixed
Portuguese State Loan 13/20	293 000 000	293 000 000	165 866 244	1.88 % Fixed
Portuguese State Loan 13/20	24 000 000	24 000 000	13 646 353	1.96 % Fixed
		2 279 106 838	**1 848 590 037**	

5.14 SUPPLIERS AND OTHER ACCOUNTS PAYABLE

This caption comprises the following amounts:

Description	Notes	2013	2012
Suppliers		21 465 562	24 747 036
Advances to be forwarded to Sales		17 281 428	16 959 405
Accrued expenses		16 479 798	11 075 287
Government and other public bodies		3 432 178	2 147 295
Other accounts payable		1 514 864	1 330 248
Income to recognise		481 061	515 045
		60 654 891	**56 774 316**

The breakdown of impairment is as follows:

Suppliers	Notes	2013	2012
Trade payables - Sundry		11 693 497	16 144 209
Suppliers, invoices expected or being checked		3 538 820	1 789 249
Clients -Subsidiaries	16.2	3 325 180	2 928 880
Clients - Other related parties	16.4	2 447 206	3 335 662
Suppliers - guarantee withheld		460 859	549 036
		21 465 562	**24 747 036**

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

Accrued expenses include liabilities with holiday pay and holiday bonuses relating to 2013 and due in 2014, following the Constitutional Court's decision to declare as unconstitutional the suspension of these payments as provided in the State Budgets for 2012 and 2013, accounting for 53% of the caption (2012: 47%). It further includes the contract with REFER TELECOM, within the scope of the company's reorganisation, accounting for 17% of the caption, and sundry expenses relating to 2013 but not yet invoiced.

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

Government and other public bodies	2013	2012
Contributions to social security and CGA	1 532 440	1 494 057
VAT	970 087	
Income Tax	929 635	653 200
Other taxes	15	37
	3 432 178	**2 147 295**

Personal Income Tax and Social Security balances correspond to the December 2013 wages processed that year but settled in January 2014. In what concerns the Value Added Tax (VAT), figures relate to November, and were settled in January 2014.

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

Other accounts payable	Notes	2013	2012
Other accounts payable - Sundry		1 513 379	1 254 807
Other accounts payable - Subsidiaries	16.2	1 486	75 441
		1 514 864	**1 330 248**

The balance shown in other accounts payable includes consultancy and advisory expenses in the amount of €30,668 Euros, accounting for 2% of the said balance (as against 15% in 2012).

Income to recognise include €641,308 (2012: €444,779) relating to the amount to include according to to the depreciation of industrial creosoting of wood cross-ties, included in tangible fixed assets in 2007.

5.15 PROVISIONS

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

31 December 2013

Description	Opening balance	Increase	Reversal/ Used	Closing Balance
Pending legal proceedings	12 889 264	15 494 942	7 344 201	21 040 005
Other provisions		121 655		121 655
	12 889 264	**15 616 597**	**7 344 201**	**21 161 659**

31 December 2012

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

Changes in this caption, which includes legal and labour proceedings, correspond to situations the outcome of which is likely to be unfavourable for REFER, but which are deemed to be reliably estimated. The settlement of this liability depends on the legal outcome of the said proceedings.

Increase in caption **Other provisions** concern the holding in AVEP, in the amount of €121,655 (Note 5.4)

5.16 INCOME TAX

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

During the current year REFER recognised deferred taxes for the first time. Until this date, REFER always recognised tax losses due to the fact that its business is historically loss-making.

However, relevant legal changes were introduced on the field of corporate income tax pursuant to Law 2/2014, specifically article 67 of the Corporate Income Tax Code, limiting financing expenses accepted for tax purposes; in the light of these changes, REFER recorded taxable income.

The recognition of deferred taxes should be confined to 2013 and 2014, as 2014 will be the last year where it will be possible to use the deduction provided under art.5 of DL159/2009 of the transitional tax regime relating to the tax treatment of differences from the change in accounting rules.

The amounts receivable / (payable) to the State in 2013/2012 relating to income tax are as follows:

Description	2013	2012
Corporate Income Tax (CIT)		
Recoverable CIT	420 000	770 000
CIT payable	- 7 282 888	- 274 302

Recoverable tax in the amount of €420,000 concerns special payments on account (2012: €700,000) made by REFER.

Of this amount, under the terms of the law in force, the company requested the following tax refunds: €200,000 relating to 2003, €40,000 relating to 2004, €40,000 relating to 2005 and €70,000 relating to 2006, totalling €350,000, all made within specified deadlines.

Results recognised in the Income Statement

Tax for the year	2013	2012
Current		
CIT - Current tax	- 7 655 754	- 327 784
Deferred taxes		
Deductible tax losses	13 879 201	
Tax (expenses) / income for the year	**6 223 448**	**- 327 784**

Results recognised in the Statement of Comprehensive Income

Headings	2013	2012
Transition differences - deferred taxes	- 26 259 959	

The amount concerned relates to tax payable in 2014 stemming from a positive equity change to be considered.

REFER

Conciliation of effective tax rate

Headings	Rates	2013	Rates	2012
Results before tax (1)		95 359 425		91 785 999
Positive equity changes (2)		- 86 206 220		- 86 206 220
Nominal tax rate (3) x [(1) + (2)]	**26.5%**	**2 425 599**	**25.0%**	**1 394 945**
Corrections of previous years	-0.2%	- 230 843	-0.4%	- 392 143
Non deductible provisions	-1.4%	- 1 362 805	-2.8%	- 2 595 651
Non deductible financial charges	-18.6%	- 17 712 330	0.0%	
Indemnities to deduct	0.0%	- 3 108	-0.1%	- 86 537
Other amounts to deduct	-0.1%	- 48 237	-0.1%	- 92 617
Dividends	0.6%	583 000	0.8%	700 000
Reversal of provisions	0.2%	170 301	0.3%	250 000
Accrued indemnities	0.1%	91 729	1.0%	955 279
Other amounts not taxed	0.1%	57 232	0.1%	81 500
Deductible tax losses	11.9%	11 341 601	0.0%	
Temp. Dif. that do not generate deferred tax	0.0%		-0.2%	- 214 777
State surcharge	-3.0%	- 2 829 427	0.0%	
Autonomous taxation	-0.1%	- 138 465	-0.4%	- 327 784
Temp. Diff. Deductions of previous years	14.6%	13 879 201	0.0%	
Tax (expenses) / income for the year	6.5%	**6 223 448**	-0.4%	**- 327 784**
(Expenses) / income for current taxes		- 7 655 754		- 327 784
(Expenses) / income for deferred taxes		13 879 201		

Changes occurred in deferred taxation

31 December 2013

Temporary differences	Opening balance	Effect on results	Effect on equity	Closing Balance	Deferred taxes in the SFP: Assets	Deferred taxes in the SFP: Liabilities
Assets						
Tax losses		13 879 201		13 879 201	13 879 201	
Liabilities						
Transition differences			- 26 259 959	- 26 259 959		- 26 259 959
Net effect		**13 879 201**	**- 26 259 959**	**- 12 380 758**	**13 879 201**	**- 26 259 959**

Other temporary differences which did not give rise to deferred taxes

Other deductible temporary differences exist at 31 December 2013 which are not expected to be reversed, and will not, therefore, give rise to deferred taxes, amongst which the following:

Impairments – impairments on subsidiaries, associates and joint undertakings. (Notes 5.3, 5.4 and 9)

Tax losses from previous years, as follows:

Date of loss	Final reporting date	Amount
2008	2014	122 745 955
2009	2015	236 172 810
2010	2014	45 572 502
2011	2015	79 243 994
2012	2017	846 479
		484 581 740

5.17 OTHER FINANCIAL ASSETS

Caption "Other Financial Assets" concern the REFER's holding in RAVE's assets following the sharing approved at the General Meeting of 17 January 2014 (Note 5.3).

6. SERVICES AND OPERATING SUBSIDIES

6.1 RENDERED SERVICES

Rendered services are as follows:

Description	Notes	2013	2012
Utilisation of slots (fees)		71 930 137	68 229 895
Grantor - LTI Revenue	14.	16 726 784	19 403 945
Traction Pow er		5 301 594	5 145 736
Shunting/Parking Rolling stock		2 934 429	3 463 010
Capacity requested and not used		1 998 957	3 028 309
Crossings		88 758	96 630
Performance improvement		77 952	184 587
Maintenance of private railw ay lines		63 858	75 260
Third Party Obligations		23 286	19 182
Other services		975 091	741 634
		100 120 846	100 388 188

The amounts recorded under State Grantor – LTI revenue correspond to internal works debited to long term investment activity (Note 14).

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

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

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.

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

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

6.2 OPERATING SUBSIDIES

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

7. SUPPLIES AND SERVICES

The Goods & Services Account for the years ended 31 December 2013 and 2012 is made up as follows:

Description	2013	2012
Sub-contracts	63 335 953	58 974 915
Electricity	11 541 223	11 294 551
Surveillance and Safety	4 598 459	4 734 057
Specialised works	4 264 095	2 652 716
Rents and rentals	2 111 213	1 760 388
Cleaning, Hygiene and comfort	2 013 182	1 785 011
Maintenance and repair	1 072 264	563 418
Fuel	934 345	1 027 030
Software licences	813 224	1 111 597
Communications	762 646	857 676
Insurance	702 681	730 755
Water	664 450	710 270
Transport of personnel	629 002	857 580
Transport of goods	270 150	32 111
Others below 200000 euros	690 628	949 114
Supplies and Services	**94 403 514**	**88 041 190**

Caption Supplies and services rose by approximately 7% (-€m6.4) over 2012.

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

The increase in caption **Specialised Works** stems from the reorganisation of the REFER Group and the centralisation in REFER TELECOM of all physical and human means developing IT activities and support and service desk that were spread throughout the different companies of the Group. These services are now invoiced to the companies of the Group and recorded in caption Specialised Works of respective company.

Caption **Maintenance and Repair** totalled €1,072,264 (increasing by 19.93%,over 2012), stemming from the maintenance services hired for infrastructure equipment.

Operating leases

Caption rents and rentals includes €1,209,599 (2012: €1,585,804) relating to expenses with car leasing and €255,561 (2012: €132,015) relating to leasing of administrative equipment.

As of the date of this report, REFER had 228 service vehicles (321 vehicles in 2012) and 124 administrative equipment (124 administrative equipment in 2012) 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	826 421	236 411
Equipment	155 087	37 634

8. PERSONNEL EXPENSES

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

Description	2013	2012
Wages	66 070 026	57 988 416
Wage expenses	15 161 970	12 548 466
Indemnities	4 258 009	1 560 466
Other personnel costs	3 775 424	4 334 507
Occupational insurance policies	530 162	568 214
Remuneration of the members of governing bodies	416 619	309 590
Social security expenses	346 864	490 004
	90 559 074	**77 799 661**

REFER personnel expenses grew by €m12.8 from 2012 to 2013, i.e. +16.4%.

The year was marked by the reorganisation of the REFER Group, resulting in the following: i) integration into REFER TELECOM of all Information Systems activities of REFER and REFER ENGINEERING, and ii) integration into REFER ENGINEERING of the engineering activity of REFER. This reorganisation had an impact in the company's average number of personnel, which dropped from 2 784 to 2 642 employees, translating in a decrease in personnel expenses by approximately €m5.2.

The Constitutional Court's decision to declare the suspension of holiday pay and holiday bonuses included in the State Budgets for 2012 and 2013 as unconstitutional resulted in an increase in costs by nearly €m10. The company also had to recognise expenses with holiday bonuses paid in 2013, not considered in 2012, in the amount of €m5.2, since as of the date of the 2012 accounts the said decision had not yet been issued, therefore the non recognition of these expenses complied with the law in force, namely Law 66-B/2012 of the State Budget for 2013.

There was also a significant increase in redundancies paid (from €m1.6 in 2012 to €m4.3 in 2013).

In addition to the above, it is worth noting 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). Expenses with workers involved full time in these activities (Union Leaders and Employee Committee) totalled €92,733 and €85,591 in 2013 and 2012, respectively.

The breakdown of these expenses is as follows:

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

The number of employees involved in these structures is as follows:

Description	2013	2012
Part-time (average no.)		
Union Leaders	137	144
Committees and sub-committees	28	16
Full time		
Union Leaders	5	5
Committees and sub-committees		
No. of employees involved in workers' representation structures	**170**	**165**

9. IMPAIRMENT

The breakdown of impairment is as follows:

31 December 2013

Impairments	Notes	Opening balance	Increase	Write back for the year	Closing Balance
IM Activity					
Partners' loans	5.7	14 054 971	5 092 660		19 147 631
Inventories	5.8	413 048		- 62 171	350 878
Other accounts receivable	5.10	2 183 303		- 321 643	1 861 660
LTI activity					
Grantor Cr/	4.1.5	305 200 000			305 200 000
Inventories	4.2	275 033	41 561		316 593
		322 126 355	**5 134 221**	**- 383 814**	**326 876 761**

31 December 2012

Impairments	Notes	Opening balance	Increase	Write back for the year	Closing Balance
IM Activity					
A.F.D.V	5.6	64 494		- 64 494	
Partners' loans	5.7	9 002 763	5 052 208		14 054 971
Inventories	5.8	414 723		- 1 674	413 048
Other accounts receivable	5.10	2 255 039		- 71 736	2 183 303
LTI activity					
Grantor Cr/	4.1.5	305 200 000			305 200 000
Inventories	4.2	275 033			275 033
		317 212 051	**5 052 208**	**- 137 904**	**322 126 355**

10. OTHER EXPENSES

The breakdown of caption other expenses is as follows:

Description	2013	2012
IMT	972 023	735 202
Direct and indirect taxes	387 793	294 261
Contributions	232 782	256 690
Donations	139 200	245 065
Indemnities	126 362	562 901
Losses on inventories	96 898	39 207
Operating expenses < 10000 euros	26 469	100 948
Other expenses	**1 981 527**	**2 234 274**

The amount recorded under IMT – Instituto da Mobilidade e dos Transportes, I.P., includes adjustments to estimates made in previous years.

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

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

11. OTHER INCOME

The breakdown of caption Other Income is as follows:

Description	Notes	2013	2012
Miscellaneous sales		10 237 147	3 324 398
Concessions and licences		5 716 558	6 720 897
Telecommunications		3 023 336	1 254 906
Assignment of equipment and personnel		1 220 374	47 013
Sale/assignment of energy and w ater		1 085 885	551 539
Subsidies		232 941	69 557
Gains on non financial instruments		176 533	182 794
Fair value gains - other financial assets	5.17	168 288	
Home Conservation Fund		84 330	97 252
Other income < 50000 euros		1 072 485	1 178 787
Other income		**23 017 877**	**13 427 143**

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

Caption **Concessions for the use of licences** includes mainly the concession for the use of commercial areas, accounting for 95% (2012: 95%) of the total.

Major changes occurred in telecommunications and assignment of material and personnel are directly related with the reorganisation of the REFER Group referred to above; in relation to telecommunications, the change resulted from the 5th addendum to the concession for the operation of the telecommunications infrastructure entered in 2013 with REFER TELECOM.

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

12. GAINS/(LOSSES) ON SUBSIDIARIES, ASSOCIATES AND JOINT UNDERTAKINGS

Gains/(Losses) on Subsidiaries, Associates and Joint Undertakings for the years ended at 31 December are as follows:

Description	Notes	2013	2012
(Impairments) / Reversals	5.3/5.4	592 644	-4 330 397
Gains on subsidiaries	16.2	2 200 000	2 800 000
Gains/losses on subsidiaries, associates and joint ventures		**2 792 644**	**- 1 530 397**

Impairments recognised in the year concern the reversal of impairment on holding in REFER PATRIMÓNIO (Note 5.3) and an increase by €50,000 in impairment in AVEP (Note 5.4).

Gains on Subsidiaries concern dividends paid by REFER TELECOM.

13. FINANCIAL LOSSES AND GAINS

Caption financial losses and gains is made up as follows:

Description	Notes	2013	2012
Financial losses			
Interest paid:			
Loans		- 220 280 999	- 256 213 546
Derivative financial instruments		- 54 777 034	- 67 015 042
Other interest paid		- 55 305	- 28 555
Changes in fair value:			
Derivative financial instruments	5.9	- 16 243 974	- 276 456
Other financial losses		- 6 507 871	- 10 778 786
		- 297 865 183	**- 334 312 385**
Financial gains			
Income from tradable instruments and other financial applications		89 428	16 638
Interest earned			
Derivative financial instruments		36 708 179	51 558 353
Other interest earned			167 291
Interest earned - State grantor	4.1.4	156 857 391	185 100 802
Changes in fair value:			
Derivative financial instruments	5.9	48 349 778	35 098 261
Other operating gains			
		242 004 776	**271 941 345**
Financial results		**- 55 860 407**	**- 62 371 040**

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

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

Caption Interest Income includes interest earned on derivative instruments, specifically swap operations (receiving leg and premiums), other interest on financial applications and interest paid by the State grantor (Note 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 €m32.1 2013 (2012: €m34.82).

14. STATEMENT OF INTERNAL RESULTS FOR THE LONG TERM INFRASTRUCTURE INVESTMENT ACTIVITY

The internal works developed for the investment activity in LTI which were not recognised in the Statement of Comprehensive Income are as follows (see Note 6.1).

Description	2013	2012
Long term Infrastructure investment activity		
Material for investment	3 288 294	2 126 402
Equipment	9 583	32 782
Labour	353 272	810 575
Overhead costs	13 075 635	16 434 186
Total of long term Infrastructure investments activity	**16 726 784**	**19 403 945**

The decrease (from €m19.4 in 2012 to €m16.7 in 2013) stems mainly from a revision of allocation keys to investment activity made following the reorganisation of the Group, which reflected in a change in structural charges. In fact, the transfer of the personnel allocated to the management and study of construction projects to REFER ENGINEERING implied the reduction of the imputation basis for these charges (Note 7 and 8).

15. REMUNERATION OF CORPORATE OFFICERS

The remuneration of the members of the Board of Directors is governed by the Public Manager Statute as provided in Decree-law 71/2007 of 28 March, as amended by Decree-law 8/2012 of 18 January, jointly with Council of Ministers Resolution 16/2012 of 14 February approving the criteria for determining the remuneration of public managers and the Council of Ministers Resolution 36/2012 of 26 March, which approves the ranks of public officers under the responsibility of each Ministry.

Board of Directors	Position	Social Security Regime	2013		
			Remuneration Main	Remuneration Accessory	Disc. Patron. Social Security
Rui Lopes Loureiro	Chairman	Normal Regime	83 924	5 309	16 661
José Luís Ribeiro dos Santos	Vice-chairman	Normal Regime	77 395	4 624	16 429
José Rui Roque	Member	Normal Regime	72 539	2 088	16 197
Amílcar Álvaro de Oliveira Ferreira Monteiro	Member	Normal Regime	72 539	3 485	16 197
Alberto Manuel de Almeida Diogo	Member	Normal Regime	72 539	2 074	17 312
Remuneration paid			**378 935**	**17 580**	**82 796**

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

These figures were subject to reductions as provided in article 12 of Law 12-A/2010 of 30 June and the State Budget for 2011, and to reductions provided in Article 27 of Law 66-B/2012 of 31 December, approving the State Budget for 2013.

Supplementary remuneration shown correspond to travel and meal allowances.

Figures relating to the Supervisory Committee are as follows:

31-Dec-13

Entity	Total
Barbas, Martins, Mendonça & Associados, SROC	74 257

31 December 2012

Entity	Total
Barbas, Martins, Mendonça & Associados, SROC	84 337

Figures paid to Barbas, Martins, Mendonça & Associados, SROC were recorded as remuneration for specialised work paid in 12 monthly instalments.

Pursuant to Joint Ministerial Order Srs. published by the Secretaries of State for the Treasury and Public Works, Transports and Communications of 29 May 2013, the shareholder appointed the audit board of REFER, specifying in the said order the need for the audit board to appoint an official auditor to the board, in compliance with paragraph 2-b) of article 420 of the Companies Code and Article 10 of REFER's Articles of Association.

This appointment took place on 13 November 2013, according to joint ministerial order Srs. published by the Secretaries of State for the Treasury and Infrastructures, Transports and Communications; as of the date of the accounts, the amount of the fees payable to the Official Auditor was not yet known, although it cannot exceed a certain maximum amount, but will be established under a written agreement to be concluded between the Official Auditor and the Board of Directors of REFER.

16. BALANCES/TRANSACTIONS WITH RELATED ENTITIES

16.1 SUMMARY OF RELATED ENTITIES

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

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 33.98% of the share capital
Joint ventures	
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
ST	Controlling relationship - State
CP Carga	Controlling relationship - State

(a) This concerns a EEIG with no share capital, called CORREDOR FERROVIÁRIO DE MERCADORIAS N.º4.

31 December 2012

	Relationship
Subsidiaries	
RAVE - ONGOING LIQUIDATION	REFER holds 40% of the share capital
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 33.98% of the share capital
Joint ventures	
AVEP	REFER holds 50% of the share capital
Other related parties	
ST	Controlling relationship - State
CP Carga	Controlling relationship - State

16.2 BALANCES AND TRANSACTIONS WITH SUBSIDIARIES

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

Company	Notes	2013	2012
Accounts receivable			
REFER PATRIMÓNIO		4 547 631	4 547 631
LTIs - Accounts receivable	4.3	**4 547 631**	**4 547 631**
REFER PATRIMÓNIO		7 199 019	6 495 897
REFER TELECOM		57 402	111 042
REFER ENGINEERING			2 931
RAVE - ONGOING LIQUIDATION			1 622
Clients	5.10	**7 256 421**	**6 611 492**
REFER PATRIMÓNIO		6 932	
RAVE - ONGOING LIQUIDATION			1 877
Other accounts receivable	5.10	**6 932**	**1 877**
		11 810 985	**11 161 000**
Balances payable			
REFER ENGINEERING			1 714 557
REFER PATRIMÓNIO		125 000	
REFER TELECOM		67 909	110 700
LTIs - Suppliers and other accounts payable		**192 909**	**1 825 257**
REFER TELECOM		2 842 533	2 856 393
REFER ENGINEERING , S.A.		482 647	64 846
REFER PATRIMÓNIO			7 640
Suppliers	5.14	**3 325 180**	**2 928 880**
REFER TELECOM			
RAVE - ONGOING LIQUIDATION		1 045	75 000
REFER PATRIMÓNIO		441	441
Other accounts payable	5.14	**1 486**	**75 441**
		3 519 575	**4 829 578**

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

Company	Notes	2013	2012
Investments and Suppliers & Services			
REFER TELECOM		24 741 348	13 435 347
REFER ENGINEERING		4 569 466	3 593 423
REFER PATRIMÓNIO		64 274	36 712
		29 375 088	**17 065 481**
Rendering of Services			
REFER PATRIMÓNIO		5 858 759	6 179 556
REFER TELECOM		3 266 338	1 317 454
REFER ENGINEERING		1 066 819	23 883
RAVE - ONGOING LIQUIDATION			48 157
		10 191 916	**7 569 050**
Financial expenses			
REFER ENGINEERING			7 576
REFER PATRIMÓNIO			3 804
REFER TELECOM			23 452
			34 832
Gains on subsidiaries			
REFER TELECOM	12.	2 200 000	2 800 000
		2 200 000	**2 800 000**

16.3 BALANCES AND TRANSACTIONS WITH ASSOCIATED COMPANIES

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

Company	Notes	2013	2012
Accounts receivable			
GIL		12 565	
Clients	5.10	**12 565**	**0**
AEIE, CFM4		98 000	
Other accounts receivable	5.10	**98 000**	**0**
		110 565	**0**

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

Company	2013	2012
Investments and Suppliers & Services		
GIL	841 371	841 371
	841 371	**841 371**
Rendered Services		
GIL	40 863	40 863
	40 863	**40 863**

16.4 BALANCES AND TRANSACTIONS WITH OTHER RELATED ENTITIES

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

Company	Notes	2013	2012
Accounts receivable			
CP - Comboios de Portugal, E.P.E.		146 160 587	73 383 450
CP Carga - Log.Tr.F.Mercadorias, S.A.		20 267 103	13 866 625
Clients	5.10	**166 427 690**	**87 250 076**
		166 427 690	**87 250 076**
Balances payable			
CP - Comboios de Portugal, E.P.E.		1 860 550	3 242 070
CP Carga - Log.Tr.F.Mercadorias, S.A.		586 656	93 592
Suppliers	5.14	**2 447 206**	**3 335 662**
		2 447 206	**3 335 662**

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

Company	2013	2012
Investments and Suppliers & Services		
CP - Comboios de Portugal, E.P.E.	6 374 241	5 808 850
CP Carga - Log.Tr.F.Mercadorias, S.A.	485 893	58 477
	6 860 134	**5 867 327**
Rendering of Services		
CP - Comboios de Portugal, E.P.E.	67 423 623	64 736 858
CP Carga - Log.Tr.F.Mercadorias, S.A.	9 631 231	10 053 864
	77 054 853	**74 790 723**

16.5 BALANCES AND INVOICING WITH PUBLIC ENTITIES

Relevant protocols in force as of 31 December 2013 are as follows:

Municipality	Description of Protocol/ Related entity	Cumulative Issued Invoices up to 31/12/2013	Amount Due at 31/12/2013
Accounts receivable			
Espinho	Intervention in Espinho Urban regeneration and levelling of track		619 682
Aveiro	Construction of the New Station of Aveiro - Road Interface, Urban Regeneration of Surrounding Area, Financing of the Undertaking		13 350 792
Viana do Castelo	Closure of railw ay crossings in the Municipality of Viana do Castelo	80 657	2 217 198
Sintra	Technical and financial collaboration of REFER and the Municipality of Sintra for the construction of the "Túnel de Agualva"		843 726
Cascais	Regeneration and Improvement of the Cascais railw ay line - Carcavelos/Estoril stretch (Revision)		2 743 161
Fundão	Road and rail infrastructures in the urban area of Fundão - 2nd addenda	49 859	2 950 022
Coimbra	Final closure of 21 railw ay crossings and respective access roads in the Municipality of Coimbra	21 786	2 730 215
Ovar	Closure of 6 railw ay crossings and respective access roads in the Municipality of Ovar	90 488	88 836
		242 791	**25 543 633**

17. RECENTLY ISSUED ACCOUNTING STANDARDS AND INTERPRETATIONS

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

Standards and interpretations which became effective during 2013

Effective date of application	Standards	Description of standards	Impact on REFER
01/07/2012	IAS 1 - Presentation of other comprehensive income captions	Alters the presentation of other comprehensive income captions into two categories: convertible and non convertible captions into results	Statement of comprehensive income
01/01/2013	IAS 19 - Employee benefits	Elimination of the "corridor" approach to differ gains and losses, which are recognised directly in results for the year.	Not applicable.
01/01/2013	IAS 12 - Deferred taxes - recovery of underlying assets	Includes the rebuttable presumption that deferred tax resulting from the registration of investment properties at fair value reverts through respective sale.	Not applicable.
01/01/2013	IFRS 1 - Government loans	Applicable to first-time adopters of the IFRS that have obtained government loans at rates below market rates; the difference between the fair value of the loans and the amount received is recognised prospectively.	Not applicable.
01/01/2013	Annual improvements (2009-2011 cycle)	IFRS 1 - Re-application of IFRS - where the application of IFRS is interrupted in a period, there are two options i) apply IFRS 1 as if for the first time, ii) Apply IFRS 1 retrospectively, pursuant to IAS 8.	Not applicable.
		IAS 1 - Clarification on comparative information requirements	Not applicable.
01/01/2013	Annual improvements (2009-2011 cycle)	IAS 16 - Property, plant and equipment - where assets are to be included in tangible fixed assets (TFA), they must be recorded as TFA and be reinstated; if they cannot be defined as TFA they must be recorded as inventories.	Not applicable.
01/01/2013	IFRS7 - Disclosure-Offsetting of financial assets and liabilities	Disclosure requirements on: i) offsetting rights (assets and liabilities) not accounted for; ii) offset assets and liabilities; iii) effects of this offsetting on exposure to credit risk.	Not applicable.
01/01/2013	IFRS 13 - Fair value measurement	The aim of the standard is to i) define fair value (FV) applicable to all IFRS, ii) Establish in a single IFRS a framework for fair value measurement, and iii) Establish in a single IFRS disclosure requirements for fair value measurement.	Not applicable.

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Standards and interpretations which will become effective in 2014 and following years

Effective date of application	Standards	Description of standards	Impact on REFER
01/01/2014	IAS 32 - Offsetting between financial assets and liabilities	Clarifies the right to offset financial assets (FA) with financial liabilities (FL).	Not applicable.
01/01/2014	IAS 27 - Separate financial statements (*)	IAS 27(2008) was revised following the issuing of IFRS 10. This standard concerns specifically the accounting and disclosure requirements for equity holdings where an entity prepares separate financial statements.	Note 5.3
01/01/2014	IAS 28 - Investments in associates and joint ventures (*)	This standard establishes the accounting treatment of investments in associates and joint ventures viewing the application of the equity method.	Note 5.4
01/01/2014	IAS 36 - Impairment of assets	Corrects disclosure requirements as concerns determining the recoverable value of an asset, and applies only when such value is determined based on the fair value less estimated costs to sell.	Note 9
01/01/2014	IAS 39 - Financial Instruments	Introduces an exemption to the obligation of discontinuing hedge accounting of a derivative financial instrument in the event of change in counterparty as required by law or regulation, provided certain conditions are met.	Not applicable.
01/01/2014	IFRS 10 - Consolidated financial statements (*)	Replaces and revokes IAS 27(2008) and SIC12; the main change refers to the notion of control, which exists where i) an entity has power over the investee, ii) an entity is exposed to variable results via its relationship with the investee, and; iii) it can use its powers to affect the results of the investee. Consolidation principles remain unchanged.	Applicable to consolidated financial statements.
01/01/2014	IFRS 11 - Joint ventures (*)	This standard replaces IAS31 and SIC13, focusing on the rights and obligations of joint arrangements rather than their legal form. The standard divides joint ventures into i) joint operations (venturer recognises its share part of assets, liabilities, income and expenses) and ii) joint arrangements (venturer recognises its interest in net assets using the equity method).	Applicable to ventures with AVEP and Corredor 4.

REFER

(Continued)

Effective date of application	Standards	Description of standards	Impact on REFER
01/01/2014	IFRS 12 - Disclosure of interests in other entities (*)	Standard establishes disclosure requirements for all types of interests in other entities.	Applicable to ventures with AVEP and Corredor 4.
01/01/2014	IFRIC 20 - Rates	Establishes the accounting for rates/payments imposed by governments, clarifying the moment when the liabilities must be recognised.	Not applicable.

18. INVESTMENT COMMITMENTS

The estimated value of investments to be made in 2014 in Long Term Infrastructures (LTI) within the scope of the public railway domain, and other investments that are not part of LTI (IEAG – Support and Management Structures integrating the investments of operation, studies and other fixed assets) necessary for developing the planned activities totals €m77.6.

Ninety six per cent (€m74.8) of this total correspond to investments in LDI; the remaining 4% (€m2.8) correspond to investments in Support and Management Structures.

The amount recorded in the State Budget for 2014 within the scope of the PIDDAC allocated to the Investment Plan for the National Railway System totals €m10.6.

Programmes/Projects	2014 Estimate
Investment in LDI	
included in PIDDAC	**74 816 795**
Minimum investment programme in National Railway Network	74 816 795
Not included in PIDDAC	**0**
Investment in LDI	**74 816 795**
Investment in EAG	**2 808 546**
Total Investment REFER	**77 625 341**

19. GUARANTEES AND SURETIES

On 31 December 2013, **loans which benefited from State guarantees** amounted to €2,644,497,009 (2012: €2,711,877,704)

Total bank guarantees received from suppliers amounted to €134,797,119 (2012: €160,240,399). These guarantees aim at ensuring the proper, complete fulfilment of the concession contract in favour of REFER, in compliance with the specific legislation for public works contracts.

Total **bank guarantees received from clients/debtors** amounted to €10,463,458 (2012: €9,711,758).

At 31 December 2013 REFER had liabilities for **guarantees given to courts** in the amount of €254,052 (2012: €296, 552) and **other guarantees** €2,671,173 (2012: €2,629,092).

As major shareholder of FERBRITAS ENGINEERING, REFER signed a comfort letter in favour of Banco Millennium covering medium- and long-term financing up to a level of €171,055. As of the date of the financial statements, this loan had been fully repaid.

20. CONTINGENCIES

Pending lawsuits

At the end of 2013 pending lawsuits concerning expropriation proceedings totalled €7,418,938 (2012: €1,950,381). This amount has no impact on the Statement of Financial Position.

To this end, deposits are made with Caixa Geral de Depósitos in the name of the courts judging the lawsuits, in an amount equivalent to the arbitrated amount, and the settlement of these proceedings does not represent a expense of the Company but rather of the Grantor of the railway infrastructures.

The Company has pending proceedings relating to railway accidents occurred on the infrastructures under management and damages caused to third-party property; these lawsuits are covered by insurance. Contingences that may arise from lawsuits ongoing at the Labour Court were duly provisioned, as described in Note 5.14.

Government Grants

Government grants 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 Government grants allocated to investments on behalf of the grantor, the return will only affect the grantor's account - amount receivable.

21. SUBSEQUENT EVENTS

The General Meeting of RAVE was held on 17 January 2014 having approved the liquidation accounts and the sharing proposal put forward by the liquidating entity. On 12 February 2014 the registration of the liquidation was concluded with the Commercial Registry Office.

On 22 January 2014 a mandate agreement was entered between REFER and IGCP conferring to the latter the managing powers to cancel the only swap still outstanding, namely with Bank of America Merrill Lynch.

On 27 January the operation was settled originating proceeds in the amount of €3,417,000. As result, REFER ceased to have any interest rate risk hedging instrument.

On 12 March 2014, REFER received €80,305,770 to increase statutory capital.

Lisbon, 31 March 2014

THE BOARD OF DIRECTORS

Chairman
Eng. Rui Lopes Loureiro

Vice Chairman
Eng. José Luís Ribeiro dos Santos

Member
Dr. Alberto Almeida Diogo

Member
Dr. José Rui Roque

Member
Eng.º Amílcar Ferreira Monteiro

Financial Manager
Dra. Maria do Carmo Duarte Ferreira

The Official Accountant
Dra. Isabel Rasteiro Lopes

MANAGEMENT REPORT
Notes to the Financial Statements

2013

PART III
LEGAL CERTIFICATION OF ACCOUNTS

REFER

ANNUAL REPORT AND OPINION OF THE

SUPERVISORY BOARD

ON THE

2013 REPORT AND SEPARATE FINANCIAL STATEMENTS

of

REDE FERROVIÁRIA NACIONAL – REFER, EPE

SUPERVISORY BOARD

I - INTRODUCTION

In compliance with legal and statutory provisions and the mandate entrusted upon us, the Supervisory Board hereby submits its report and opinion on the Management Report and separate accounting documents of Rede Ferroviária Nacional – REFER, EPE (REFER), relating to the year ended at 31 December 2013, which are the responsibility of the Board of Directors. The consolidated accounts will be subject to a separate Report and Opinion.

II - ACTIVITY OF THE SUPERVISORY BOARD

This Supervisory Board was appointed on May 29, 2012, pursuant to joint Order issued by members of the Government responsible for the Finance and the Transport Sector areas, as provided in paragraph 2 of article 10 of REFER, EPE Articles of Association, approved by Decree-law no. 104/97 of 29 April, as amended by Decree-law 141/08 of 22 July.
Pursuant to article 11 of the said decree-law, the Supervisory Board followed up the Company's activity from May 29, 2013, although it only issued an opinion of the fiscal implementation as from the third quarter of 2013, since the outgoing Supervisory Board issued an opinion on the fiscal implementation during the second quarter of 2013.
The Chairman of the Supervisory Board, Dr. Carlos António Lopes Pereira submitted his resignation on 17 January 2014, which became effective as from 28 February 2014, and he was not replaced so far, however, remaining permanent members of the Supervisory Board continue in office.
Within the scope of the closure of the accounts, the Supervisory Board has examined the separate financial statements of REFER and corresponding notes for the financial year ended 31 December 2013, as well as the Management Report, the Corporate Governance Report and the Sustainability Report for 2013.
It also analysed the Legal Certification of the Separate Accounts issued by the Official Auditor on 7 April 2014.
It is the Official Auditor's opinion that the financial statements referred to above present a true and fair view, in all materials aspects, of the financial situation of REFER, free of any reservations, with which we agree. This document confirms the compliance with requirements in Article 245º-A of the Securities Code relating to the Corporate Governance Report.
The Official Auditor expressed the following emphases:

- "At 31 December 2013 the Company showed a negative equity of € 1,978.7 million, having posted net losses for the year of € 89.1 million. Notwithstanding an improvement in operating results occurred since 2011, on the back of streamlining measures to reduce structural charges and operating expenses as imposed by the State Budget and directives from governing Ministries, the Company's financing and investment is subject to the financial support of the Shareholder, represented by the Ministries for Finance and Economy".

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 2013 Associate GIL – Gare Intermodal de Lisboa, S.A. ("GIL"), in which the Company holds a stake of 34%, posted negative equity in the amount of € 11.4 million, having resorted to shareholders' loans on an annual basis. As described in Paragraph 5.7 of the Notes to the separate financial statements, at 31 December 2013, all shareholders' loans provided to GIL by the Company totalling € 19.1 million were fully recognised as impairment."

The Supervisory Board considers this accounting as adequate.

- "The separate financial statements relating to the year ended at 31 December 2012 were examined by a different Auditor. The Legal Certification of the Accounts and the Audit Report issued on 28 March 2013 did not express any reservations arising out of disagreement or limitation in scope."

  This reinforces the absence of reserves to the 2013 Report and Accounts, as it presents a similar assessment in the last two years.

III - REVIEW OF THE MANAGEMENT REPORT

REFER's activity is made up of two components: Infrastructure Management and Long Term Investments (LTI).
As far as Infrastructure Management is concerned, the following is worth pointing out:

- The quantification of running trains is measured in millions of trains/km (tK). In 2013 this indicator stood at 35,952 million tK, i.e. 0.939 tK above 2012's. Main operators are CP in the passenger segment and CP Carga in the freight segment. During the year the movement of passenger trains increased whereas the operation of freight trains declined.

- On the back of this increase in activity, income from user fees rose by approximately € 71.3 million (in 2012) to nearly € 73.9 million in 2013;
- In terms of the service level, the most relevant indicator is punctuality. In 2013 this index fell to 85% from 86% in 2012;
- The safety of the railway network is critical for REFER's business; therefore, the surge in significant accidents from 36 to 47 (provisional figure to be adjusted according to IMT records) from 2012 to 2013 is viewed with concern. According to available data, the safety figure in 2013 is of 1.295 significant accidents per tK;

As far as Investment is concerned, the following should be mentioned:

- The global volume of investment stood at € 57.8 million;
- The projected figure was of € 69 million, which means that the implementation rate stood at 83%;
- Investment in LTI totalled nearly € 57.1 million, corresponding to an implementation rate of 89% as against the budget;
- Investment in management support structures was merely of € 0.7 million.

REFER's income rose by nearly € 16 million from 2012 to 2013, deriving from an increase in user fees by approximately € 2.7 million and non core income (including sale of waste materials) totalling € 14 million. These results could well be viewed as an outstanding recovery if they did not derive from non core income (sale of waste) which are one-off, and were not accompanied by an increase in expenses, as described below in the analysis of the financial statements. Therefore, albeit these positive facts, net operating losses rose by approximately € 10 million from 2012 to 2013.

IV - 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 for issuing securities, i.e. bonds listed on regulated markets.
Following the assessment of the financial statements and respective notes for the year ended 31 December 2013, the following aspects should be pointed out:

- REFER carried out a capital increase by € 21 million in 2013;

- RAVE – Rede Ferroviária de Alta Velocidade, S.A., was split off among shareholders after entering liquidation on November 27, 2012. This company's asset was valued according to its recoverable value at the moment of the splitting-off (in 2012 REFER's stake was of 40%). The amount of € 120,494,048 at 31 December 2013, was recognised in LTI and resulted of the transfer of assets following the merger of RAVE into REFER. These assets included subsidies in the same amount, which were also transferred to REFER;
- GIL – Gare Intermodal de Lisboa, S.A. is held by REFER (in 33.98%), and has negative equity of -€11,350,891. The company has met its debt service mainly by using financial proceeds resulting from shareholders' loans; in 2013 REFER accounted for 50% of these loans, as decided by the Company's shareholder. The amount of these partners' loans stood at €14,054,971 at the end of 2012, added by € 5,092,660 at the end of 2013. 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 rise in client receivables, namely debts resulting from the non payment of User Fees, which in CP's case climbed to € 146,160,587 in 2013 from € 3,383,450 in 2012 is viewed with concern.

Other aspects of our assessment of the Statement of Financial Position (showing global assets of € 5,385,496,605), the Profit and Loss Statement (Net losses of € 89,135,977) and the Statement of Comprehensive Income (negative comprehensive income of € 115,395,936) in 2013 will be mentioned hereinbelow.

Financial Statements for 2013 show negative net results of € 89,135 million, which implies a positive change by €2,978 million in relation to 2012.

- It should be noted that REFER's negative operating results totalled € 39,499 million, worsening results by nearly € 10,084 million as against 2012. This performance in 2013 as against 2012 was due to changes in the following headings: increase in personnel expenses by approximately € 12,759 million, stemming mainly from the order issued by the Constitutional Court which declared as unconstitutional provisions in Law 66-B/2012 (SB/2013), of 31 December, suspending the payment of holiday and Christmas allowances and pay (increase by € 10 million) and the increase in redundancies by mutual agreement (approximately € 2.7 million);
- increase in provisions by nearly € 7,453 million.

- increase in external supplies and services by € 6,362 million; and, conversely, increase in other income by € 9,591 million, mainly as result of increased sales of waste, rails and other ferrous material (increase by € 6.9 million).

This positive change in net results stemmed from effect of increased operating losses, a less negative impact caused by financial results (from € 62,371 million in 2012 to € 55,860 million in 2013, i.e. positive change by € 6,511 million), and a positive effect deriving from the recognition of deferred tax assets associated to tax losses recognised in 2013 (€ 6,223 million).
REFER's liabilities (with debt associated to LTI) rose by approximately € 215,9 million in 2013, rising by 3.1% over 2012 (by nearly € 6,944,975).
Note that Results before Taxes in 2013 (negative by €95,359 million) are higher than 2012's (negative by €91,786 million), which should be taken into account in the analysis of Net Results.
Additionally, in 2013, besides the Net Losses of € 89.1 million, there is the other negative comprehensive income of REFER, relating to the recognition of deferred tax liabilities in 2013 (€ 26.3 million), resulting in negative comprehensive income of € 115,396 million.
Therefore, the negative change in equity occurred in 2013 (€ 94,396 million) corresponds to the aggregate effect of comprehensive income for the year, which was partially offset by the capital increase by € 21 million.
REFER's equity as posted in its separate report and financial statements at the end of 2013 is negative by € 1,978,653,641, having worsened by € 94,395,936 in relation to 2012.

V - ASSESSMENT OF THE FULFILLMENT OF DIRECTIVES ISSUED BY THE SHAREHOLDER

The shareholder's directives were communicated to REFER by Circular Order no. 832 issued by the Directorate-General of the Treasury, dated 14 February 2014. The following aspects in the Corporate Governance Report for 2013, which follows these directives both in form and in substance, are worth pointing out:

- Within the scope of provisions in article 420 of the Companies Code applicable by virtue of Decree-law 133/2013 of 3 October, it is hereby warranted that, to the knowledge of this Supervisory Board, REFER complied with the legal directives in force for the State Entrepreneurial Sector, namely in what concerns wage reductions provided in Law 66-B/2012 of 31 December 2013, applicable to managing bodies and employees;
- In terms of financial risk management, in the last quarter of 2012 REFER transferred the management of its derivatives portfolio to IGCP, which

settled all outstanding derivative operations, except for one that was settled in 2014. The company's average funding rate fell from 4.2% in 2012 to 3.428% in 2013, and the company complied with Order 155/2011-MEF of 28 April which set up a ceiling for the increase in interest-paying debt of 4% in 2013 (3.1%);

- The average payment period to suppliers decreased from 63 days in the fourth quarter of 2012 to 35 days in the fourth quarter of 2013, failing to comply with provisions in Decree-law 62/2013 of 10 May, which establishes a period of 30 days. Notwithstanding, this evolution is quite positive since the payment period was cut down by 44% in 2013 as against 2012.
- The Governance Report mentions compliance with the law applicable to managing bodies and employees concerning legally required wage cuts;
- REFER's report states that provision in article 32 of the Public Manager Statute was complied with, namely the ban on the use of debit and credit cards for representation expenses;
- The Supervisory Board notes the procurement policy adopted by REFER, as the company subscribed in 2011 the National Public Procurement System.
- In terms of the instructions for the preparation of IPGs for 2013 as notified by letter no. 7896 from the Directorate-General of the Treasury dated 8 October 2012, the following is pointed out:
    - The Cost Reduction Plan permitted a cut down in Personnel Expenses, Cost of Goods Sold and Supplies and Services by 24% over 2010, exceeding requirements in article 64 of Law 66-B/2012 (State Budget Law);
    - decline in travel, representation and accommodation costs above 50%, specifically 56%;
    - The cut in communication expenses did not achieve the 50% reduction recommended, but merely 45%;

- The company reduced personnel by more than 2%;
- According to the 2013 Management Report and Accounts, REFER complied with the State's Treasury Unity principle.

VI - PROPOSAL

In view of the above and taking into account the information and clarifications provided by REFER and the Official Auditor, the Supervisory Board, in the con-

text of its powers, concludes that the 2013 Report and Accounts adequately complies with legal requirements, correctly disclosing the financial situation and activity of the Company.
This Supervisory board issues the following Opinion, notwithstanding the analysis made by this body on the Emphases included in the Legal Certification of Accounts and Audit Report, namely reference to the negative equity and provision in paragraph 3 of article 35 of Decree-law 133/2013 of 3 October, as well as the Board's concern over the amount of interest bearing liabilities and respective financial costs.

As result, it is hereby proposed to approve the following:

- The 2013 Report and Accounts presented by the Board of Directors of Rede Ferroviária Nacional – REFER, EPE;

- The proposal for the full appropriation of Net Results for the year, in the negative amount of € 89,135,977 to Results Brought Forward, as presented by the Board of Directors of Rede Ferroviária Nacional – REFER, EPE, which complies with legal and statutory requirements.

Lisbon, 10 April 2014

The Audit Committee

Pedro Ventura
(Member)

Pedro Grilo
(Member)

DRAFT

LEGAL CERTIFICATION AND AUDITORS' REPORT OF THE SEPARATE FINANCIAL STATEMENTS

(Issued by the Statutory Auditor, a CMVM Registered Auditor)

(This report is a free translation to English from the original Portuguese version)

INTRODUCTION

1. In accordance with the applicable legislation, we present our Legal Certification and Auditors' Report on the financial information included in the Board of Directors Report and in the separate financial statements as at and for the year ended 31 December 2013 of **Rede Ferroviária Nacional - REFER, E.P.E.** ("the Company"), which comprise the Statement of Financial Position as at 31 December 2013 (showing total assets of 5.385.496.605 euros and a negative shareholders' equity of 1.978.653.641 euros, including a negative net profit of 89.135.977 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 of the company, the results of its operations, the cash flows, the changes in equity and the comprehensive income;

b) that the financial information prepared in accordance with International Financial Reporting Standards as adopted by the European Union is complete, true, current, clear, objective and lawful as established by the Portuguese Securities 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 a 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) verification, on a test basis, of the information underlying the figures and disclosures contained in the financial statements, and an assessment of the estimates made, based on the judgements and criteria defined by the Board of Directors, used in the preparation of the referred financial statements;

b) evaluation of the appropriateness of the accounting policies used and of their disclosure, taking into account the applicable circumstances;

c) assessment of the applicability of the going concern principle;

d) assessment of the overall adequacy of the financial statements' presentation; and

e) assessment of whether the financial information is complete, true, current, clear, objective and lawful.

5. Our audit also included the verification that the financial information included in the Board of Directors Report is consistent with the financial statements, as well as the verification of the disclosures required by the numbers 4 and 5 of the article 451 of the Portuguese Companies Code ("*Código das Sociedades Comerciais*").

6. We believe that our audit provides a reasonable basis for our opinion.

OPINION

7. In our opinion, the referred financial statements present fairly, in all material respects, the financial position of **Rede Ferroviária Nacional - REFER, E.P.E.**, as at 31 December 2013, the results of its operations, the comprehensive income, the changes in equity and the 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 the opinion expressed in paragraph 7. we would draw attention to the following matters:

8. As at 31 December 2013 the Company has negative shareholder equity of approximately 1,98 billion euros, including a negative net profit for the year ended 31 December 2013 of approximately 89,1 million euros. Despite of the fact that the Company has improved its operating income since 2011, as a consequence of the measures of rationalization of management and of the adequacy of public service compensation, imposed by the State Law Budget and by the shareholder, the support of the Company's future operating and investing activities depends on the financial support of the shareholder - Portuguese State.

9. As at 31 December 2013 the associate company GIL - Gare Intermodal de Lisboa, S.A. ("GIL"), in which the Company has an investment of approximately 34%, has a negative shareholders' equity of approximately 11,4 million euros. As mentioned in note 5.7 of the notes to the financial statements, as at December 31 2013, the loans granted by the Company to GIL, which amount to approximately 19,1 million euros, were fully adjusted.

10. We were appointed as Auditor of the Company in the end of 2013. Accordingly, other Auditor examined the financial statements as at and for the year ended 31 December 2012. The Legal Certification and Auditors' Report issued in March 28 2013, referred to those financial statements, expressed an unqualified opinion.

REPORT ON OTHER LEGAL MATTERS

11. 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 the article 245.º-A of the Portuguese Securities Market Code ("CVM").

Lisbon, 7 April 2014

P. Matos Silva, Garcia Jr., P. Caiado & Associados
Sociedade de Revisores Oficiais de Contas, Lda.
represented by

Pedro Matos Silva, R.O.C.

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