MANAGEMENT REPORT
NOTES TO THE FINANCIAL STATEMENTS
CORPORATE GOVERNANCE
AND SUSTAINABILITY

2011

REFER

PART I
MANAGEMENT REPORT

I MANAGEMENT REPORT

This report relates to the company Rede Ferroviária Nacional – REFER, E.P.E. (REFER). The economic, social and environmental data presented in the report refer to the company's business activities during 2011.

All REFER reports may be found at www.refer.pt.

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

Estação de Santa Apolónia

1100-105 Lisbon

Site: www.refer.pt

Share Capital: 430,200,000 euros

Tax No.: 503 933 813

Contents

Message by the Board of Directors

REFER's mission is to manage the national rail network (NRN). This management covers the construction, conservation, operation and preservation of rail assets and infrastructures. The company's business activity in this regard is carried out in accordance with the strategic objectives defined for the sector.

In 2011, investments for the NRN reached 269 million euros in construction and renovation projects. Amongst the work completed during the year was the modernisation of the Castelo Branco - Covilhã and Bombel – Évora sections. As a result, electrically powered trains can now service these sections, greatly reducing travel times and operator costs.

Three REFER projects won Brunel Awards – the most prestigious awards in the field of international railway architecture, engineering and design. The projects in question were the bridge over the Sado River, the renovation of the Rossio Station and the Lisbon Operations Command Centre.

REFER completed 64 individual projects under its Level Crossing Elimination and Reclassification Plan. The 25 accidents recorded in 2011 were actually fewer than the target set for 2015. Since 1999, accident numbers have fallen by 84% and Level Crossings have been reduced by 58%.

In terms of managing and running the NRN, the company reformulated its maintenance strategy, with the aim of both minimising the risks arising from any loss of technical expertise whilst also reducing costs and ensuring that the NRN continues to provide satisfactory safety and quality levels. To this end, the management process has been centralised and all inspection work carried out internally. The operational side of the business has been outsourced through international tenders. This new strategy has made it possible to cut subcontracting costs by around 20 million euros (-24%) and to negotiate the termination of work contracts covering about 500 employees.

The various rail modernisation and automation programs, which have been progressively implemented in recent years, resulted in 630 employees leaving the company in 2011. On the last day of the year the company's total personnel reached 2,815.

Throughout 2011, REFER continued to implement its cost reduction measures and achieved its target of a 15% cost reduction in personnel and external supplies and services, in comparison with 2009, as set in the Stability and Growth Program.

In December 2011, Regulation 630/2011 was published. This regulation overhauls the railway infrastructure user fee model. Estimates indicate that, as a result of this regulatory change, REFER will likely see a 10% increase in core revenue.

2011 saw the start up of REFER Património (Assets) – the structure which will handle all asset management activities for the company. This is expected to result in both improved preservation of the company's property assets and an increase in non-core revenue.

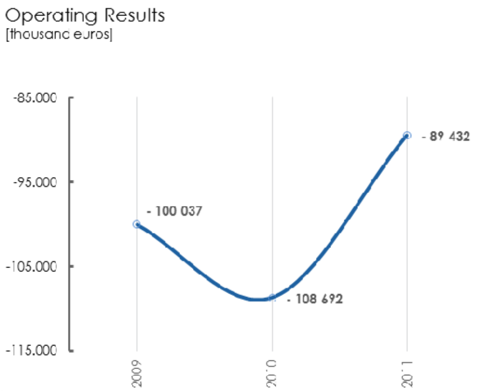
As a result of these cost reduction and revenue boosting measures, year-on-year operating losses were brought down from 109 to 93 million euros in 2011 compared with 2010. This figure is expected to fall to 15 million euros in 2012. This would mean that, in two years, the company would have managed to reduce its operating losses by 86%.

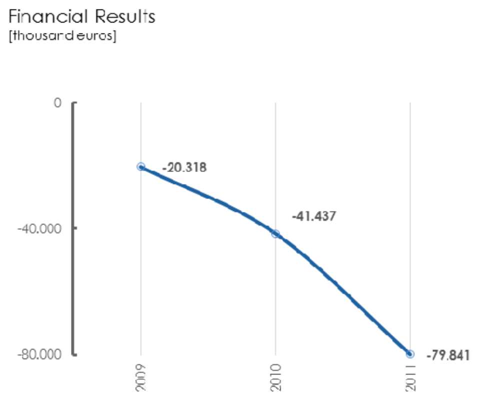
Emphasis must be given to the support provided by the company's shareholder, particularly in the form of the resources needed to service the company's debt and other treasury requirements. The state directly invested 2.188 billion euros in REFER, 125 million of which were converted into statutory capital. The remaining amount took the form of a medium- to long-term loan which matures in 2016.

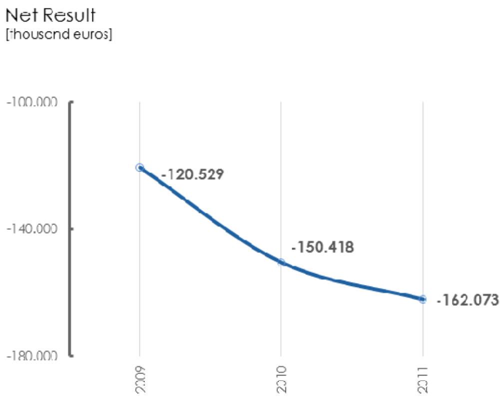
The board of directors would like to highlight the dedication and hard work of its personnel who, despite the cost containment measures put in place, made every effort to ensure that the company was able to meet its objectives.

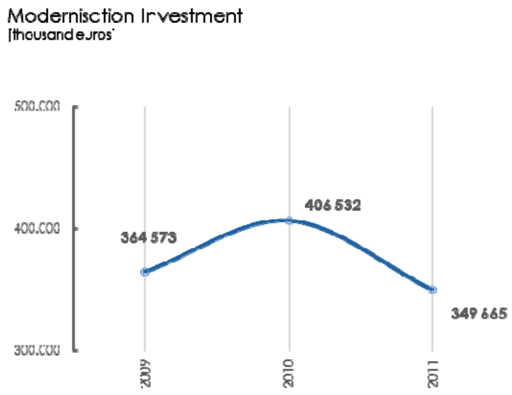
Lastly, the board of directors would like to thank all of the organisation's governing bodies for their willingness to cooperate and competence, as well as all other entities who worked alongside the company in 2011.

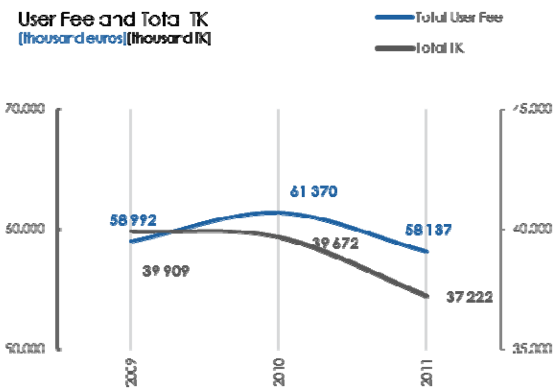
Summary of Indicators











Overview of the Year: 2011

January

Following "The Rail Connection to the Port of Aveiro" and the "The Trofa Bypass," REFER published yet another book, this time on a third significant national rail network construction project completed in 2010: "The Alcácer Bypass."

February

As part of the renovation work in progress at the Évora station, January saw the awarding of the contract for the "Modernisation of the Passenger and Interface Building" which is expected to be completed in the early second half of 2011.

As part of the "Contract Works for the Bombel and Vidigal section to Évora," the road underpass at km 56.302 of the Alentejo Line was opened to traffic. The pedestrian underpass at km 68.450 on the Vendas Novas Line was also opened, thus reconnecting pedestrian and vehicle traffic from the centre of Vendas Novas to the outlying area.

March

The Agualva Tunnel, under the Sintra Line in Cacém, was opened to traffic. This tunnel connects Rua Dr. António José de Almeida and the Avenida dos Missionários, by means of a roundabout and an underpass running beneath Avenida Cidade de Londres and the surrounding streets.

REFER joined in the World Wildlife Fund's Earth Hour initiative by turning off the lights in two iconic train stations - Rossio and Santa Apolónia.

Construction contracts were signed for two road underpasses and for restoring the respective access and connections. This work will allow Minho Line level crossings (LC) to be eliminated and the LC to be reconverted to foot traffic in the parishes of Midões and Moure, municipality of Barcelos.

April

Signal tests for mobile coverage (GSM and UMTS) in the Rossio Tunnel were successfully completed. This will allow the three mobile operators – TMN, Vodafone and Optimus – to offer their services via a single shared infrastructure. In addition to the tunnel, coverage in the Rossio Station itself was also boosted to ensure public access to a stronger signal in this important rail station.

May

The Tâmega Line Greenway was opened. This greenway was built along the old railway track running between the Amarante and Chapa stations and passes through Gatão.

Conservation and restoration work was completed on the tile panels in the entrance hall of São Bento Station, Porto.

June

The 9th of June was "International Level Crossing Awareness Day." This joint initiative took place in a number of countries around the world and involved the rail and road sectors, public administrations, NGOs and various international rail and road associations. It was also supported by both the United Nations and the European Commission.

The cleaning and recovery work on the embankments between km 78.960 and 103.050 on the Douro Line was completed. This work was designed to improve both the safety and stability of the railway infrastructures along this track section.

July

Work was carried out on various support structures at Coimbra B Station. These improvements will significantly benefit train passengers.

August

Conservation and restoration work on the tiling at Pinhão Station, on the Douro Line, was completed.

The Brunel Awards – the most prestigious awards in the field of international railway architecture, engineering and design – recognised three REFER projects in 2011. The bridge over the Sado River won an award in the Technical Infrastructures and Environment category. The renovation of the Rossio Station and the Operations Command Centre, both in Lisbon, received two honourable mentions, in the Passenger Buildings and Railway Support Buildings categories, respectively.

A recent edition of the North American publication Travel + Leisure selected the São Bento Station as one of world's most beautiful railway stations.

September

Work was completed on the pedestrian underpass at km 3.638 on the Northern Line, and Rua José do Patrocínio was reopened. Both of these works were part of the Autonomous Contract Works 2 project which is currently being implemented between the stations of Areeiro and Oriente. These openings meant that level crossings could be closed at km 3.594 on the Northern Line and at km 10.066 on the Cintura Line, both in the parish of Marvila, Lisbon.

October

As part of its railway assets maintenance and recovery programme, REFER concluded the improvements to the Torres Vedras Station on the Oeste (West) Line.

November

The first phase of the work to quadruple the Cintura Line between Areeiro Station, on the Cintura Line, and Oriente Station, on the Northern Line, was concluded.

December

As part of its railway conservation and maintenance duties, REFER has recently cleared vegetation and carried out clean-up tasks at over 25 stations and train stops on lines around the country. The work took place on the Northern, Eastern, Beira Baixa, Vouga and Algarve Lines.

Economic Background

The European Economy

In 2011, the European economy suffered a progressive and significant across-the-board economic downturn.

In more advanced economies, demand has been falling. The recovery in private consumption has been weak, given the backdrop, throughout 2011, of continued adverse labour market conditions in most of the major economies, compounded by high unemployment rates.

More recently, there has been a fresh outbreak of tensions in international financial markets. This has been caused mostly by a worsening of the sovereign debt crisis in the Euro Zone and the spreading of this crisis to a wider group of economies within the zone. This has had a significant impact on borrowing costs in both the public and private sectors.

The precise form of any institutional measures that are to be put in place to resolve the sovereign debt crisis in the Euro Zone, or that of the economic steps to be taken by authorities in the various affected economies in the Euro Zone, is still unclear. Thus, the impact of any such measures on the economic growth of Portugal's main trading partners remains uncertain.

Public deficits and debts in the main advanced economies increased significantly over the year and monetary policy interest rates are at lower levels. At the same time, most countries are primarily concerned with the state of their public finances. In fact, a number of countries have excessively high levels of debt, particularly given the low growth rates that are forecast for these same economies. In the Euro Zone, budgetary constraints criteria have served to emphasise this concern, leading various countries to introduce austerity-driven budgets.

Confidence indicators for the Euro Zone suggest that modest economic growth can be expected for the near future.

Euro Zone GDP grew 1.5% in 2011 compared with 2010.

In 2011, the Euro Zone economy saw an intensification of the sovereign debt crisis, which entered a new phase. More specifically, those countries which had already sought international financial help remained under pressure. In other countries, such as Spain and Italy, the interest rates on public debt securities increased sharply during the months of July and August 2011. The result of this was a substantial deterioration in the borrowing conditions available to the public and banking sectors in these countries.

Throughout 2011, the year-on-year HICP rate continued the upward trend begun in 2010, specifically on the back of increasing raw material prices. Risk levels also continued to rise, particularly as a result of the increased cost of energy and a number of indirect taxes and charges levied in some countries, as part of their budget control reforms.

Consumer price index inflation rose in the main advanced economies (2.7 percent in the Euro Zone in 2011), in comparison with the end of the previous year (in 2010 inflation in the Euro Zone was of 1.6 percent).

Despite the responses from European authorities in relation to fears concerning the sustainability of public finances, financial markets remained highly volatile, particularly from July onwards.

The tensions in the international financial markets were heightened by fears of systemic risk in the Euro Zone. In addition to those countries already receiving financial support, namely Greece, Ireland and Portugal, other countries also suffered from significant deficits or high levels of public indebtedness. This increased international investors' fears regarding the sustainability of public finances in these countries.

Nevertheless, the deepening of the sovereign debt crisis contributed to increases in both to the public sector's and banking sector's credit risk in the more vulnerable economies. Banks' investment portfolios contained public debt securities of dwindling value in those countries for which there is concern regarding the sustainability of public finances. This drop in asset value means that banks are less able to arrange financing in the markets and that credit risk levels rise for the sector as a whole.

Portuguese Economy

The year of 2011 stood out for the start of the undelayable process to adjust the Portuguese economy.

In April Portugal requested financial aid from the European Union and from the International Monetary Fund (IMF). Consequent to this aid, Portugal signed an Economic and Financial Support Package (PAEF), through which Portugal's government was committed to apply adjustment measures to correct macroeconomic and structural imbalances.

Moreover, this request allowed Portugal to avoid an imminent default to its creditors.

At the same time, the non-conventional measures by the European Central Bank (ECB) have provided financing to the Portuguese banking system within a scenario in which there is practically no medium- and long-term financing available through international wholesale debt markets.

The monetary and financial conditions deteriorated substantially during 2011.

In 2011 GDP fell 1.5% compared with a 1.4% growth in 2010.

The falling GDP greatly undermined domestic demand, particularly due to the sharp decrease in investment and end-consumer spending.

Portugal's inflation rate began to increase as of 2010 and has remained above 3% since January 2011. This scenario emerged in the wake of sharply falling prices in 2008 and into 2009. As a result, 2009 saw a negative average inflation in a country that had not experienced deflation in the last three decades.

The annual average inflation in 2011 reached 3.7% (compared with 1.4% in 2010).

This higher inflation was extensively influenced by the VAT hike and by the higher prices of some government-regulated services.

Outlook for 2012

For 2012, the IMF is forecasting a growth slowdown in the Euro Zone. Similarly, macroeconomic forecasts by ECB experts also reveal slower GDP growth in the Euro Zone: between 0.4% and 2.2% in 2012.[1]

Slower international trade contributed to a deterioration in the balance of payments of some countries. In order to solve global imbalances, the group of the world's 20 largest economies (G20) reached an agreement in February to monitor a range of economic indicators in a number of countries. The indicators, used to detect economic imbalances, include the levels of debt, public deficit, savings rates and the level of private debt.

Global demand is forecast to drop in 2012 due to a resurgence in international financial tensions associated to the sovereign debt crisis in the Euro Zone. This impact will force more Euro Zone countries to adjust imbalances in their public accounts.

The measures which Portugal agreed to apply when it signed the Financial and Economic Support Package (PAEF) are meant to create the indispensible conditions for increasing potential growth within Portugal. The package also aims to pave the way toward sustainable growth in light of the new operating framework of international financial markets, although the measures will imply a short-term growth slowdown. The forecasts for Portugal thus call for an unprecedented economic slowdown and falling domestic demand, combined with a substantial improvement in the foreign trade balance.

[1] In February 2012, the ECB downgraded the forecasts for 2012 by estimating a 0% GDP growth for the Euro Zone.

MACROECONOMIC SCENARIO 2012-2013

[Banco de Portugal projections for 2012 - 2013]

[%]

	Change rate	
	2012	2013
Gross Domestic Product	-3,1	0,3
Private Consumption	-6,0	-1,8
Government Consumption	-2,9	-1,4
Contribution to GDP growth (in p.p.)		
Net exports	3,9	1,9
Internal demand	-6,7	-1,5
Harmonised Index of Consumer Prices	3,2	1,0

Source: Economic Bulletin: Winter 2011, Banco de Portugal

In its Winter Bulletin, the Bank of Portugal is forecasting that the Portuguese economy will have negative growth in 2012. This shrinking economic activity reflects a significant drop in domestic demand, both public and private, within a framework of adjustment to basic macroeconomic imbalances. The sharp drop in domestic demand contrasts to a substantial growth in exports which, however, are not sufficient to compensate for the impact of the adjustment to falling demand by resident economic players within a deleveraging framework in the private sector and budgetary consolidation.[2]

During this period, the government plans to continue reducing investment expenses by public departments.

Because of the high foreign debt, the necessary reduction in domestic demand allowing Portugal to become solvent is more necessary now than ever. Its impact on economic activities will depend greatly on Portugal's economy within an international framework. In this light, note that the current forecast is based on a world economic slowdown in 2012, particularly in the Euro Zone, within a context of a resurgence in international financial tensions, largely brought about by the recent intensification of the sovereign debt crisis in the Euro Zone and by the need to consolidate budgets in countries with more advanced economies.

Inflation measured by the Harmonised Index of Consumer Prices (HICP) is expected to remain high in 2012 and to decrease to nearly 1% in 2013.

This trend is justified by a number of measures with an impact in 2012, particularly: higher VAT on products that were subject to a low rate and that are now charged the

[2] In February 2012 the ECB reviewed its forecasts for Portugal's economy and estimated that GDP in 2012 will shrink by 3.3% and that inflation will reach 3.3%.

normal rate; an increase in minimum health care rates; higher direct taxes applied to families and companies, particularly by reducing or eliminating tax benefits; and the higher corporate income tax.

Moreover, the negative economic growth in Portugal, as well as the global economic slowdown, has led to lower production costs that, combined with the weakening effects of budgetary measures, will lead to lower inflation in 2013.

Evolution of Activities

As the service provider that manages Portugal's railway network infrastructure, REFER is responsible for performing tasks to fulfil its objective according to the principles of modernisation, safety and effectiveness, with particular emphasis on two business areas:

- **Infrastructure Management**: This aspect covers the management of the railway infrastructure's capacity, conservation, maintenance and management of the respective circulation command and control systems, including signalling, regulation and promptness to guarantee the safety and quality levels indispensable to a public railway transport system.

- **Investment**: Covers construction, installation and renewal of the infrastructure, carried out at the expense of the state (assets which are part of the public railway domain).

In addition to activities which are part of its mission – infrastructure and investment management – REFER's normal operations also includes other complementary activities to maximise income from its assets, as shown below in the Profit and Loss Statement per Activity:

INTEGRATED INCOME STATEMENT PER ACTIVITY

[million euros]

	Investments	Infrastructure Management	Other Complementary Activities	Results not Assigned to the Activities	Total Company
User Fee		58,1			58,1
Other Rendered Services		14,2			14,2
Concession of Long Duration Infrastruct.	58,5				58,5
Operation Subsidies		36,0	0,1		36,1
Other Income			15,6	-1,1	14,5
Operating Income	**58,5**	**108,4**	**15,6**	**-1,1**	**181,4**
Cost of Sales	31,2	3,5	0,3		34,9
Subcontracts	0,5	62,3	2,3		65,1
Other External Supplies and Services	4,6	25,7	2,7		33,1
Personnel Costs	20,5	98,0	6,2		124,7
Depreciation and Amortisation in Year	1,0	2,4	0,3	0,0	3,6
Impairment of Assets		0,5		4,1	4,6
Provisions for Other Risks and Charges				0,7	0,7
Other Expenses	0,8	3,0	0,4		4,1
Operating Expenses	**58,5**	**195,4**	**12,2**	**4,8**	**270,8**
Operating Result	**0,0**	**-87,0**	**3,4**	**-5,8**	**-89,4**
Financial Gains	125,0		0,5	105,2	230,8
Financial Losses	120,0	89,0		101,6	310,6
Gains / Losses in Associated Companies				7,6	7,6
Pre-tax Results	**5,1**	**-176,1**	**4,0**	**5,4**	**-161,7**
Taxes for the Year		0,3	0,1		0,4
Net Result for the Year	**5,1**	**-176,4**	**3,9**	**5,4**	**-162,1**

Infrastructure Management

Characterisation of the National Railway Network

The national railway network's safety, reliability and flexibility are REFER's basic concerns. To achieve this goal, in previous years REFER has constantly modernised its infrastructure, thereby offering new facilities to train users whilst renovating and reconverting the technology of many others. Through these measures, REFER endeavours to meet client demands and to create increasingly greater mobility among the various means of transport.

On 31 December 2011, national railway network lines and branch lines, whether in operation or not, including franchised sections, reached a total length of 3,619 km.

In 2011, the national railway network consisted of the following:

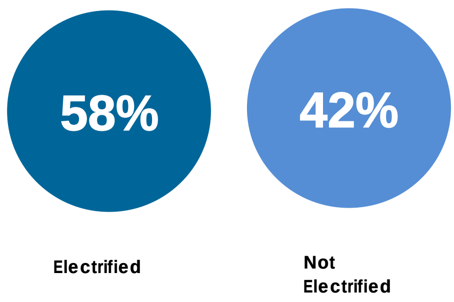
Characterisation of the National Railway Network

[km]

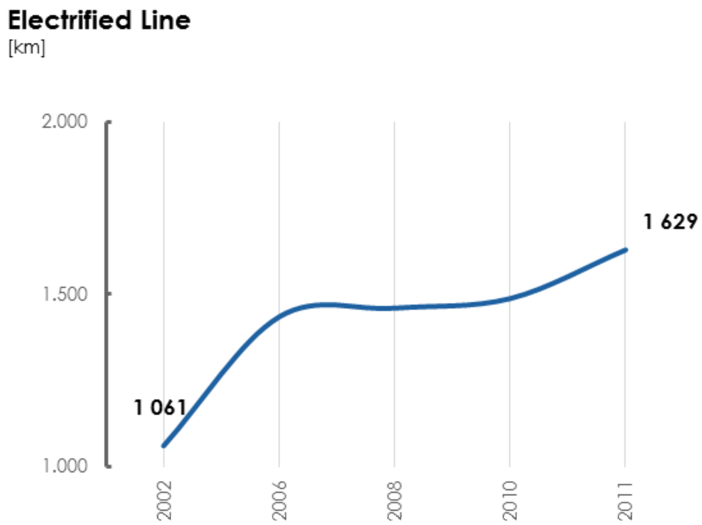
	With Train Traffic					Without Train Traffic	National Railway Network
	Electrified			Not Electrified	TOTAL		
	25.000V	1500V	Sub-Total				
Wide Track	**1 604**	**25**	**1 629**	**973**	**2 602**	**376**	**2 978**
Single Track	1020	0	**1 020**	973	**1 993**	376	2 369
Double Track	541	25	**566**	0	**566**	0	566
Multiple Track	43	0	**43**	0	**43**	0	43
Narrow Track	**0**	**0**	**0**	**192**	**192**	**449**	**641**
Single Track	0	0	**0**	192	**192**	449	641
TOTAL	**1 604**	**25**	**1 629**	**1 165**	**2 794**	**825**	**3 619**

In 2011, 77% of the railway network was in operation, such that tracks suitable for train circulation reached 2,794 km, which was 49 km less than in the previous year. This decrease was justified by the shutdown of the Évora Line section from KP 126.800 to Estremoz.

Of the total network, 58% is electrified, representing 1,629 km, a 6% increase in electrified track compared with 2010. This increase coincides with the electrification of about 72 km of the Beira Baixa Line, of which 38 km is from Castelo Branco to Vale Prazeres and 34 km from Vale Prazeres to Covilhã. It also covers an increase of 39 km on the Alentejo Line between Bombel and Casa Branca and of 26 km on the Évora Line between Casa Branca and Évora. REFER also electrified 4 km of track on the Vendas Novas Line and about 1 km on the Fundão Freight Terminal Branch Line.



The 142-km of track electrification in 2011 contributed to the 568 km of track electrified in the last 10 years in Portugal.



Refer has installed sophisticated speed control systems (Convel system) which now cover 58.6% of the railway network, for about 1,637 km. The Convel system is shared by the operators and REFER and ensures extremely high circulation safety levels by guaranteeing compliance with signalling and with authorised train circulation speeds. This system assists the train driver's tasks by warning him/her about circulation conditions and by activating the braking system (forcing the train to stop) whenever any safety requirement is not met. In 2011 this safety system was installed in about 141 km of network, of which 71 km was installed in the Beira Baixa Line, 38 km in the Alentejo Line, 26 km in the Évora Line and 4 km in the Vendas Novas Line.

The Ground-Train Radio is another safety system covering 54% of the track length. Ground-Train Radio (system shared by train drivers of operators and REFER) is used for voice and data communications between train drivers of operators and REFER personnel in charge of traffic control. As such, communications may be performed between the Command Centre and the train driver, between stations and train drivers and also between the train drivers of two trains. This safety system is implemented in 1,506 km of railway network, and about 10 km was installed in 2011 in the Alentejo and Vendas Novas Lines.

Safety and Command Control System

[km]

	2009	2010	2011
Convel	1459	1496	1637
Autom. Speed Control System (Cascais Line)	25	25	25
Ground/Train Radio	1459	1496	1506
Ground/Train Radio without Data Transmission	25	25	25

The block system ensures circulation safety in the same track section or branch section, and defines an interval delimited by stations or signs (block) between which only one train may circulate under normal conditions.

Block Systems

[km]

	2009	2010	2011
Electric	119	119	119
Electronic	1352	1393	1620
Mechanical	1371	1331	1055

The national railway network has three types of block signalling systems: electric block signalling system (automatic block signalling without an adjustable block), electronic block signalling system (automatic block signalling with a controllable block) and mechanical block signalling system (telephone block signalling).

Electric block signalling is available on 4% of the national railway network. In this system, the lines are divided into blocks, which are preceded by signals protecting them, informing the train driver whether the block if free or not through light signals.

The block signalling system is different from the previous system because of its automatic wrong track signals. Today, modernisation of the railway network has increased this type of railway operation. In recent years there have been profound alterations to the means of managing traffic on most of the network. At the end of

2011, this type of block signalling had been installed in 58% of railway tracks. There was an 9% increase, about 227 km, of track equipped with this system, particularly on the Beira Baixa Line (71.4 km), on the Alentejo Line (33.6 km), on the Évora Line (26 km) and on the Vouga SISE Line (95.8 km).

Lastly, in the mechanical block system, circulation safety in a specific block (which, in this case is delimited by two stations and the respective signalling) is ensured through telephone communications. Only manned stations can delimit blocks and give authorisation for trains to advance in the respective block. The trend of past years was maintained in 2011, in which track equipped with this safety system fell by 276 km seeing as 227 km using this old system was replaced by the electronic block system and since 49 km of the Évora Line is currently disabled.

Rail traffic was restored on the sections of Vendas Novas to Casa Branca, on the Alentejo Line, and on the Casa Branca section on the Évora Line, which made it possible to restore the intercity (IC) service to Alentejo, thereby reducing total travel time by 25 minutes on the Lisbon-Oriente – Évora link. The regional service was also reformulated on the Alentejo line and freight traffic was restored to the same system prior to the closing of these sections.

The installation of new electronic speed control and command signalling systems (Convel) on the Alentejo and Évora lines enabled trains to travel at about 190 / 200 km/h.

Infrastructure Management

Infrastructure Management covers two activities:

- Railway infrastructure conservation and maintenance;
- Operation: command management, circulation control and capacity management.

Infrastructure Management Activities

[million euros]

	2010	2011	Change
Income	**109,3**	**108,4**	**-1%**
User Fee	61,4	58,1	-5%
Operation Subsidies	35,9	36,0	0%
Other Income	12,0	14,2	18%
Costs	**207,3**	**195,4**	**-6%**
Materials	5,4	3,5	-35%
Sub-contracts	82,2	62,3	-24%
Other Exter. Supplies and Serv.	27,6	25,7	-7%
Personnel	87,3	98,0	12%
Amortisation	3,0	2,4	-21%
Other Costs	1,8	3,5	93%
Operating Result	**-98,0**	**-87,0**	**-11%**
Average Employees	**2 878**	**2 704**	**-6%**

Income

Income from Infrastructure Management Activities decreased 1%, about 1 million euros, and thus remained very similar to 2010. In 2011 income from these activities reached 108.4 million euros, compared with 109.3 million euros in 2010.

Other income, however, rose 18% compared with 2010, having reached 14.2 million euros in 2011 compared with 12 million euros in the previous year.

The User Fee is the item which contributes the most to the total amount of REFER's income. Contrary to the trend in the previous year, in 2011 User Fees fell 5% to 58.1 million euros by the end of 2011, compared with 61.4 million euros in 2010.

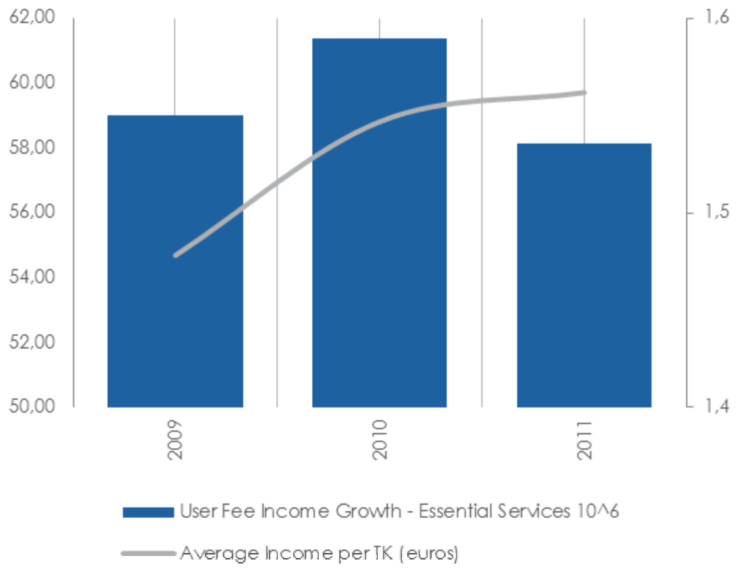
The indicated amounts reflect invoicing issued to the companies CP, CP CARGA (a CP freight company), FERTAGUS, TAKARGO and COMSA, whereby traffic by the latter operator falls under the responsibility of the TAKARGO / COMSA partnership.

CP was the operator with the sharpest drop in invoicing, which fell 2.9 million euros, of which 2.1 million euros refers to a decrease in passenger service. On the other hand, FERTAGUS maintained the same invoicing as in previous years. Invoicing issued to the CP Carga and TAKARGO operators fell 809,000 euros and 299,000 euros, respectively, in the freight service.

In December 2011, the Institute of Mobility and Transport (IMT) published Regulation 630/2011, which reformulates the railway infrastructure tariff rate system, particularly in regard to the base tariff and rules applicable to prices for capacity requested and not used.

The 1st Addendum to the 2012 Network Directory and the 2013 Network Directory incorporate the provisions of the new Regulation 630/2011 and also include guidelines set forth by the Strategic Transport Plan (PET).

User Fee Income Growth

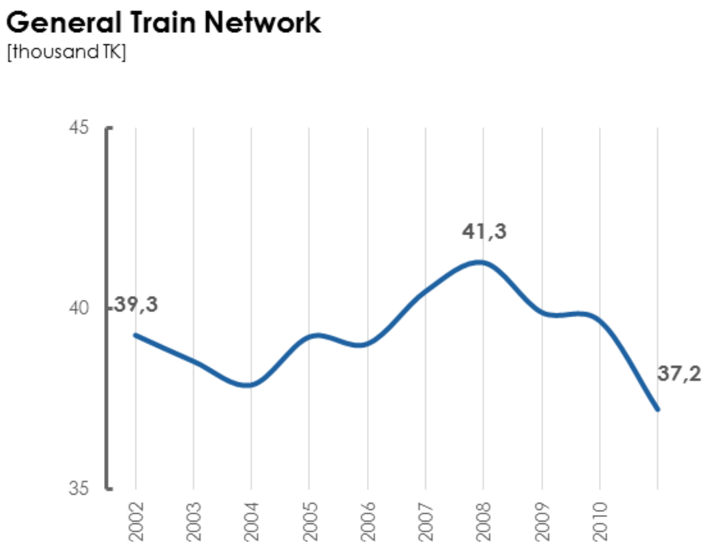


In 2011, train kilometres (TK) reached 37.2 million, a 6% decrease compared with 2010, corresponding to 2.5 million fewer TK. All operators contributed to this decrease, although CP experienced the greatest drop, of 1.8 million TK, about 6%, compared with 2010, whereby passenger service contributed the most to this decrease. CP CARGA travelled 594,000 fewer TK, 9%, when compared with the previous year, and TAKARGO travelled 44,000 fewer TK, 8%, compared with 2010. These two companies operate exclusively in the freight segment. The lower TK by the FERTAGUS operator was less relevant, having decreased merely 8,000 train kilometres, 0.4%, compared with 2010.

This activity includes, among others, assigning capacity to the various national railway network operators, measuring, controlling, invoicing and charging the used capacity and the requested capacity that was not used.

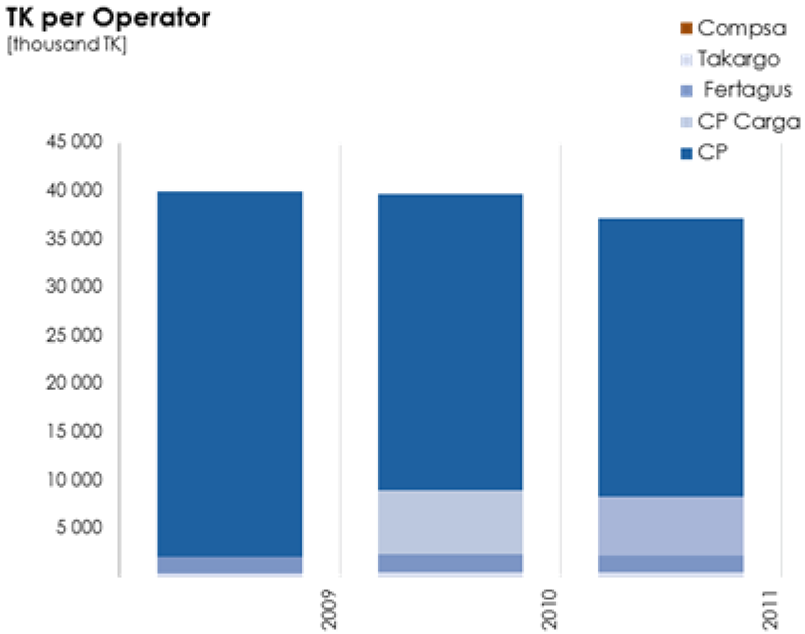
The trend in the average decrease in traffic runs by operators was intensified in 2011 by 6.2%, equivalent to 2.5 million TK, compared with 2010, whereby 37.2 million train kilometres were recorded in 2011.

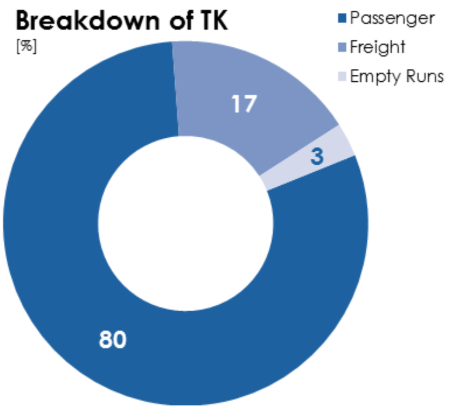
In addition to the lower demand in the freight sector and in service trains, "labour conflict" issues also contributed to the 6% drop in the year compared with 2010.



CP, CP Carga, FERTAGUS, TAKARGO and COMSA remained the operators on the national railway network in 2011. There are still only two passenger operators, CP and FERTAGUS, and FERTAGUS merely holds the concession to operate the suburban passenger train transport service in the North-South Axis between the Roma-Areeiro stations and Setúbal. Freight transport on the network is offered by the companies CP Carga, TAKARGO and COMSA.

The CP operator continues to have the most trains in circulation on the Portuguese railway, although its operations fell in 2011 by 6%, about 1.8 million TK, when compared with 2010.





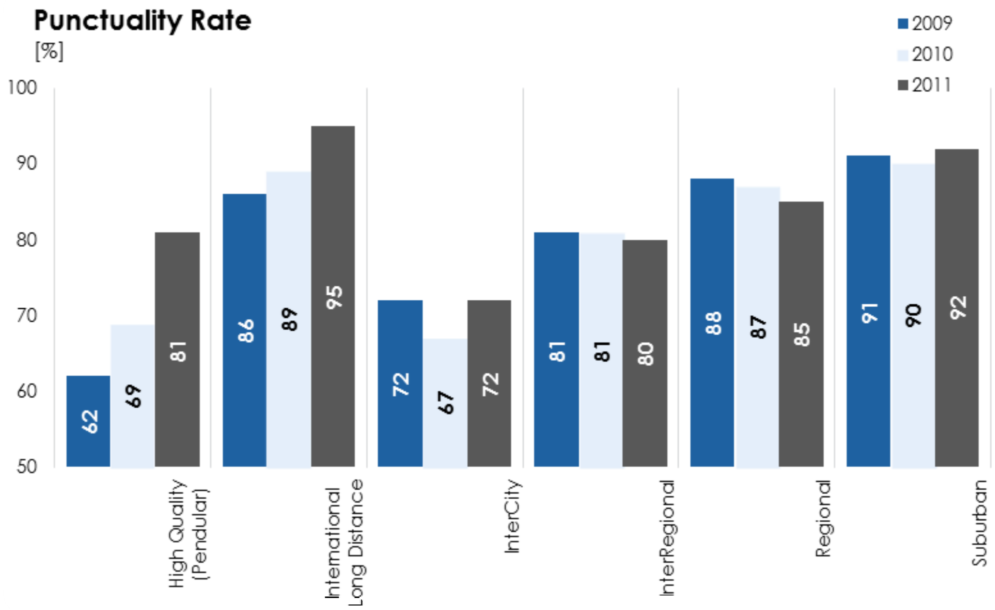
In the total TK for passenger services, CP had the greatest amount of traffic in 2011, with 80% of the total, for 30 million TK, a decrease of 1,738,000, or 5.5% less than in 2010. Compared with 2010, the passenger service fell 6%. This decrease was caused exclusively by the CP operator which renewed its service offer, whereas Fertagus maintained its TK at a stable rate.

In 2011 demand for freight transport fell sharply, 8% and 556,000 TK less than in 2010, the worst performance in the last 3 years. The TAKARGO operator has been consolidating its operations on the railway network. In Portugal it has been responsible for all traffic run by the Takargo/ Comsa partnership, such that the COMSA operator did not make any direct request to REFER. Its traffic volume remained identical to that of 2010.

As for the predominant operator, CP Carga (92% of freight TK) experienced a 7% drop in traffic in 2011 compared with 2010.

Punctuality Rate

In 2011, there was a recovery in the average punctuality rate by the Pendular and International Long Distance train families.



Operation Subsidies remained practically unchanged compared with the previous year, having reached de 35.9 million euros in 2010 and 36 million euros in 2011, an increase of 0.4%, about 149,000 euros. This amount corresponds to the Compensation Indemnities allocated to REFER to adjust the accounts, as stipulated by Council of Ministers Resolution 53/2011, published in Diário da República, 1.ª série, n.º 240, of 16 December 2011.

Expenses

Total Infrastructure Management expenses decreased 6% in 2011, about 11.9 million euros compared with the previous year.

Subcontracts, which fell approximately 20 million euros in 2011 compared 2010, was the item that contributed the most to this decrease in absolute terms. At the end of the previous year, subcontracts reached 82.2 million euros, whereas it reached 62.3 million euros in 2011, for a decrease of 24%. This decrease was brought about by the renegotiation of contracts for track, catenary and signalling maintenance and by performing some maintenance tasks by the company's own personnel. Renewed contracts were subject to a 10% price reduction pursuant to no. 1 of art. 22 of Law 55-A/2010, of December 31, which approved the State Budget for 2011.

Track-related tasks contributed the most to the reduction in subcontracts consequent to the implementation of a maintenance strategy for reviewing maintenance tasks subject to public tender.

On 31 December 2011, the company had an average of 2,704 personnel assigned to Infrastructure Management, a 6% decrease compared with 2010 when 2,878 persons were assigned to those tasks. Personnel expenses increased 12%, about 10.7 million euros, from 2010 to 2011. Taking into account the large number of work contract terminations in 2011, if we subtract the respective work contract indemnities (3 M€ in 2010 and 23 M€ in 2011), the personnel expenses item would have decreased by 10%.

The average cost per worker in the infrastructure management activity (not taking contract terminations into account) decreased 5% compared with 2010. In the year in question, this amount is of 28,000 euros, in 2010 the amount was of 29,000 euros.

Operating Results

Operating results of infrastructure management activities increased in 2011 by 11%, approximately 10.9 million euros. In 2010, the result reached a negative 98 million euros compared with a negative 87 million euros in 2011.

Main Infrastructure Management Actions

- The electronic signalling service, the speed control system "CONVEL" and the catenary infrastructure (IET 50 – 54º adit.) began operating in the following sections:
  - Vidigal to Vendas Novas, on the Vendas Novas Line;
  - Bombel to Casa Branca, on the Alentejo Line;
  - Casa Branca to Évora, on the Évora Line.
- Restoring the track to traffic in the sections of Vendas Novas to Casa Branca, on the Alentejo Line and Casa Branca to Évora, on the Évora Line, made it possible to restore the Intercity (IC) service to Alentejo, with a total travel time reduction on the Lisbon-Oriente – Évora link of about 25 minutes.
- Start-up of the commercial service with electric traction in the Vale de Prazeres – Covilhã section of the Beira Baixa Line.
- Disabling of a section on the Évora Line between KP 126.800 and Estremoz.

- Closing of the urban service on the Leixões Line. The lack of passengers and the unfavourable economic setting naturally led to the closing of a service that had 55 train runs on business days and 35 on weekends and holidays. The Leixões Line was restored only with freight transport.

Investments

Investments include the management of projects and works. Investment expenses cover internal management costs, costs of materials supplied by REFER, associated financial expenses and all external expenses paid for contract works, inspections, etc. The following internal operation costs were incurred:

Investment Activities

[million euros]

	2010	2011	Change
Income	**63,4**	**58,5**	**-8%**
Concession of Long Durat. Infr.	63,4	58,5	-8%
Other Income	0,0	0,0	16%
Costs	**63,4**	**58,5**	**-8%**
Materials	33,2	31,2	-6%
Subcontracts	0,7	0,5	-23%
Other External Supp. and Serv.	6,5	4,6	-30%
Personnel	21,8	20,5	-6%
Amortisation	1,0	1,0	-4%
Other Costs	0,2	0,8	256%
Operating Result	**0,0**	**0,0**	
Average Personnel	**464**	**425**	**-8%**

In investments, emphasis goes to the 8% decrease in total expenses in 2011, reaching approximately 4.9 million euros. This decrease was partly due to a 23% decrease in subcontracts associated to lower investments in 2011.

In 2011, the Personnel item fell 6%, about 1.3 million euros, compared with 2010, in keeping with the trend of lower personnel numbers, which fell 8% compared with the previous year. In 2010 the average personnel assigned to this activity was of 464 compared with 425 in 2011.

The average cost per employee was of 40,100 euros (excluding contract terminations), for a 13% reduction compared with 2010.

For total investment costs, the budget execution for the year 2011 reached 94%, as shown in the following table:

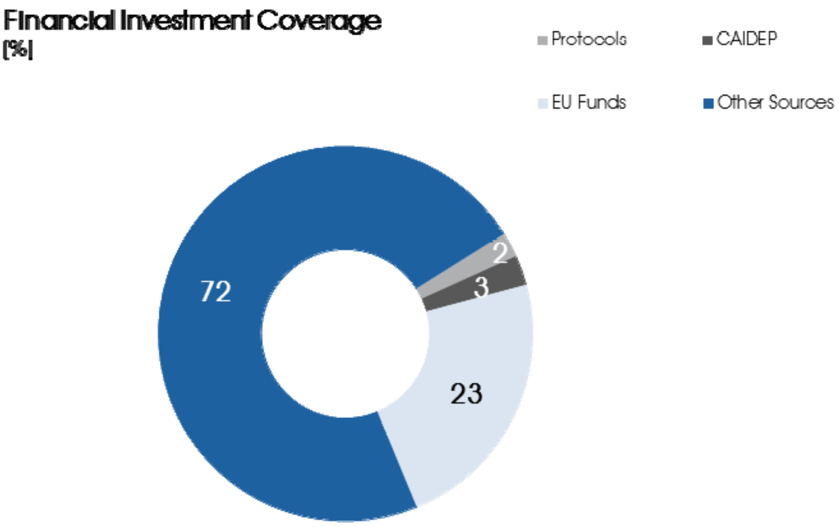
Investment Execution. Investment at Total Costs

[thousand euros]

	Reviewed Budget	Execution	% Perform.	% Weight
Long Duration Infrastructures	259.189	236.508	91%	80%
Materials	29.843	31.134	104%	11%
TOTAL Long Duration Infrastructures Technical Costs	**289.032**	**267.642**	**93%**	**91%**
Overhead Costs	24.709	26.547	107%	9%
TOTAL Long Duration Infrastructures Total Costs (without financial expenses)	**313.741**	**294.188**	**94%**	**100%**
Management Support Structures	1.150	1.206	105%	0%
TOTAL Investment 2011	**314.891**	**295.395**	**94%**	**100%**

Investments were financed by contributions through EU Funds, by the state budget (Chapter 50), protocols signed between REFER and various entities and by other financing sources.

The company's investment coverage is broken down as follows: EU contributions represented about 23% of the total (61.6 million euros), Chapter 50 of the state budget financed 3% of the total investment (7 million euros), other financing sources reached 72% of the total (194.5 million euros) and protocols contributed with 5.7 million euros (2% of the total) to finance the investment.



The total contribution by European Funds includes, in addition to those already approved, the candidature for the Contract Works of the Trofa Bypass which is pending approval. Consequently, the contribution of aid to this project is merely estimated.

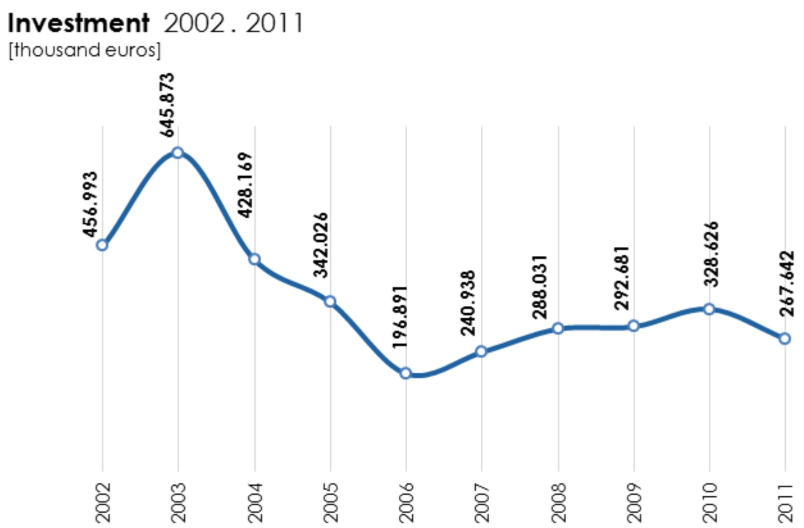
Financial Investment Coverage. Investment at Technical Costs

[thousand euros]

Investment Budget	Carried Out	Financial Coverage			
		Protocols	CAIDEP	EU Funds	Other Sources
Total	**268 848**	**5 736**	**7 000**	**61 591**	**194 521**
Long Duration Infrastructures	**267 642**	**5 736**	**7 000**	**61 591**	**193 315**
REFER investment related with High Speed Rail	27 150			5 329	21820
Connection to Cintura Line+Oriente Station - Preparation Works Contracts at Oriente Station	26 647			5 329	21318
Other	503				503
Interregional Links	48 695	1749			46 946
Network Efficiency and Safety	22 150	2 381			19 768
Links to Logistics Centres and Ports	79 643		7 000	54 100	18 543
Port of Sines / Spain Railway Link	75 271		7 000	52 690	15 581
Railway Link to Port of Aveiro	2 014			1410	604
Other	2 358				2 358
Infrastructure Renovation and Rehabilitation	29 698				29 698
Metropolitan Areas	33 447	1605		2 162	29 680
Trofa Bypass (*)	3 088			2 162	926
Other	30 359	1605			28 754
Mondego Mobility System	26 859				26 859
Management Support Structures	**1 206**				**1 206**
Interventions in Fixed Assets	- 22				- 22
Operation Investments	1191				1191
Studies	37				37

The investment on long duration infrastructures, at technical costs, incurred by REFER in 2011 reached 267.6 million euros, for a realisation rate of 93% compared with the planned amount of 289 million euros.

Since 2002, REFER has invested 3.488 billion euros on the national railway network.



The investment shown in the item Connections to Logistics Centres and Ports contributed the most to investments in 2011, reaching 79.6 million euros. This investment made it possible to create accesses for transporting freight efficiently to the logistics centres and ports thereby fostering railway freight transport.

Of the 79.6 million euros invested in connections to logistics centres and ports, 75.3 million euros (94.5% of this item's total) correspond to carrying out the Project for a Railway Link between the Port of Sines and Spain through the continuation / completion of works that include the works contracts for civil construction, track and catenary and signalling and telecommunications on the Bombel / Casa Branca / Évora section, and for installing the Convel system at the station of Vendas Novas and in the sections of Vendas Novas (excl.) / Casa Branca and Casa Branca (incl.) / Évora.

Investment in Inter-regional Links in 2011 was one of the investments contributing the most to the overall investment value, about 48.7 million euros. This investment made it possible to improve links between the main cities and fostered inter-regional mobility with shorter travel times.

Of the 48.7 million euros spent on Inter-regional links in 2011, 29.6 million euros (60.8% of this item's total) corresponds to works on the Beira Baixa Line, to modernise the Castelo Branco / Covilhã section, with emphasis on the completion of works on the Castelo Branco / Vale de Prazeres section and the continuation of the modernisation contract works on the Vale de Prazeres / Covilhã section, as well as the completion of the Convel system in the Castelo Branco / Covilhã section.

Investment in the metropolitan areas is meant to boost demand for public transport over individual transport. Investments in metropolitan areas reached 33.5 million euros, and resulted essentially from the continued contract works to quadruple the Sintra Line between km 13+750 and 18+250, as well as work carried out in the Cascais Line, particularly the completion, in February 2011, of the contract works to renovate the São João do Estoril Station and the start of work to carry out the project to renew the Santos Station, in the Lisbon Metropolitan area. In the Porto Metropolitan area, investment essentially covered the closing of accounts for the contract works for the Concession / Construction of the railway tunnel of the Trofa Bypass, as well as for completing the detailed design and RECAPE (project execution environmental compliance report) to quadruple the Contumil / Ermesinde section.

In 2011, the amount invested on High Speed – Link to the Cintura Line and the Gare do Oriente station – reached 27.1 million euros. This amount was spent essentially on carrying out and completing works for autonomous contracts works no. 1 and 2 and for completing the corresponding expropriation processes for the Areeiro / Sacavém section. This work covers works in the corridors on the North and Cintura Lines, from the Areeiro station until km 8+300 of the North Line, for compatibility with future infrastructures of the high speed network in the area adjacent to the third Tagus River Crossing.

Safety is one of the most relevant values of railway activities and which has a strong impact on the quality perceived by clients. The high safety level covering persons and goods is a railway asset that is worth enhancing and promoting to reach increasingly higher quality thresholds. Total investment in Network Safety and Efficiency in 2011 reached 22 million euros.

Main National Railway Network Modernisation Actions

<u>Minho Line</u>

Start and completion of the contract works for impermeability and civil construction work at the Campanhã station. Inspection is carried out by REFER, EPE.

Completion of the project to quadruple the Contumil / Ermesinde section.

<u>Braga Branch Line</u>

Start and completion of the contract works to Assemble Three Pontoons Over the Ribeira de S. Martinho stream, in Fradelos, Braga, inspected by REFER, EPE.

<u>North Line</u>

Elimination of various level crossings throughout the whole North Line.

Completion of the Santarém Bypass project, including the alterations and recommendations requested in the project review reports by the BAD consortium, by the National Civil Engineering Laboratory (LNEC) and by the Stations Management.

Start and completion of the contract works for horizontal drilling of the railway channel at km 318+018, of the North Line to ensure the continuity of the existing watercourse. Inspection carried out by REFER, EPE.

Mondego Mobility System

Most of the contract works were completed to rehabilitate the infrastructures of the Miranda do Corvo / Serpins Section, which implied shutting down track and catenary works (except raising of the track and catenary footings).

High Speed Connection Project

Modernisation of the North Line and Quadrupling of the Cintura Line between the Areeiro and Oriente stations to make lines compatible with the new high speed infrastructures.

Beira Baixa Line

At the end of the first quarter in the year, work consigned through a number of contract works was completed to modernise and electrify the Castelo Branco – Covilhã section, which began operating in July of 2011.

Cascais Line

Intense work was carried out to monitor the preparation of projects, the execution of works, contacts with official entities, with private entities and real estate developers with interests in projects in the Cascais Line's areas of influence.

Sintra Line

In July works were completed for stage 2 of the service start-up of Lines 3 and 4, including the new passenger platform at the Agualva/Cacém station.

Sines / Elvas

Work was completed for grade separations, civil construction at passenger stations and earth moving to widen and improve the platform. Work was also carried out to build the track catenary, signalling and telecommunications infrastructures. In July, the company opened the section for commercial passenger and freight transport operations with electric traction until Évora with speeds between 160 and 200 km/h.

Level Crossings

Pursuant to art. 2 of Decree-Law 568/99, of December 23, REFER is committed to the Level Crossing (LC) Elimination and Reclassification Plan jointly with Town Councils and the company Estradas de Portugal. In 2011, 64 level crossings were subject to intervention, three of which by third parties according to the following distribution:

- Eliminated Level Crossings: 35;
- Reclassified Level Crossings: 29.

Total investment for this project reached about 20.7 million euros, of which 18.1 million euros were paid by REFER, as shown in the table below broken down into types of interventions.

Project	Eliminated LC	Reclassified LC	Cost (euros)		
			Refer	External	TOTAL
Automation	-	16	650 706	-	650 706
Alternative Road	10	2	854 261	20 109	874 370
Grade Separation Cross.	21	7	16 632 012	2 545 150	19 177 162
Regulatory Visibility	-	3	10 000	-	10 000
Other	4	1	2 550	-	2 550
TOTAL	**35**	**29**	**18 149 529**	**2 565 259**	**20 714 788**

Of the universe of lines open to train traffic, at the end of 2011 there were 1,049 level crossings of the following types:

Type of Level Crossing

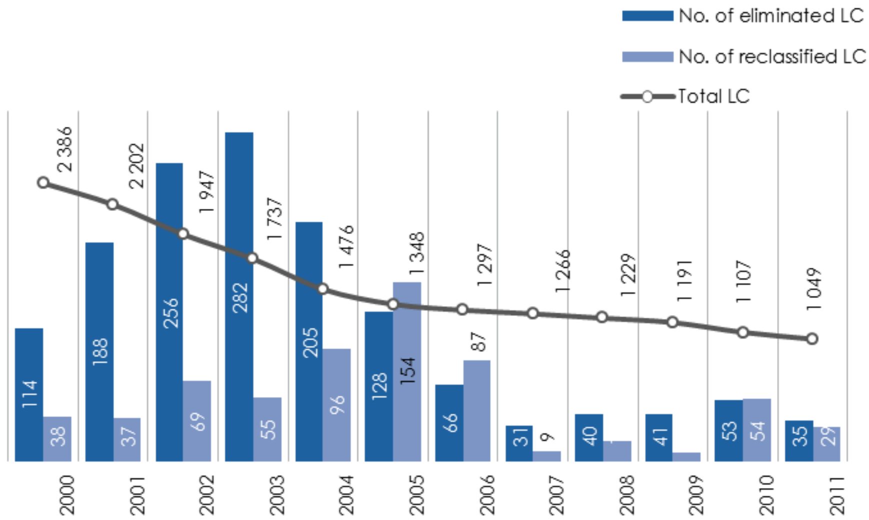
	Number
Public LC	**931**
Automatic (Road):	**351**
Automated with double lifting gates	2
Automated with half lifting gates	339
Automated with obstacle	10
With Guard	**74**
Without Guard	**353**
Type D	251
5th Category	102
Pedestrian	**153**
Automatic	25
Not Automatic	128
Private Level Crossings	**118**
Automatic	7
Not Automatic	111
TOTAL LC	**1 049**

Of these 1,049 level crossings, about 44%, have active protection equipment (automated or with a mechanically activated physical barrier).

The consequent average level crossing density at the end of 2011 was of 0.375 LC/km.

In the last 12 years, 1,439 levels crossings were eliminated and 652 were reclassified, for an investment of approximately 338 million euros:

Eliminations and Reclassifications 2000 . 2011



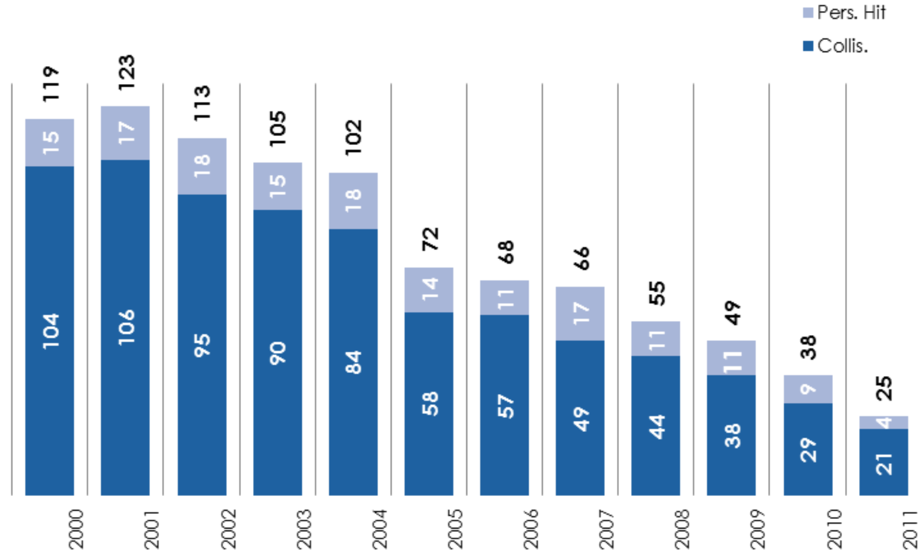
Number of level crossings when DL 568/99: 2494 came into force.

Note: In addition to the eliminations, the number of level crossings in 2011 also reflects the closing of the Évora Line to circulation from KP 126.800 to Estremoz (23 fewer level crossings).

In 2011, there were 25 accidents at level crossings, of which 21 were collisions and 4 involved persons hit by trains, which resulted in 4 deaths, 3 serious injuries and 8 minor injuries, a 34% decrease in the total number of accidents compared with 2010.

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

Accidents at LC 2000 . 2011



Consequent to the ongoing measures to eliminate and reclassify level crossings, measures to mitigate the risk and due to awareness raising campaigns carried out by REFER, the accident rate has been continuously decreasing.

The success of the applied strategy is today notable in light of the results in 2011, the year in which there were 25 accidents, significantly better than the target specified for 2015 in the Strategic Guidelines for the Railway Sector – a 60% reduction in the number of accidents compared with 72 accidents in 2005 – thus meeting the goals by four years in advance.

That figure represents an 84% reduction in accidents at level crossings when compared with 1999.

In 2011, REFER also exceeded its target for the Vouga Line, which called for reducing the number of accidents by 70% at level crossings compared with 2006. Six accidents took place in 2011 compared with 27 accidents in 2006.

In addition to education and awareness raising campaigns covering precautions at railway level crossings and for which a greater involvement by the general public is expected, the following is planned for 2012:

- 36 level crossings will be eliminated or reclassified, in addition to better safety conditions at 10 level crossings by decreasing risk factors, through an investment of about 2.8 million euros.

- Fencing will be built along the railway corridor at 15 risk locations associated to trespassing, in order to eliminate this risk through an investment of 200,000 euros.

Complementary Activities

These activities include:

- Non-core income, in particular: concessions, telecommunications, sale of waste, etc.

- Material recovery and waste management;

- Works under the responsibility of third parties.

Complementary Activities

[million euros]

	2010	2011	Change
Income	**14,1**	**14,5**	**3%**
Other Income	14,1	14,5	3%
Costs	**24,7**	**16,9**	**-32%**
Materials	0,2	0,3	27%
Subcontracts	2,1	2,3	10%
Other External Suppl. and Serv.	4,7	2,7	-42%
Personnel	8,0	6,2	-23%
Amortisation	0,4	0,3	-34%
Provisions/Adjustments	8,9	4,8	-46%
Other Costs	0,4	0,4	-11%
Operating Result	**-10,7**	**-2,4**	**-78%**
Average Employees	**154**	**123**	**-20%**

Operating Income

In 2011, operating income from Complementary Activities reached a negative 2.4 million euros, which represents an improvement of 8.3 million euros, or 78%, when compared with 2010. This improvement took place essentially in Provisions / Adjustments, which decreased 46% and in Other Suppliers and External Services which fell 42% compared with the previous year.

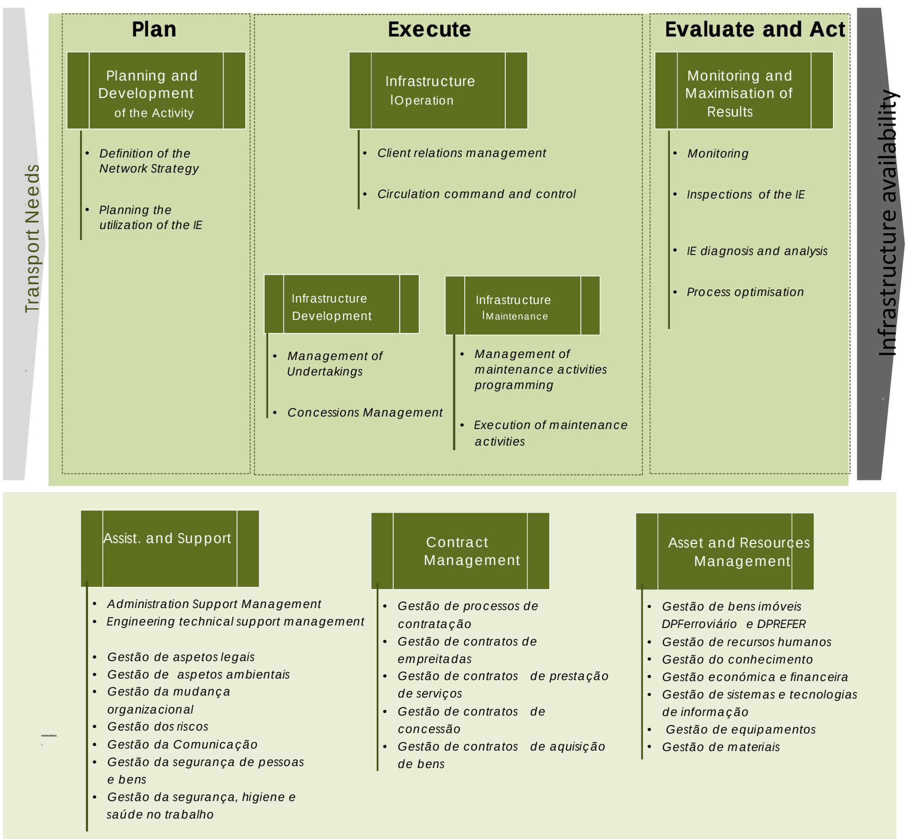
In 2011, emphasis goes to the 20% decrease in the average personnel assigned to this activity, and a decrease in the average expenses per worker of 4%.

Quality and Environment

Relevant Actions

1. Quality Management

During 2011, REFER continued to develop its new approach for Quality control. It launched the first stage of surveying processes in order to structure its Processes Chart. This work was performed only with internal means and with participation by the main bodies and resulted in the consolidation of the following diagram.



An operation model was also designed that will support and define the guidelines for implementing the management system based on REFER's processes, whereby this model is independent of its organic structure and oriented according to the company's management priorities.

2. Environment

Maintaining the measures already started in 2010, the company continued its internationalisation in this field, which acquired a new scope through the internationalisation of the High Speed project at REFER.

Without loss to the information management improvements for environmental aspects, within the various specialised areas, the following is worth highlighting:

Environmental Evaluation – in 2011 there was a decrease in aid that was traditionally provided for investments (and thus REFER has been performing more tasks through its own means, particularly inspection) whereby the support traditionally rendered in the project area has been channelled to maintenance operations since 2010.

Nevertheless, during 2011, 5 project execution environmental compliance reports (RECAPES) were monitored and 26 studies and projects of different types were reviewed, with emphasis on the work carried out to orientate the preparation of two Environmental Technical Summaries, "Intervention in the Covilhã/Guarda section, of the Beira Baixa Line" and "Intervention in the Cascais Lines," to justify to the Portuguese Environmental Agency the fact that it is not covered by legislation for Environmental Impact Evaluations. It is also worth noting the creation of the reference terms for the Base Program and the Environmental Impact Preliminary Study covering the freight railway link between Sines and the South Line and the subsequent monitoring of this process.

In order to integrate the high speed company called RAVE – Rede Ferroviária de Alta Velocidade, S.A., REFER ensured the follow-up of studies in progress at the Aveiro / Salamanca Axis, Faro-Huelva Axis and in the Lisbon-Porto Axis (Preliminary Study and respective Environmental Impact Study of Lot E – Gaia/ Aeroporto Sá Carneiro, as well as the Urban Development Plan for the area surrounding the Coimbra station).

Within the context of the support provided by REFER in the environmental licensing processes, of the 71 processes that were prepared 24 were prepared by its own personnel.

Environmental Follow-up – in 2011 emphasis goes to the commitment to operation activities in the maintenance area. During the year, these activities became part of a new cycle for rendering external services, particularly through the start of the civil construction and low voltage contracts.

Overall, 17 maintenance rendering contracts were systematically monitored, of which 3 were of a national scope and 14 were managed locally through Operational Regions.

Overall, 64 contract works were monitored in 2011, both for investments and maintenance activities, the latter essentially for contracts for the track, geotechnical works and special structures (bridges).

In 2011 maintenance contracts in progress were subject to 11 days of environmental audits which led to improved performance and contractual compliance.

Noise – In the year in question, it is worth highlighting the consolidation and completion of the Strategic Plan for lines with over 60,000 train runs per year, a document which was expected to be the basis for analysing this topic. This plan lays out various investment scenarios and makes it possible to understand the benefits of an integrated action for the sector that is properly divided into stages over time. In this regard, it is also worth mentioning REFER's active participation in the work group "Rethinking noise law in light of national and European experience – Proposal to alter the General Noise Regulation," organised by the Portuguese Association of Concessionaires or Roadways and Bridges subject to Tolls (APCAP) to foster an alteration to the noise legislation in order to introduce criteria making the regulation sustainable.

Waste – In order to once again take up the process of selling waste with a recyclable value, the environmental department has contributed to an analysis on the best strategies that make the routing of this type of waste feasible.

Additionally, it is worth mentioning the development and implementation of a new approach to the process to manage used batteries (hazardous waste whose management must be diligent) for REFER's direct management of this matter. From May until December 2011, 7 battery collection process were carried out that yielded 30,000 euros for the company. Note that, as this process became a routine, it was found that it has not taken more than one month from the battery pickup notification until the battery pickup date.

Ecological Systems and Biodiversity – Within this context, particular emphasis goes to meeting the commitment to Business&Biodiversity, beyond the company's regular measures within this context. As such, the 3rd and last plan of Action, part of the project "Promoting Native Forest" was completed in partnership with Quercus. Over 7,500 seedlings of national tree species were planted and a plantation action was organised at the National Forest of Quinta das Virtudes (Azambuja) with the specific support of volunteers from REFER personnel. Overall, REFER supported the planting of 39,780 seedlings, in addition to having its support regarded as essential for the Quercus 'Bosques' program. Emphasis also goes to the measures to consolidate the 'Continuum Ecológico' (Ecologic Continuum) project for which a protocol was signed between REFER and Universidade do Porto/ Research Centre for Biodiversity and Genetic Resources, which led to the start of the 'Cátedra REFER – Biodiversidade' in January 2012.

Safety

In 2011, there were about 1800 daily train runs on the National Railway Network, totalling about 37.2 million TK during the year. Most of the trains (about 80%) provided passenger services.

Operation safety, which is a fundamental part of any transport system, in the case of the railway system benefits from a broad range of equipments, systems and procedures ensured by REFER, to provide railway transport operators with high levels of transport safety for their passengers and freight.

Moreover, within the scope of Railway Safety, analyses were performed to determine the rolling stock's compatibility with the infrastructure to ensure compliance and to promote approval, as well as to foster measures tending to prevent fires on land flanking railway tracks.

In addition to ensuring railway safety per se, the company is also very concerned on a daily basis with the safety of its personnel, railway operators and service providers.

The concerns listed above, which are intrinsic to a quality public service, comprise a priority assumed by all REFER personnel for which the necessary training and awareness raising actions are provided.

Due to the entailed risks, both for personal safety and the safety of train circulation, the problem of railway level crossings has been given special attention by REFER. In coordination with town councils, REFER has launched a large operation targeting level crossings. Consequently, it has worked toward eliminating / reclassifying / modernising crossings and to make the public aware of their correct utilisation and the inherent risks of persons who circulate along the lines.

To promote the continuous improvement and control of risk factors associated to its activities, REFER collects and processes, on a daily basis, all statistical information associated to railway activities to reveal the type of anomalies taking place on the National Railway Network. This knowledge makes it possible to foster preventive/corrective measures and to control risk factors related with railway accidents. With the same purpose in mind, all accidents and incidents with an impact on train circulation are carefully analysed to determine and overcome the respective causes.

Additionally, REFER promotes safety auditing/inspection actions covering domains both intrinsic to the railway system (structure, regulation and operation of railway traffic), and various other domains that, not being intrinsic, may interact with it. Without loss to good practices promoted by the various participants in the railway transport system, potential risk situations are evaluated and characterised to control them and to apply preventive/corrective measures, thereby contributing to reinforcing Railway Safety and to enhance cooperation between the various entities.

It is also worth noting the systems that REFER has implemented to overcome critical railway safety situations. Within this context, scenarios of railway accidents are analysed and placed within a framework for planning responses to emergency situations by simulating real situations in coordination with civil protection entities. These simulations lead to routines for intervention and personal protection conditions in critical situations. Within the same context of critical scenarios, REFER has instruments that guarantee the operation capacity of the railway emergency means.

In 2011, REFER identified all significant accidents which decreased in 2011 when compared with the previous year. It collected reliable information in regard to objectives, methods and safety indicators, as they are currently stipulated in Decree-Law 231/2007 of June 14, which have been gradually harmonised jointly with the railway operators – CP, CP CARGA, FERTAGUS, TAKARGO Rail and COMSA Rail and with the participation of the Regulatory Entity - IMT.

It is worth pointing out that, since the 90s, REFER has been proactively committed to the major transformations in this sector, which have led to the transposition and implementation of EU Directives aiming to essentially create a trans-European railway network. This network is based on harmonising, through the Technical Specifications for Interoperability (TSI), the systems and technical equipment (infrastructures, rolling stock, etc.), thus creating a safer and more sustainable common railway system among the member states.

The impact of these goals is felt in the way each member state’s national railway network is adapted and transformed to comply with this European policy, not only in terms of a European vision, but also regarding national strategic options.

It is within this context that Railway Safety, combined with all entities interacting with it, complies with, promotes and contributes to a permanently operational and intrinsically safe National Railway Network.

Railway Safety was assigned the important task of coordinating the whole process for implementing and managing the REFER Safety Management System in coordination with the various company bodies and for having it approved by IMT.

As a complement to that approval, which is a milestone for REFER, in terms of its safety processes, it was also obliged to request from IMT (compliant with Directive 2004/49/CE of the European Parliament and Council, of 29 April 2004, and with Decree-Law 270/2003, of October 28, amended by Decree-Law 231/2007, of June 14) the issuing of the said Safety Authorisation, which is absolutely necessary for carrying out its activities. REFER was issued the said authorisation on 1 September 2011.

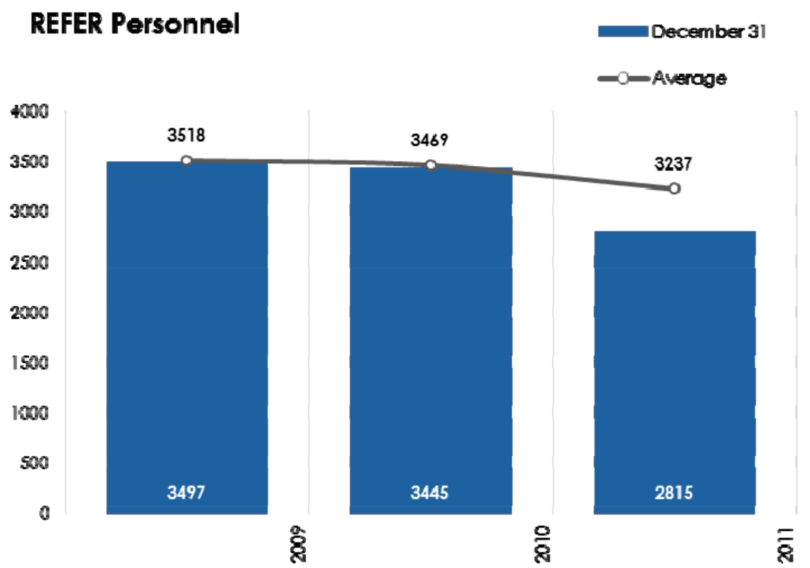
Human Resources

A. Personnel and Wage Policy

The workforce reduction trend was maintained in 2011, although at a much faster rate than in the last three years.

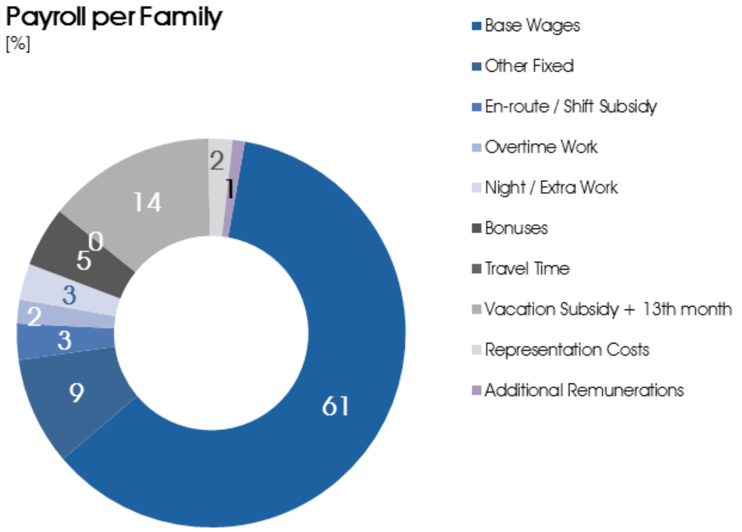
In December 2011, the company had 2,815 persons on the payroll, after 645 workers had left the company, only 30 new employees had been hired and 14 employees had been assigned to other companies. As such, the company reduced its personnel by 630 employees during the year.

On average, the company had 3,237 employees, 6.7% less than in 2010.



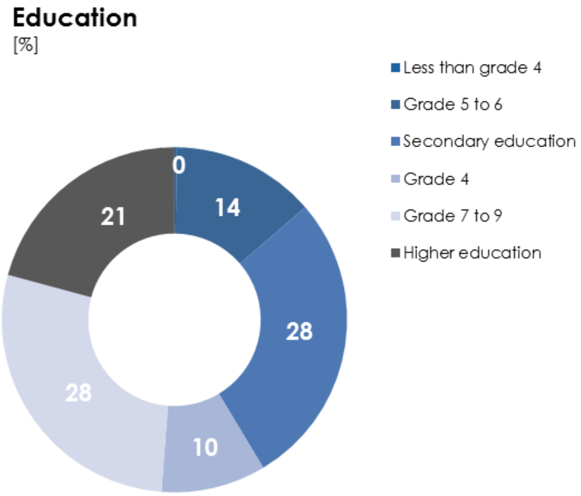
Total payroll decreased from 81.5 to 73.2 million euros (a 10.2% decrease). The sharp change in this item originated in, not only the strong reduction in personnel, but also in wage reductions stipulated in the State Budget in 2011 and in the fact that promotions stipulated in Career Regulations were halted.

The payroll structure continues to reflect the high percentage of fixed components (89%), as is common at companies similar to REFER.



In December, the average employee age reached 45.4 years and the average employee seniority was of 19.7 years. These values are less than those in the previous year by about 1.4 years, thus revealing the significant impact by the outgoing personnel on REFER's personnel structure.

The number of better qualified employees continued to increase as opposed to a reduction in less qualified employees, and the education level also increased. At the end of the year employees with higher education represented over 20% of the company's total personnel (19% in 2010).



B. Enhancement of the Human Potential

Training provided to REFER personnel during 2011 was, in particular, part of the "Technical-Railway Training Strategy for the 2011-2013 three-year period." This training is meant to ensure effective transmission of specific know-how in the railway sector and to guarantee a better alignment between expertise held by the company's personnel and the proposed strategic objectives.

In light of the context of financial restraints to which the company is subject, a significant effort was made to internalise the training effort provided to personnel. This orientation enabled REFER to reduce the training budget from 950,000 euros in 2010 to 492,000 euros in 2011. Nevertheless, the company still managed to hold 1,349 training actions involving 5,098 participations, for a total of 90,952 training hours.

The respective training covered various areas across the whole organisation. For their importance and number of participants, emphasis goes to training actions related with Job Openings and Internal Selection Procedures (IET77) and Technical Railway Training (track, catenary and signalling).

C. Recruitment and Mobility

Restrictions imposed by the 2011 State Budget significantly limited internal mobility processes at REFER, insofar as the said restrictions inhibited personnel from performing acts susceptible of increasing their wages.

However, the intense reduction of personnel in the previous year required various changes in positions to ensure the continuity of work in areas that were left with insufficient employees.

As for the main mobility processes held in 2011, the following are highlighted:

- REFER incorporated the personnel from the High Speed Network company called Rede da Alta Velocidade - RAVE, S.A.;
- REFER assigned personnel to the recently founded REFER Património, S.A., consequent to the merger of CP Com, S.A. with Invesfer, S.A.;
- The processes leading to the functional reorientation of 60 employees from the Construction Coordination Department.

The various job reconversion processes during the year were also important. Within this context, emphasis goes to the processes covering positions requiring lower qualifications (gate control, cleaning, etc.) that made it possible to apply internal resources and capacities, and also the commitment to employees who changed their specialisation, which required a substantial effort of individual training.

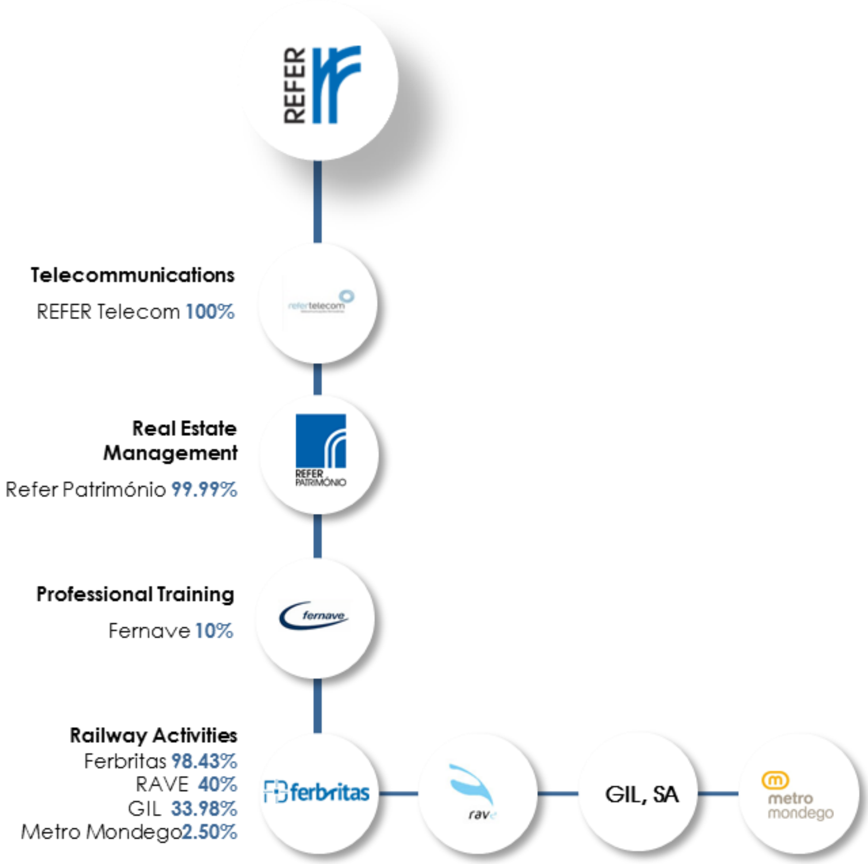
D. Work and Labour Relations

The vast majority of company employees (66%) are represented by 22 labour unions which have signed the Company Agreement currently in force. In 2011, emphasis goes to maintaining the clauses of the Company Agreement signed with the railroad sector unions regarding working overtime. Consequently overtime will now be less expensive for the company than as stipulated in the Public Service Work Contract Regime.

Despite the high percentage of workers belonging to a labour union and the high number of unions representing them, the company has maintained good relations with all worker representation entities and with the Workers Committee. During 2011, there were no labour relation conflicts or problems worth noting.

Shareholdings

REFER has shareholdings in a number of companies that were created to restructure the railway sector, even before REFER was founded, and that, due to their activities, complement railway infrastructure management activities.



Affiliated Companies and Main Activities

REFER TELECOM – Serviços de Telecomunicações, S.A.

REFER Telecom is a Telecommunications Operator licensed by ANACOM. REFER Telecom manages, supervises and maintains railway telecommunications networks and systems. It is also responsible for installing and managing telecommunications, which are essential for rail transport. It has a national coverage network and uses an optical fibre backbone extending for more than 2,800 kilometres, allowing it operate in the country's main district capitals and urban centres. Various connectivity services are supported on this network.

The company's mission is to "effectively manage the telecommunications infrastructure concession issued by the shareholder, guaranteeing excellent services and optimising all resources through a specialised offer to the rest of the market."

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

REFER PATRIMÓNIO has the strategic mission of ensuring the efficient utilisation, enhancement and return according to the objectives of the railroad infrastructure management objectives.

Its strategic vision implies a policy of integrated management under the sole command of the Board of Directors of REFER Património for the whole real estate activity.

It abides by the following values:

- Oriented toward results – lays out plans, by defining objectives, to attain results that meet expectations and are sustainable on the long term;
- Added value for the client – knows and understands REFER's needs, innovates and applies all possible means to create value for the shareholder;
- Leadership with vision and strategy – is led by persons with a vision of the future, who act as examples through their values and ethics;

- Process-based management – its management is based on a number of identified processes which are characterised and aligned;

- Supported by individual expertise – values its personnel and holds them accountable for their performance in achieving the organisation's results.

FERBRITAS - Empreendimentos Industriais e Comerciais, S.A

Ferbritas S.A. is a service rendering company specialised in transport engineering and is focussed, in particular, on all segments and specialisations in the light and heavy railway sector.

The company was founded in 1976, and for many years has been the only Portuguese service rendering company that, in the areas in which it operates, places its own specialised and proven personnel at the service of its clients acting in all required railway engineering fields, including the design, management and inspection of undertakings, among other tasks.

RAVE, Rede Ferroviária de Alta Velocidade, SA

RAVE, Rede Ferroviária de Alta Velocidade, SA, is a Portuguese company that develops and coordinates works and studies necessary for decisions to plan, build, finance, supply and operate a high-speed rail network to be installed in mainland Portugal and the link to its counterpart Spanish network. This company is in the termination stage by incorporation into REFER.

2011 Indicators

2011 Indicators

(Euros)

Associates	December 2011						
	Ferbritas	Refer Património	Refer Telecom	RAVE	G.I.L.	Metro Mondego	Fernave
Equity Holding	**98,43%**	**99,99%**	**100,00%**	**40,00%**	**33,98%**	**2,50%**	**10,00%**
Non current assets	5 782 631	5 821721	19 245 305	121 123 253	72 776 381	31942 948	3 940 009
Current assets	11 813 020	21689 307	23 765 430	6 402 515	4 703 233	2 766 932	574 367
Total assets	17 595 651	27 511027	43 010 735	127 525 768	77 479 614	34 709 880	4 514 376
Equity	11 016 492	12 387 128	25 680 685	2 686 169	- 9 690 342	24 129 325	- 2 924 614
Net results	2 574 837	622 430	3 235 606	- 165 308	- 874 806	- 29 916	- 1329 501
Liabilities	6 579 160	15 123 899	17 330 051	124 839 599	87 169 956	10 580 555	7 438 991
Operating revenues	15 067 520	11036 035	24 154 172	27 429	5 006 940	794 163	1846 817
Operating expenses	11331694	10 999 368	19 577 682	1950 362	4 092 848	789 176	2 867 205
Number of employees	147	65	166	0	6	19	n.a.
Turnover / no. of employees	102 248	163 050	144 634	n.a.	520 157	0	
Cost to Income Coverage	133%	100%	123%	1%	122%	101%	64%
Gearing	95%	45%	60%	2%	-13%	70%	-65%

Results and Capital Structure

Results

Operating Results

One of REFER's goals for 2011 was to achieve economic and financial sustainability by way of greater efficiency and cut down in costs.

In 2011 REFER's operating results improved by approximately 19 million Euros (-18%) as against 2010.

Operating profit/(loss)

[10^6 euros]

	2010 (2)	2011 (1)	% Change (1)/(2)
Operating Revenues	**186,8**	**181,4**	**-3%**
Sales and services	137,0	130,7	-5%
Subsidies	35,9	36,0	0%
Other income	14,0	14,7	5%
Operating expenses	**-295,5**	**-270,8**	**-8%**
Cost of Goods Sold	-38,8	-34,9	-10%
Supplies and Services	-123,9	-98,2	-21%
Personnel expenses	-117,0	-124,7	7%
Depreciation and amortisation for the year	-4,4	-3,6	-18%
Provisions for other risks and charges	-3,7	-0,7	-82%
Adjustments of inventories and accounts receivable	-5,3	-4,6	-14%
Other expenses	-2,3	-4,1	81%
Operating profit/(loss)	**-108,7**	**-89,4**	**-18%**

Those items contributing the most to this change in relation to 2010 were:

- **Supplies and services,** which fell by 26 million Euros (-21%) on the back of various factors, such as the renegotiation of existing railway tracks and signing maintenance contracts and the internalisation of some maintenance works. Paragraph 1 of art. 22 of Law 55-A/2010, dated 31 December approving the State Budget for 2011 which requires a price reduction of 10% was applied to all renewed contracts.

- **Provisions for risks and charges** , which fell by 3 million Euros (-82%) as the restructuring provision included therein in 2010 was fully used in 2011 and not offset.

- **Cost of material usage** fell by 3.9 million Euros due to the re-planning of maintenance works.

On the other hand, operating income decreased by 5.4 million Euros (-3%), as result of a 5% drop in Sales and Services (- 6.2 million Euros as against 2010). The usage charge dropped by 5% mainly due to a decrease in passenger trains traffic volume.

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

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

Expenses with Infrastructure Management and Expenditure	2009	2010	2011
Supplies and services	115.601	123.921	98.250
Personnel expenses (excluding severance pa	114.765	113.700	97.898
	230.365	237.621	196.147
Change (SS+Personnel) as against 2009			-15%
Change (SS+Personnel) as against 2010			-17%

Net Results

Despite the improvement in Operating Results, Net Results for 2011 worsened by 12 million Euros, as result of a deterioration of financial results (+31 million Euros). This deterioration stemmed from an increase in debt on par with the financial markets turmoil experienced throughout the year, which led to successive rises in short term yield spreads. Additionally, State loans with fixed interest rates of 4.8% to 6.5% triggered interest expenses.

Net profit/(loss)

[10^6 euros]

	2010 (2)	2011 (1)	% Change (1)/(2)
Operating Revenues	186,8	181,4	-3%
Operating expenses	-295,8	-271,2	-8%
Operating profit/(loss)	**-109,0**	**-89,8**	**-18%**
Financial Result	**-41,4**	**-72,3**	**74%**
Net profit/(loss)	**-150,4**	**-162,1**	**8%**

Continued business deficit combined with restrained access to financial markets resulted in the Company having to borrow directly from the State.

CASH FLOW STATEMENT

[10^6 euros]

	31.12.2011	31.12.2010
Operating Deficit	- 190	- 104
Investment Deficit	- 190	- 201
Financial Costs	- 236	- 188
Total Needs	**- 616**	**- 493**
Short Term Debt	144	1328
Medium and Long Term Ddebt	4 344	4 698
State	2 063	-
Total Debt	**6 551**	**6 026**

Capital Structure

In 2011 REFER addressed a binding information request to the Tax Authorities (AT) concerning the tax framework applicable of Long Term Investment Activity (LTIA) viewing to validate transitional tax adjustments stemming from the regime established in article 5 of Decree-Law 159/2009, of 13 July, which adjusts the Corporate Income Tax Code to the international accounting standards adopted by the European Union and the National Accounting Standardisation System (SNC) no. 158/2009 of 13 July.

Following this request, the TA decided to address a clarification request to the Securities Market Commission (CMVM) on the accounting treatment given by REFER to this activity.

The Securities Commission (CMVM) answered already in 2012, saying that the concession awarded to REFER for the operation of public railway infrastructures should be accounted for under the terms of IFRIC 12 – Service Concession Arrangements, despite the fact that there is no official concession and that REFER, EPE should be deemed as a private company, although it is 100% owned by the State.

This opinion, which was accepted by the Official Auditor, implied a significant change in the company's reporting of accounts.

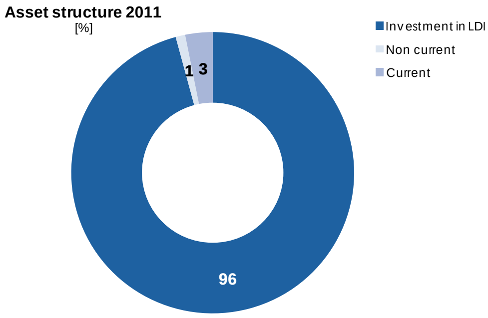
Following this change, the **Statement of Financial Position** now shows the assets and liabilities allocated to each of the activities (long term investment and infrastructure management), according to IAS 1 – Presentation of Financial Statements.

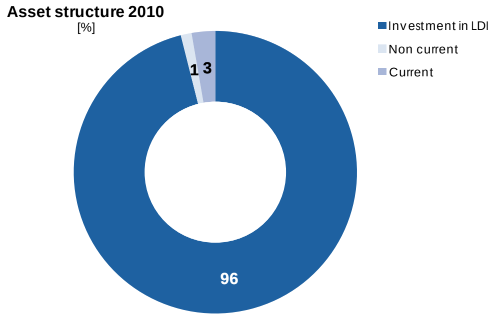
In what concerns the **Statement of Comprehensive Income**, the structure remained unchanged but significant impacts have occurred in respective captions since until now, LTIs were valued according to IAS16, IAS20 and IAS23, whereby costs incurred with these investments were directly allocated to LTIA; presently, according to IFRIC 12, there is now a financial asset on which to reflect all costs incurred with this activity will and which are to be borne by REFER and subsequently charged to the concession grantor.

Despite a considerable rise in the size of the amounts reported, the result will not change since the increase in borne costs is followed by a revenue charged to the concession grantor.

Assets

REFER's capital structure remains, in relative terms, similar to 2010's, i.e., the activity with the largest weight on the global value of the assets continues to be Investments in Long Term Infrastructures (LTIA), accounting for 96% of the total in 2010 as in 2011.





However, the caption which recorded the most significant change in relative terms, was Current Assets allocated to Railway Infrastructure Management Activity, which rose by 34 million Euros (+27%) over 2010. This change derived from an increase in caption Clients, Current Account (+ 37 million Euros), mainly due to the rise in the balance of client CP - Comboios de Portugal (+ 23 million Euros), a change in the fair value of financial derivative instruments (- 15 million Euros) and an increase in cash balance (+ 11 million Euros).

Management of Railway Infrastructure - Current Assets	31.12.2011	31.12.2010	2011/2010
Derivative financial instruments	15	30	- 15
Inventories	14	14	0
Suppliers and other accounts payable	118	78	40
Clients c/a	69	32	37
Government and other public bodies	3	6	- 4
Other accounts receivable	39	37	2
Accrued income	6	1	5
Expenses to recognise	1	1	0
Income tax refund	1	3	- 2
Cash and cash equivalents	11	0	11
Total current assets	**159**	**125**	**34**

In what concerns current assets allocated to Investments in Long Term Infrastructures, they rose by 382 million Euros over 2010. This change results from the combined effect of the following changes:

Activity in Long Term Infrastructure investments - Current Assets	31.12.2011	31.12.2010	2011/2010
Grantor .- State - Account Receivable	4 828	4 425	404
Assets under Concession (LDI)	8 310	7 970	340
Subsidies	- 3 897	- 3 836	- 61
Return on assets	- 3	- 3	0
Charged Interest	723	599	124
Impairments	- 305	- 305	0
Inventories	16	31	- 15
Clients and other accounts receivable	9	16	- 7
Total current liabilities	**9 241**	**8 559**	**683**

Equity

On 29 December 2011 the State Secretary for the Treasury and Finance and the State Secretary for Public Works, Communications and Transports signed a Joint Dispatch determining the share capital increase of REFER by 125 million Euros. The capital increase was carried out via partial conversion of the State loan to the company. The statutory capital rose from 305 200 000 Euros to 430 200 000 Euros.

Liabilities

Current liabilities allocated to the Railway Infrastructure Management Activity decreased by 393 million Euros in relation to 2010.

Caption Borrowings recorded the most significant change (-359 million Euros), due to conversion of short term debt into medium / long term debt.

Management of Railway Infrastructure - Current Liabilities	31.12.2011	31.12.2010	2011/2010
Loans obtained	143	502	- 359
Derivative financial instruments	79	89	- 10
Suppliers and other accounts payable	90	113	- 23
Advances to be forwarded to Sales	18	18	0
Trade payables c/a	25	50	- 25
Shareholders (Group companies	21	17	4
Government and other public bodies	5	4	1
Other creditors	3	5	- 2
Accrued expenses	17	18	- 1
Income to recognise	1	1	0
Total current liabilities	**311**	**704**	**- 393**

Financial Debt Management

With the stepping up of the sovereign debt crisis in 2010 and the bailouts of Greece and Ireland by the European Union (EU) and the International Monetary Fund (IMF), foreign investors gained risk aversion to Portugal, motivated by the public deficit and unsustainability of government borrowing requirements. Although the State Budget for 2011 included measures to reduce expenditure and increase revenues, the absence of structural reforms to boost economic growth in the medium term implied a perception of increased credit risk translated in a considerable rise in Treasury Bonds yields, particularly for shorter maturities.

International rating agencies, which were keeping Portugal's long term credit rating on negative watch since the end of 2010, pointed as likely the country's recourse to the Financial Stabilisaty Facility (EFSF).

Pressure on the Portuguese secondary public debt market also hampered the access of Portuguese banks to the capital market, which had to turn to the European Central Bank (ECB) for loans against eligible assets.

On the other hand, the state-owned corporate sector (SCS), particularly public transport companies, which were being financed through bank loans since 2010 faced the turning off of this funding source. As a matter of fact, banks which were strongly exposed to this sector, started a deleveraging process which finally affected the borrowing requirements of the State itself.

Against such background, the Government announced new austerity measures (PEC IV) viewing the ensure Brussels' support and win back financial markets confidence. This announcement, which was interpreted by remaining political forces as the country's financial situation being more serious than it had been disclosed by government officials, triggered a political crisis that culminated with the Parliament's refusal of PEC IV and the dismissal of the Government on 23 March[3].

Following these events, international rating agencies significantly downgraded Portugal's credit rating to close to non-investment grade. The pressure on Portugal's sovereign debt yields was particularly strong with 5-year debt being trade at unbearable levels of 10% on 6 April 2011. On that same day, the outgoing prime-minister announced to the country the Government's formal request for financial assistance to the European Union.

Until the beginning of May, the outgoing government and the main opposition parties negotiated with the IMF/EU/ECB the terms and conditions of the Memorandum of Understanding, which was approved by the Finance Ministers of the Euro Zone and the

---

[3] It should be noted that at the end of March, within the scope of the Excessive Deficits Procedure, the National Statistics Institute disclosed the impact on the State's borrowing needs and resulting public debt for 2010 of the reclassification of transport companies (REFER, EPE, Metro de Lisboa and Metro do Porto) in the consolidation scope. These indicators stood at -9.1% and 93% of GDP, respectively.

European Union on May 16 and by the IMF on May 20. The first tranche was made available still in May.

A new Government took office following the parliamentary elections of June 5. This Government immediately started to implement the measures laid down in the Memorandum of Understanding, which defined strict reporting and monitoring schedules.

Meanwhile, the IGCP (the entity which manages public financing and debt) adjusted its line of action to the market situation, resorting mainly to treasury bills (TBs) auctions for funding. As result, the financing risk decreased and the cost of debt somewhat softened.

The second-half of the year saw the stepping up of the banking deleveraging process, which was inevitable to comply with the goals imposed to this sector. Indeed, the tightening up of lending to companies led to critical treasury situations, resulting in the deterioration of the country's economic environment, spurring bankruptcies and unemployment. In addition, income tax rises and cuts in Civil Service wages led to a decrease in household disposable income. Such facts, combined with a rise in VAT contributed to a weakening in private consumption, aggravating the decline in economic activity.

It was against this extremely adverse background that REFER managed its financial debt and treasury, having been successful to prevent any default situation.

REFER had been alerting the shareholder since August 2010 to the risks associated to the funding of treasury needs for end of 2010 and 2011, particularly the repayment of principal in the amount of 300 million Euros relating to the Schuldschein ABN loan, which was due in April.

Since the last bond issue carried out in October 2009, REFER accommodated its borrowing needs by means of short term credit lines contracted with banks. As a matter of fact and despite the existing opportunities of medium and long term financing in 2010, the Ministerial approval requested in May 2010 took too long to arrive, preventing any refinancing of short term debt.

At the beginning of 2011, REFER obtained approval from the company's supervising ministries to carry out capital market and bank credit operations with explicit guarantee from the Portuguese State for a global amount of 700 million Euros. However, although the company was totally prepared to immediately close a capital market operation guaranteed by the State, the hastening of events affecting sovereign debt drove away any chance of success in placing REFER's bond issue.

As result, short term lines were practically worn out at the beginning of the year, wherefore REFER had to resort to the 500 million Euros back-up line to continue meeting its borrowing needs and, from time to time, to non-committed commercial paper issues.

Still in the first quarter, REFER and the Directorate-General of the Treasury (DGTF) made joint efforts to obtain additional bank financing. The high risk aversion level to Portugal, on par with the uncertain outcome of the European Summit at the end of March made any financial dealing impossible.

REFER thus ended the first quarter of the year knowing that a new phase was about to begin, namely as concerns the company's financing model. It would now have to be the shareholder that had to provide the means to repay the Schuldschein ABN loan but also finance the company's treasury needs.

Thus, on April 7, REFER received the first loan from the State in the amount of 260,7 million Euros, which secured the timely debt service of this medium/long term loan.

From April onwards, REFER started reporting to DGTF on a regular basis, its treasury needs for the rest of the year. Although treasury needs deriving from operational activities remained stable, the needs associated to debt repayments gradually increased as banks started notifying REFER that they would not renew short term lines.

As from July, the Government started negotiations with the domestic and foreign banking sector viewing to secure an orderly and integrated deleveraging process which would safeguard the interests of all stakeholders.

During the Summer months, REFER was able to renew its 500 million Euros back-up line for an additional period of 3 months. Banks understood that giving more time to State corporations would allow the Government to find solutions which would also help banks to meet their goals.

Note that 75% of debt repayments were carried out in the last quarter of the year, which means that 75% of State loans were disbursed by that period, in a total amount of 2 164 million Euros. An amount of EUR 125 million of this total was converted into statutory capital, which was thus raised to 430.2 million Euros. The remaining amount was converted into a medium/long term loan due in 2016 and repayable in 8 half-year instalments starting in 2013.

Evolution of Financial Debt

At the beginning of 2011, the Company had available a back-up line in the amount of EUR 500 million and approximately EUR 40 million in short-term lines. This liquidity was fully used.

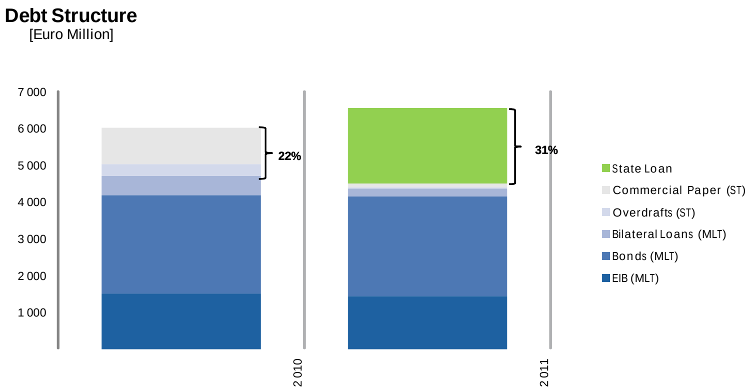
During the year, REFER financial debt increased by EUR 525 million. This effect resulted from the deficit of investment and infrastructure management activities funding (approximately 55% of the total) and financial expenses deriving from the existing stock of debt.

Debt repayments carried out during the year amounted to 2 072 million Euros, including EUR 354 million of medium/long term loans, the back-up line in the amount of EUR 500 million and the remaining in short-term credit lines.

The medium/long term loans were secured by the Portuguese State. Since the repayments were made through State funding, the explicit guaranteed debt/total debt ratio moved from 55% in 2010 down to 45% in 2011.

The reconversion of the State loans into a medium/long term loan at the end of the year permitted to better adjust the debt structure to the nature of the assets and reduce the risk of borrowing requirements in the short term.

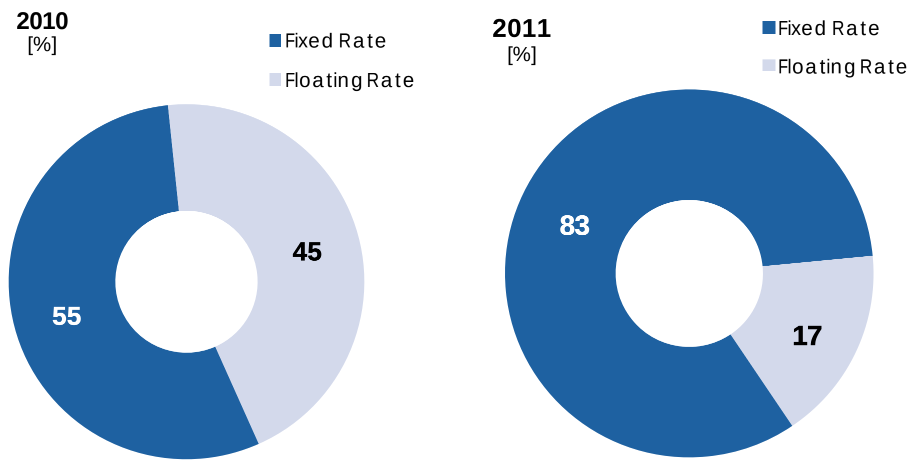
REFER debt structure as at 31 December 2011 was made up as follows:



As shown in table above, the relative weight of bank overdrafts and commercial paper which at the end of 2010 accounted for approximately 22% of total debt and fully met borrowing needs for the year, fell in 2011 to slightly more than 2%, i.e. to approximately 145 million Euros. It was thanks to the State's support, namely in the form of loans, that REFER was able to continue operating and meeting the huge debt repayments due during the year. At the end of the year, these loans were converted into a single medium/long term loan, which accounted for 31% of total financial debt.

While working to obtain an adequate debt structure, REFER has also sought to reduce respective financial expenses. To this end, decisions over the choice of interest rate regime for medium- and long-term debt, interest rate risk management activities (Hedging) and negotiation with financial intermediaries with a view to minimising credit spreads, are particularly important.

Given the banking sector reducing exposure to the state-corporate sector, the negotiation margin with banks narrowed considerably in 2011. The replacement of short-term bank debt - typically at floating rate, by a medium/long term State loan at fixed rate resulted in the following breakdown in terms of interest rate regime:



In what concerns the management of financial risks, State corporations also saw their autonomy restrained. As a matter of fact, as from June 2011, the Secretariat of State for the Treasury and Finance (SETF) established that any operation with financial risk management instruments would require prior approval from the competent Ministry. It was already within this context and in the light of its risk management policy that REFER obtained SETF approval for the unwind of three interest rate swaps, resulting in a cash inflow of approximately 22 million Euros.

Financial Results

Financial results are analysed from the point of view of Global Financial Results which is based on the Statement of Comprehensive Income and ignores 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:

Financial Performance

[10^6 euros]

	Effective		Deviation
	2011	2010	
Capital Expenditure	**-179,3**	**-140,9**	**-38,4**
Financial gains			
Financial losses	-179,3	-140,9	38,4
Infrastructure Management	**76,9**	**48,2**	**-28,8**
Financial gains	0,5	0,1	-0,4
Financial losses	-84,0	-52,0	32,0
Gains/Losses on associates	7,6	-3,9	-11,5
Hedging Activity	**3,7**	**14,4**	**-10,8**
Interest earned on derivatives	83,3	91,6	8,3
Interest paid on derivatives	-75,5	-90,4	-15,0
Change in the fair value of derivatives - Gains	21,9	44,7	22,8
Change in the fair value of derivatives - Losses	-26,1	-31,4	-5,3
Overall Financial Result	**-251,5**	**-182,4**	**-69,2**
Value attributed - grantor State	179,3	140,9	38,4
Overall Financial Result (Statement of Comprehensive Income	**-72,3**	**-41,4**	**-30,8**

In 2011, Global Financial Result stood at -251.5 million Euros, corresponding to a deterioration by 69.2 million Euros as against 2010. Items contributing the most to this performance were Financial Losses associated to Investment and Infrastructure Management Activities. As a matter of fact, consecutive rises in short term credit spreads and State loans at fixed rates of 4.8% to 6.5% triggered interest expense.

On the other hand, Hedging activity contributed positively (by 3.7 million Euros) to Global Financial Result. If we only consider the cash component, this effect is of 8 million Euros, which compares with 1.2 million Euros in 2010. The maintenance of short-term Euro interest rates at historically low levels, which are the benchmark rates for most part of swap receiving legs, was offset by the unwinding of four swap operations during the year, resulting in a cash inflow of approximately 23 million Euros. It is also worth noting the relative stability of the fair value of the derivatives portfolio translated in slight changes in fair value. As against the portfolio's notional value, these changes were of -0.2% in 2011 and 0.5% in 2010.

We further point out the cash inflow by 7.2 million Euros from the distribution of dividends of subsidiary REFER Telecom and the free reserves of subsidiary FERBRITAS.

The following table shows the evolution of the annual average interest rate for the 2007-2011 period:

Annual average financing rate

	2011	2010	2009	2008	2007
Average rate except hedging	**4,165%**	**3,385%**	**3,525%**	**4,836%**	**4,427%**
MLT	3,807%	3,542%	3,682%	4,790%	4,399%
ST(*)	4,991%	2,580%	2,668%	5,029%	4,800%
Average rate including hedging	**4,143%**	**3,469%**	**3,330%**	**4,234%**	**4,095%**
MLT	3,775%	3,644%	3,451%	4,042%	4,043%
ST(*)	4,991%	2,580%	2,668%	5,029%	4,800%
Average 6-month Euribor	**1,638%**	**1,084%**	**1,429%**	**4,727%**	**4,352%**

(*) including financial expenses from State Loans

We can see the significant increase in the average financing rate from 2010 to 2011. This change was not higher because about 75% of total debt repayments financed by State loans only occurred from September to December, thus easing annual financial expenditure.

Finally, mention should be made to the long term credit rating given by Moody's and Standard & Poor's (S&P) to REFER. These rating agencies have consistently followed the liquidity position of REFER and the State's capacity to support the company, which contributed to the changes shown in table below, reflecting, most of the times, the downgrading occurred in the long term credit rating of the Portuguese Republic.

On March 4, S&P rated REFER's long-term credit rating as non-investment grade and on April 6, Moody's followed suit.

The rating of bond issues, which are covered by State guarantee, remained tied to Portugal's credit rating.

REFER rating

REFER EPE	Moody's			S & P		
	Guaranteed Issues	Non Guaranteed Issues	Outlook	Guaranteed Issues	Non Guaranteed Issues	Outlook
	Rating	Rating		Rating	Rating	
03-Dez-10				A-	BBB	Watch negative
22-Dez-10	A1	A1	*Review for downgrade*			
04-Mar-11				A-	BB	*Watch negative*
18-Mar-11	A3	Baa2	*Negative*			
31-Mar-11				BBB-	B	*Watch negative*
06-Abr-11	Baa1	Ba2	*Review for downgrade*			
06-Jul-11	Ba2	B1	*Negative*			
08-Ago-11				BBB-	B-	*Developing*
07-Set-11	Ba2	B2	*Negative*			
08-Dez-11				BBB-	B-	*Watch negative*
20-Jan-12				BB	CCC+	*Negative*
16-Fev-12	Ba3	B2	*Negative*			

Outlook

Following the guidelines laid down in the Growth and Stability Plan, REFER reduced its investment plan for 2012 by approximately 70%. Additionally, in line with the work developed in 2010 and 2011, it will be possible to continue cutting down operating expenses by approximately 21%, reducing the operating deficit by 83%.

However, despite the considerable cuts in investment and operating costs, in the face of the amounts registered in Chapter 50 of the State Budget and Compensatory Payments, the Company should continue to have considerable borrowing requirements, which means that as REFER's sole shareholder, the State's role will be crucial to ensure the financial conditions to enable the company to continue providing public railway services.

Finally, we must point out the support which we have always received from the competent authorities, the dedication and commitment of employees and the support of remaining entities that worked with REFER throughout the year, providing the conditions necessary for a viable future.

Appropriation of results

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

Under the terms of provisions in force, it is hereby proposed to transfer the Net Loss for the year – 162 072 948 Euros – to Cumulative Results.

Lisbon, 31 May 2012

The Board of Directors

Chairman	Engº Luís Filipe Melo e Sousa Pardal
Member	Dr. Romeu Costa Reis
Member	Engº Alberto Castanho Ribeiro
Member	Engº Carlos Alberto Fernandes

PART II

NOTES TO THE FINANCIAL STATEMENTS

II Notes to the Financial Statements

This report refers to the company Rede Ferroviária Nacional – REFER, E.P.E. (REFER). Economic, social and environmental data presented in this report relate to the company's operations in 2011

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

Rede Ferroviária Nacional – REFER, E.P.E.
Estação de Santa Apolónia
1100-105 Lisboa
Website: www.refer.pt
Share capital: 430,200,000 Euros
Tax no: 503 933 813

Conteúdo

Statement of Compliance

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

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

"I hereby declare, under the terms and for the purposes of provisions in Article 245, no. 1, sub paragraph c) of the Securities Code, that to the best of my knowledge, within the scope of the duties assigned to me and based on the information supplied to the Board of Directors, the financial statements were prepared in compliance with the applicable accounting standards and give a true and appropriate view of the assets and liabilities, the financial situation and the results of REFER, E.P.E. and the management report relating to the company activity in 2011 faithfully describes the material events that occurred in this period and the impact on the respective financial statements, in addition to describing main risks and uncertainties for the forthcoming year."

The Board of Directors

Chairman	Engº Luís Filipe Melo e Sousa Pardal
Member	Dr. Romeu Costa Reis
Member	Engº Alberto Castanho Ribeiro
Member	Engº Carlos Alberto Fernandes

Financial Statements at 31 December 2011

STATEMENT OF FINANCIAL POSITION

31 December 2011

Amounts in Euro

Headings	Notes	2011	2010 (Restated)	01-jan-2010 (Restated)
Assets				
Management of Railway Infrastructure		**214 931 690**	**183 269 342**	**191 945 013**
Non current				
Tangible fixed assets	5.1	37 858 141	40 205 657	42 250 040
Intangible assets	5.2.	1944 664	2 258 601	3 141735
Investments in subsidiaries	5.3.	15 972 554	15 371043	19 286 631
Investments in associates	5.4.	0	0	1000 000
Available-for-sale financial assets	5.6.	31875	31875	31875
Loans and accounts receivable	5.7.	0	0	2 497 861
		55 807 234	57 867 176	68 208 143
Current				
Derivative financial instruments	5.9.	15 399 540	29 949 075	26 947 070
Inventories	5.8.	14 277 532	14 492 397	14 418 050
Clients and other accounts receivable	5.10.	117 818 020	77 726 398	80 272 077
Income tax refund	5.15.	700 000	3 070 977	1463 884
Cash and cash equivalents	5.11.	10 929 364	163 319	635 789
		159 124 456	125 402 166	123 736 870
Activity in long term Infrastructure investments	4.	**4 853 055 343**	**4 470 785 057**	**4 110 727 486**
Current				
Grantor .- State - Account Receivable	4.1	4 828 333 834	4 424 558 234	4 059 554 636
Inventories	4.2	15 924 857	30 574 300	27 880 116
Clients and other accounts receivable	4.3	8 796 652	15 652 522	23 292 734
		4 853 055 343	4 470 785 057	4 110 727 486
Total assets		**5 067 987 033**	**4 654 054 399**	**4 302 672 499**
Equity				
Capital and reserves attributable to shareholders				
Share capital		430 200 000	305 200 000	305 200 000
Cumulative results		-2 060 270 975	-1909 852 799	-1789 324 203
		-1630 070 975	-1604 652 799	-1484 124 203
Net profit/(loss) for the year attributable to shareholders		- 162 072 948	- 150 418 176	- 120 528 596
Total equity		**-1 792 143 923**	**-1 755 070 975**	**-1 604 652 799**
Liabilities				
Management of Railway Infrastructure		**1 892 817 049**	**1 813 556 520**	**1 706 170 907**
Non current				
Borrowings	5.12.	1569 094 901	1094 282 418	1093 660 099
Provisions	5.14.	12 070 326	15 377 091	11 702 371
		1581 165 226	1109 659 508	1105 362 470
Current				
Borrowings	5.12.	142 651608	501949 305	380 830 968
Derivative financial instruments	5.9.	78 943 804	89 282 049	99 504 050
Suppliers and other accounts payable	5.13.	89 749 470	112 665 658	120 473 420
Income tax payable	5.15.	306 941	0	0
		311651823	703 897 012	600 808 437
Activity in long term Infrastructure investments	4.	**4 967 313 907**	**4 595 568 854**	**4 201 154 391**
Non current				
Borrowings	4.4	4 565 956 695	3 239 387 766	3 593 110 614
		4 565 956 695	3 239 387 766	3 593 110 614
Current				
Borrowings	4.4	262 377 139	1185 170 468	466 444 022
Suppliers and other accounts payable	4.5	138 980 073	171 010 620	141599 755
		401357 212	1356 181088	608 043 777
Total Liabilities		**6 860 130 956**	**6 409 125 374**	**5 907 325 298**
Total equity and liabilities		**5 067 987 033**	**4 654 054 399**	**4 302 672 499**

To be read jointly with the Notes to the Financial Statements
31 May 2012

The Board of Directors

Financial Manager	**Chairman**	Eng.º Luís Filipe Melo e Sousa Pardal
Dr. Alberto Manuel Diogo		
	Member	Dr. Romeu Costa Reis
The Official Accountant	**Member**	Eng.º Alberto Castanho Ribeiro
Dra. Isabel Rasteiro Lopes		
	Member	Eng.º Carlos Alberto Fernandes

STATEMENT OF COMPREHENSIVE INCOME

31 December 2011

Amounts in Euro

Headings	Notes	2011	2010 (Restated)
Rendered Services	5.16.1.	130 731 415	136 968 780
Operating subsidies	5.16.2.	36 000 000	35 850 553
Cost of materials consumed		- 34 947 875	- 38 834 239
Supplies and services	5.17.	- 98 249 757	- 123 921 181
Personnel expenses	5.18.	- 124 673 646	- 117 038 518
Depreciation and amortisation for the year	5.1/5.2.	- 3 617 424	- 4 415 667
Provisions	5.14.	- 667 628	- 3 674 720
Impairments	5.19.	- 4 566 144	- 5 316 860
Other expenses	5.20.	- 4 112 678	- 2 267 250
Other income	5.21.	14 671 314	13 957 008
Operating profit/(loss)		- 89 432 422	- 108 692 093
Financial losses	5.22.	- 310 610 450	- 268 822 247
Financial gains	5.22.	230 769 550	231 300 905
Gains/(losses) on subsidiaries and associates	5.23.	7 587 231	- 3 915 588
Profit before income tax		- 161 686 092	- 150 129 023
Tax for the year	5.24.2.	- 386 857	- 289 154
Net profit for the year		**- 162 072 948**	**- 150 418 176**

To be read jointly with the Notes to the Financial Statements

31 May 2012

The Board of Directors

Financial Manager
Dr. Alberto Manuel Diogo

Chairman Eng.º Luís Filipe Melo e Sousa Pardal

Member Dr. Romeu Costa Reis

The Official Accountant
Dra. Isabel Rasteiro Lopes

Member Eng.º Alberto Castanho Ribeiro

Member Eng.º Carlos Alberto Fernandes

NOTE:

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

Statement of Changes in Shareholders' Equity

31 December 2011

	Share capital	Cumulative results	Comprehensive Result	Total Equity
Balances at 01 January 2010	**305 200 000**	**-1 604 652 799**		**-1 299 452 799**
Restated (Note 2.11)		- 305 200 000		- 305 200 000
Restated balances at 01 January 2010	**305 200 000**	**-1 909 852 799**	**0**	**-1 604 652 799**
Restated (Note 2.11)			3 915 588	3 915 588
2010 Comprehensive Results			- 154 333 764	- 154 333 764
Balances at 31 December 2010	**305 200 000**	**-1 909 852 799**	**- 150 418 176**	**-1 755 070 975**
Appropriation of comprehensive result		- 150 418 176	150 418 176	0
Share capital increase (i)	125 000 000			125 000 000
2011 Comprehensive Results			- 162 072 948	- 162 072 948
Balances at 31 December 2011	**430 200 000**	**-2 060 270 975**	**- 162 072 948**	**-1 792 143 923**

(i) Under the terms of Ministerial Order issued jointly by the Secretary of State for the Treasury and Finances and the Secretary of State for Public Works, Transports and Communications on 29 December 2011, the statutory capital of REFER was increased by converting part of the State loan into capital (Notes 4.6 and 5.12), in the amount of 125 million Euros.

The Board of Directors

Financial Manager

Dr. Alberto Manuel Diogo

Chairman Eng.º Luís Filipe Melo e Sousa Pardal

Member Dr. Romeu Costa Reis

The Official Accountant

Dra. Isabel Rasteiro Lopes

Member Eng.º Alberto Castanho Ribeiro

Member Eng.º Carlos Alberto Fernandes

Cash Flow Statement

31 December 2011

Period ended at 31 December 2011

Amounts in Euro

Headings	Notes	2011	2010
Operating Activities			
Cash receipts from clients		45 336 854	82 389 862
Cash paid to suppliers		- 159 102 530	- 131 729 223
Cash paid to personnel		- 130 592 014	- 112 000 385
Flows generated by operations		- 244 357 691	- 161 339 746
Other receipts/payments relating to operating activities		54 179 908	55 964 843
Net cash from operating activities (1)		**- 190 177 782**	**- 105 374 903**
Investing activities			
Cash receipts relating to:			
Investment subsidies		64 073 817	127 299 006
Dividends	5.23	1 300 000	1 000 000
		65 373 817	128 299 006
Cash payments relating to:			
Tangible assets		257 960 187	328 148 380
		257 960 187	328 148 380
Net cash from investing activities (2)		**- 192 586 371**	**- 199 849 374**
Financing activities			
Cash receipts relating to:			
Borrowings		999 603 484	810 052 436
Interest		85 050 191	91 639 304
		1 084 653 674	901 691 740
Cash payments relating to:			
Borrowings		370 008 851	316 977 734
Interest and similar costs		321 114 624	279 962 199
		691 123 475	596 939 933
Net cash from financing activities (3)		**393 530 199**	**304 751 807**
Variation in cash and cash equivalents (4) = (1) + (2) + (3)		**10 766 046**	**- 472 470**
Cash and cash equivalents at the end of the year	5.11	10 929 364	163 319
Cash and cash equivalents at the beginning of the year	5.11	163 319	635 789
Variation in cash and cash equivalents		**10 766 046**	**- 472 470**

The Board of Directors

Chairman	Eng.º Luís Filipe Melo e Sousa Pardal
Member	Dr. Romeu Costa Reis
Member	Eng.º Alberto Castanho Ribeiro
Member	Eng.º Carlos Alberto Fernandes

Financial Manager

Dr. Alberto Manuel Diogo

The Official Accountant

Dra. Isabel Rasteiro Lopes

Notes to the Financial Statements

for the year ended as of 31 December 2011

1. REFER economic activity

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

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

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

1.1 REFER Missions

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

Long Term Investment (LTI)

This mission covers investments associated to:

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

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

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

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

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

1.2 Regulation of REFER's missions

User Fee Regulation

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

In what concerns user fees, under the terms of Decree-Law no. 270/2003 of 28 October, as amended by Decree-Law no. 231/2007 of 14 June, REFER shall establish and collect the fees due for using the infrastructure, viewing to finance the infrastructure management activity, respecting the rules defined in the aforementioned legal decree, as well as those provided in Regulation no. 21/2005, of 3 February, by the IMTT.

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

User Fees for Essential Services

a) Base Fees

Main services provided by the infrastructure manager include the following:

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

b) User Fee for Requested Capacity that is not Used

The amount owed for the capacity requested and not used corresponds to:

- 10% of the applicable user fee if the non-utilization is notified before the technical timetable takes effect for the year in which the capacity is distributed;

- 25% of the applicable user fee if the non-utilization is notified up to 12 weeks prior to the date for which the capacity was requested;

- 50% of the applicable user fee if the non-utilization is notified up to six weeks prior to the date for which the capacity was requested;

- 75% of the applicable user fee if the non-utilization is notified up to two weeks prior to the date for which the capacity was requested;

- 100% of the applicable user fee if the non-utilization is notified within less than two weeks prior to the date for which the capacity was requested;

User Fees for Additional Services

a) Traction Power

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

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

b) Manoeuvres

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

c) Parking of Rolling Stock

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

d) Use of Stations and Stops

REFER charges fees to rail transport companies for their right to use passenger stations and stops that are not included in the essential services.

The fee for this service is defined per station and is applied to the number of commercial stops made in the passenger service at that station.

User Fees for Auxiliary Services

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

Other Fees

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

2. Bases of presentation and accounting policies

2.1 Bases of presentation

The financial statements presented herein reflect the results of REFER's operations and its financial position for the years ending at 31 December of 2011 and 2010, constituting the Company's separate financial statements.

These financial statements were assessed by the Board of Directors at a meeting held on 31 May 2012, which decided to submit them to approval before the respective ministerial department. The Board of Directors is of the opinion that these financial statements give a true and fair view of REFER's operations, its financial position, performance and cash flows.

All amounts are expressed in Euros (€), without any rounding up or down, unless otherwise stated. REFER's financial statements were prepared according to the International Financial Reporting Standards (IFRS) as adopted by the European Union, and in force on 31 December 2011.

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

The financial statements presented herein were prepared according to the principle of historic cost, except for financial assets and liabilities recorded at fair value, in particular derivative financial instruments, which are recorded at respective market value, except for those for which the fair value is not possible to determine.

The preparation of financial statements in conformity with IFRS requires the application of judgement and the use of estimates and assumptions by the Company that affects the process of applying the accounting policies and the reported amounts of income, expenses, assets and liabilities. Estimates and related assumptions are based on historic experience and on other factors deemed applicable and form the basis for the judgements on the values of the assets and liabilities, the valuation of which could not be obtained through other sources. Issues requiring greater judgement detail or complexity, or for which the assumptions and estimates are considered significant, are presented in Note 2.3 .

2.1.1 Changes in accounting policies and restatements

REFER's separate accounts were subject to two restatements during the year, as result of the situations described hereinbelow:

1. **Restatements of REFER PATRIMÓNIO accounts** - REFER PATRIMÓNIO 2010 accounts were restated during the current year. These restatements affected its financial statements as shown below:

Amounts in Euro

REFER PATRIMÓNIO	Assets	Liabilities	Equity			Income for the period
			Other captions	Comprehensive Result	Total	
31 December 2010	**17 465 084**	**2 302 526**	**15 001 943**	**160 616**	**15 162 558**	**4 004 912**
Restatements	83 354	- 3 917 450	- 6 094	4 006 898	4 000 805	- 2 819 500
31 December 2010 (restated)	**17 381 730**	**6 219 976**	**15 008 036**	**- 3 846 283**	**11 161 754**	**6 824 412**

As result of these events, REFER restated its accounts in order to reduce the value of its interest in REFER PATRIMÓNIO, following the devaluation of this company's equity by 3,915,588 Euros as against Gains / (Losses) in Subsidiaries and Associates (Note 5.23).

2. **Change in the accounting policy relating to Investments in Long Term Infrastructures (LTI's)** - In 2011 REFER addressed to the Tax Authorities (TA) a binding information request on the tax framework of Long Term Investments Activity (LTIA), in order to validate the processing of transitional tax adjustments, deriving from the transitional regime established by Decree-Law 59/2009, dated 13 July. Following this request, the TA decided to address a clarification request to the Securities Market Commission (CMVM) on REFER's accounting of this activity.

The Securities Commission (CMVM) answered the request already in 2012, saying that the concession awarded to REFER for the operation of public railway infrastructures should be accounted for under the terms of IFRIC 12 – Service Concession Arrangements, despite the fact that there is no official concession, and REFER, EPE should be treated as a private company, although it is 100% owned by the State.

This opinion, which was accepted by the Official Auditor, implied a significant change in the company's reporting.

Following this change, the Statement of Financial Position now showed the assets and liabilities allocated to each of the activities (long term investment and infrastructure management), according to IAS 1 – Presentation of Financial Statements.

In what concerns the Statement of Comprehensive Income, the structure remained unchanged but significant impacts have occurred in respective captions since until now, LTIs were valued according to IAS16, IAS20 and IAS23, whereby costs incurred with these investments were directly allocated to LTIA; currently, according to IFRIC 12, there now exists a financial asset and costs incurred with this activity are borne by REFER and debited to the concession grantor. As result of the above, we see that although the size of the amounts reported increases considerably, the result will not change since the increase in borne costs is followed by a revenue debited to the concession grantor (Note 5.1.6.1).

In view of the above, the Financial Statements for this year were prepared based on the assumption that they will be restated retroactively, according to IAS 8 (§30 of IFRIC 12).

The impacts relating to the situations described hereinabove for the period ranging from 1 January 2010 to 31 December 2010 are shown below.

31 December 2010

Amounts in Euro

	CONCILIATION OF STATEMENT OF FINANCIAL POSITION	LTI Assets	Non current assets	Current assets	Equity	Non current liabilities	Current liabilities
Restated (1)	**Balance 31 December 2010**	**1 074 119 628**	**61 782 764**	**130 269 244**	**-1 445 955 387**	**1 109 659 508**	**1 602 467 514**
	Investments in subsidiaries		- 3 915 588		- 3 915 588		
	Balance 31 December 2010 following restatement (1)	**1 074 119 628**	**57 867 176**	**130 269 244**	**-1 449 870 975**	**1 109 659 508**	**1 602 467 514**
Restated (2)	Assets under concession	-7 970 510 942		7 970 510 942			
	Subsidies	3 836 244 749		-3 836 244 749			
	Return on assets	3 088 956		- 3 088 956			
	Charged Interest	- 598 580 997		598 580 997			
	Impairment			- 305 200 000	- 305 200 000		
	Grantor .- State - Account Receivable	**-4 729 758 234**	**0**	**4 424 558 234**	**- 305 200 000**	**0**	**0**
	Borrowings	3 598 296 792				2 413 126 324	1 185 170 468
	Inventories	- 30 574 300		30 574 300			
	Suppliers and other accounts payable	102 237 005				102 237 005	
	Clients and accounts receivable	- 11 320 890		11 320 890			
	Other Adjustments			- 3 535 445		724 024 437	- 727 559 882
	Balance at 31 December following restatement (1) +(2)	**0**	**57 867 176**	**4 596 187 223**	**-1 755 070 975**	**4 349 047 274**	**2 060 078 100**
	Infrastructure Management		**57 867 176**	**125 402 166**		**1 109 659 508**	**703 897 012**
	long term Infrastructure investments		**0**	**4 470 785 057**		**3 239 387 766**	**1 356 181 088**

01 January 2010

Amounts in Euro

	CONCILIATION OF STATEMENT OF FINANCIAL POSITION	LTI Assets	Non current assets	Current assets	Equity	Non current liabilities	Current liabilities
	Balance 01 January 2010	**429 777 031**	**68 208 143**	**128 923 048**	**-1 299 452 799**	**1 106 660 101**	**819 700 919**
Restated (2)	Assets under concession	-7 573 451 688		7 573 451 688			
	Subsidies	3 709 259 872		-3 709 259 872			
	Return on assets	3 088 956		- 3 088 956			
	Charged Interest	- 503 651 777		503 651 777			
	Impairment			- 305 200 000	- 305 200 000		
	Grantor – State - Account Receivable	**-4 364 754 636**	**0**	**4 059 554 636**	**- 305 200 000**	**0**	**0**
	Borrowings	3 897 670 526				3 543 628 578	354 041 948
	Inventories	- 27 880 116		27 880 116			
	Suppliers and other accounts payable	88 305 715				88 305 715	
	Clients and accounts receivable	- 23 118 520		23 118 520			
	Other Adjustments			- 5 011 964		- 40 121 310	35 109 347
	Balance at 01 January following restatement (1) +(2)	**0**	**68 208 143**	**4 234 464 357**	**-1 604 652 799**	**4 698 473 084**	**1 208 852 214**
	Infrastructure Management		**68 208 143**	**123 736 870**		**1 105 362 470**	**600 808 437**
	long term Infrastructure investments		**0**	**4 110 727 486**		**3 593 110 614**	**608 043 777**

2.2 Accounting policies

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

a) Equity holdings in subsidiaries

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

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

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

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

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

b) Equity holdings in associated companies

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

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

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

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

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

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

Following the split-off of the railway activity in Portugal in 1997, REFER was assigned the responsibility of building and renovating long term railway infrastructures. This activity is carried out according to the State's directives and its financing is guaranteed through subsidies and loans, the majority of which are backed by the State, with REFER playing the role of "agent" in this activity, although no official concession contract exists between the State and REFER. Additionally, and since REFER is 100% owned by the State, it was widely understood until 2010 inclusively, that IFRIC 12 would not apply to this activity, since no concession agreement existed and because it was considered that it was not an arrangement between a private company and the State. This policy was altered in 2011 according to restatement in sub-paragraph b) of note 2.1.1.

For the purposes of applying IFRIC 12, it is considered that the Long Term Investment Activity substantiates the existence of a concession arrangement between the State (Public Entity) and REFER (considered as private entity although its sole shareholder is the State), and that it must be developed according to State directives and financed by subsidies and loans secured to a large extent by the State, with REFER assuming the role of "Concessionaire".

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

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

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

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

IFRIC 12 applies to infrastructures:

- built or acquired by the operator to third parties;

- already existing and to which the operator provides access.

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

I. REFER is a profit-making company subject to provisions in the Companies Code, notwithstanding its shareholder being the State. The company is subject to a common corporate regime and has financial independence and own assets in relation to its shareholder, being therefore excluded from applying IFRC 12 in accordance with its paragraph 4;

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

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

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

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

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

III. "Mixed" model - This model, provided under paragraph 18 of IFRIC 12 applies where the concession simultaneously includes remuneration commitments guaranteed by the grantor and remuneration commitments contingent on the extent that the public uses the service.

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

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

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

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

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

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

    - The investment necessary to construction of transport infrastructures, whilst public domain assets, is a State responsibility as provided in the Base Law on the Land Transports System. Notwithstanding, over the past decades, state-owned corporations operating in the land transportation and railway sectors have carried the burden to have to register in their balance sheets - through debt issues - the charges stemming from this investment made on behalf of the State.

      Thus, taking advantage of the apparent absence of charges for the State Budget and the facilities offered by the financial system to the continuous increase in the debt by the State corporate sector, investment policies and decisions followed in the last few years did not take into due account the fundamental principle of the limits of public resources made available by tax payers, having performed a large number of investments without due coverage in the State Budget (...)

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

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

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

As there is no defined maturity, since there is no concession contract, it is assumed that the amounts receivable will be due on the date they are charged. Consequently, it is considered that as from that date the concessionaire (REFER) will be entitled to default interest according to the law in force. The determination of these interests, again since it was not agreed with grantor, is made based on the same financing terms obtained to directly finance this activity. The company thus charges interest and other financial expenses incurred with the loans contracted to finance the concession.

Long Term Infrastructures ("LTIs")

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

These assets were **initially registered** at cost. These assets increase by the value of long term investments or improvements which expand their useful life and decrease by their de-allocation from the public railway domain, following approval of the relevant Ministry.

d) Tangible fixed assets

Allocated to infrastructure management

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

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

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

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

Depreciation

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

Name	%
Land	Non depreciated
Buildings and other constructions	2 - 100
Basic equipment	3.33 - 100
Transport equipment	4 - 100
Tools and utensils	12,5 - 100
Administrative equipment	12,5 - 100
Other tangible assets	12,5 - 100

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

Leases

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

Finance leases

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

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

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

As of the date to which these Notes refer, REFER had acquired 3 vehicles through finance lease contracts (see note 5.1).

Operating Leases

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

Rents are registered at cost in the respective periods of the lease term (see note 5.17.).

e) 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.

f) Derivative financial instruments

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

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

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

Hedge accounting

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

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

As of 31 December 2011 REFER did not classify any derivative financial instruments as hedge derivatives.

g) Financial assets

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

Financial assets at fair value through profit or loss

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

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

Held-to-maturity investments

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

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

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

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

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

Loans and accounts receivable

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

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

Impairment losses are registered when there are indicators that REFER will not receive all the amounts to which it is entitled according to the original terms of the signed contracts. 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 intends to maintain for an indefinite time;
- Are designated as available for sale at the time of their initial recognition or;
- Do not fit into the above categories.

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

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

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

Equity holdings that are not holdings in group companies, joint or associated undertakings, are classified as available-for-sale financial assets.

h) Fair value of financial assets and liabilities

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

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

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

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

i) 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.

j) Inventories

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

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

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

At its warehouses, REFER has materials to be applied in the construction of tangible fixed assets for its Long Term Infrastructure Investment Activities. These inventories are shown on the statement of financial position in the “long term infrastructure investment activities” item (see note 2.2, sub-paragraph c)).

k) 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.

l) Financial liabilities

The financial liabilities represent payable obligations against 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.

m) Non current loans obtained

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

REFER holds medium and long-term loans, in the form of bilateral loans and bonds, to finance the construction of long term infrastructures (LTI) and the infrastructure management activity. Loans to finance the building of LTI are recognised on the statement of financial position in caption "Long Term Infrastructure Investment Activities" (Note 2.2, sub-paragraph c))

n) Suppliers and other accounts payable

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

The balances of suppliers and other creditors refer to the balances of payables to suppliers of the company's operating activities. The balances of suppliers related to the acquisition/construction of Long Term Infrastructure activities are recorded on the balance sheet in the corresponding item (see note 2.2, sub-paragraph c)).

o) Impairments and Provisions

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

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

REFER records provisions for legal processes in progress and for which it is highly probable that they may imply outflows from the company (see note 5.1.4). This is an estimated value of the liabilities.

p) Recognition of revenue

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

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

q) Income tax

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

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

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

r) 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	2011	2010
Swiss Francs (CHF)	122	125
Swedish Krona (SEK)	8,91	8,97

s) Subsidies

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

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

Subsidies obtained to finance assets acquired/built in long term infrastructures are recognised on the statement of financial position under “long term infrastructures investment activities” item (see note 2.2, sub-paragraph c)), since as they are awarded within the scope of the activity under concession, they represent the repayment of part of the expenses incurred and are deducted to the amount receivable from the grantor.

t) Segment reporting

Business segments

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

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

An entity should report the information concerning each identified business segment separately, which result from the aggregation of two or more segments with similar economic characteristics, or which exceed the quantitative parameters stipulated in the IFRS 8 – Business Segments.

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

In view of the aforementioned aspects, on 31 December 2011, only one business segment was identified. REFER clients make up the entirety of this segment, and the whole activity is carried out in Portugal.

u) Related entities

Revision of IAS 24 – "Related parties: disclosure", adopted before hand by REFER in 2010 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 8 the balances and transactions with related entities which it controls or over which it holds significant influence as of 31 December 2011. 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 8.5).

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

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

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

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

Fair value of derivative financial instruments

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

Impairment losses of debtors

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

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

Recognition of income/expenses

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

Provisions for ongoing legal proceedings

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

3. Financial risk management policies

Financial Risks

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

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

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

The Board defines the principles for risk management as a whole and for policies covering specific areas, such as the use of derivative and non-derivative financial instruments, for interest rate risk, the increase or reduction of short-term lines and medium and long-term operations to cover the risk of liquidity, among others.

Exchange risk management

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

Credit risk management

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

At operating level, the main clients of REFER are CP, Fertagus, Takargo and CP Carga. Credit risk stemming from operational activity is mainly related to non compliance with the payment to REFER of liabilities assumed by the said entities for services rendered by REFER. CP is the main counterparty and exclusive passenger operator throughout the network, with the exception of the 25 de Abril Bridge crossing. At the end o 2011, CP had fallen behind in paying the using rate relating to the months of May to October 2011, in addition to other reconciled amounts overdue. Although the credit risk is strongly concentrated on CP, it is mitigated by the legal nature of this company, since it is also a public owned company (E.P.E) 100% held by the Portuguese State. Impairment adjustments for accounts receivable are calculated on the basis of the counterparty's risk profile and financial condition.

As for credit risk associated with financial activity, REFER is exposed to the national and international banking sector due to its demand deposits balances, financial applications and contracted derivative financial instruments. To date, REFER has not incurred any impairment resulting from non-compliance of contractual obligations by banks.

The following table provides a summary, on 31 December 2011 and December 2010, of the credit quality of deposits, applications and derivative financial instruments with a positive fair value:

Financial institutions

Amounts in Euro

Rating	2011	2010
>=AA-	7 651626	7 727 973
>=A-	15 453 887	22 370 878
<A-	203 605	1157
No rating	3 005 727	674
	26 314 845	**30 100 683**

Note : Does not include cash

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

Liquidity risk management

This type of risk stems from the refinancing capacity to face liabilities from financial operations contracted with banks or on the capital market. This risk is measured by the liquidity the company has to face scheduled debt repayments.

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. As an example of one such measure for risk mitigation, REFER has contracted a backup credit line in the amount of EUR 500 million, which was fully used in 2011 given the absence of borrowing alternatives.

Conservative management of liquidity risk also implies maintaining a suitable level of cash and equivalents to meet liabilities, but mainly having access to credit lines with financial institutions to accommodate the current management. Up to 2010, REFER had at its disposal a number of short-term credit lines to finance its activity and face debt repayments. This changed in 2011, and presently it is the State which ensures the Company's liquidity.

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 2011

Amounts in Euro

	Less than 1 year	1 to 5 years	+ than 5 years
Borrowings			
- Borrowings for capital expenditure	382 455 168	3 165 390 503	3 334 677 123
- other loans	45 250 000	757 000 000	606 250 000
- commercial paper	100 000 000	0	0
- bank overdrafts	44 283 989	0	0
- derivative financial instruments (gross outflows)	68 502 206	181 950 071	179 819 444
- derivative financial instruments (gross intflows)	- 58 968 912	- 172 947 288	- 187 190 000
	581 522 450	**3 931 393 286**	**3 933 556 567**
Suppliers and other accounts payable (Note 5.5)	**188 014 042**		
Guarantee	**5 812 447**	**20 457 974**	**31 877 240**
	775 348 939	**3 951 851 261**	**3 965 433 807**

31 December 2010

Amounts in Euro

	Less than 1 year	1 to 5 years	+ than 5 years
Borrowings			
- financial leases	35 041	56 909	0
- Borrowings for capital expenditure	487 636 784	1 021 068 506	3 603 405 285
- other loans	45 250 000	781 000 000	627 500 000
- commercial paper	1 006 750 000	0	0
- bank overdrafts	320 837 288	0	0
- derivative financial instruments (gross outflows)	91 461 317	306 870 969	355 964 572
- derivative financial instruments (gross intflows)	- 85 124 814	- 305 234 731	- 366 238 500
	1 866 845 615	**1 803 761 655**	**4 220 631 357**
Suppliers and other accounts payable (Note 5.5)	**237 792 615**		
Guarantee	**6 207 215**	**21 340 430**	**36 807 231**
	2 110 845 445	**1 825 102 085**	**4 257 438 588**

Interest rate risk management

Since 2003, REFER has actively managed its debt portfolio using derivative financial instruments to hedge interest rate risk. All contracted derivatives have, as most as possible, exactly the same maturity as the underlying liabilities.

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

The type of instrument is selected according to a cost/benefit analysis applied to each case. In addition to the main goal described above, REFER also performs operations to reduce financing costs at fixed or floating rate. Occasionally, the company restructures its positions to accommodate market developments. In managing its portfolio, the company seeks diversification as a means of maintaining a balanced portfolio and low volatility, by applying a conservative approach in relation to the risks to be taken, both in terms of instrument characteristics and the indexes. This strategy acts as the basis for the company's decision not to classify any of the derivative instruments as a hedge, since the non-assignable portfolio would have a potentially negative impact on results.

As from June 2011, these operations can only be performed following approval from the relevant Ministry and favourable opinion of the IGCP, according to Order number 896/2011-SETF date 9 June.

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 is one of the auxiliary means to interest rate risk management decisions since, in practice, interest rates and volatility rarely change "ceteris paribus". Furthermore, there are also other variables that influence the fair value of those positions such as, for instance, correlations. The sensitivity test is based on the following assumptions:

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

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

iii. At 31 December 2011, 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 2011, an increase or decrease of 0.5% and 5%, respectively, in interest rate curves (of the Euro, sterling or Swedish krona) and in their volatility curve would result in the following variations in the fair value of the loans and derivative financial instruments with the consequent direct impact on financial results:

31 December 2011

Amounts in Euro

	Increase/(decrease) in the fair value of financial instruments			
	Change in the Interest rate curve		Change in the volatility curve	
	-0,50%	0,50%	-5%	5%
EUR	9 769 645	- 12 174 153	17 337 014	- 18 685 781
GBP	- 11 130 000	3 890 000	109 299	- 482 714
SEK	0	0	629	- 9 364

	crease/(decrease) in the fair value of loa	
	Change in the Interest rate curve	
	-0,50%	0,50%
EUR	87 631866	- 84 104 272

	Net effect on results			
	Change in the Interest rate curve		Change in the volatility curve	
	-0,50%	0,50%	-5%	5%
EUR	- 77 862 221	71930 119	17 337 014	- 18 685 781
GBP	- 11 130 000	3 890 000	109 299	- 482 714
SEK	0	0	629	- 9 364

31 December 2010

Amounts in Euro

	Increase/(decrease) in the fair value of financial instruments			
	Change in the Interest rate curve		Change in the volatility curve	
	-0,50%	0,50%	-5%	5%
EUR	24 650 000	- 30 190 000	12 172 675	- 12 849 294
GBP	- 10 090 000	5 980 000	96 494	- 741341
SEK	10 000	- 20 000	26 246	- 48 567

	crease/(decrease) in the fair value of loa	
	Change in the Interest rate curve	
	-0,50%	0,50%
EUR	98 988 266	- 93 695 204

	Net effect on results			
	Change in the Interest rate curve		Change in the volatility curve	
	-0,50%	0,50%	-5%	5%
EUR	- 74 338 266	63 505 204	12 172 675	- 12 849 294
GBP	- 10 090 000	5 980 000	96 494	- 741341
SEK	10 000	- 20 000	26 246	- 48 567

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.

REFER defines its financing plan after analysing CAPEX needs, the financing needs for the operational activities and State contributions and EU subsidies. In 2011, the non availability of market financing led the State to grant the company a medium/long term loan in the amount of 2,062 million Euros and to increase its statutory capital to 430.2 million Euros, thus ensuring the company's economic sustainability.

4. Long Term Infrastructure (LTI) investments Activities

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

Amounts in Euro

Description	Notes	2011	2010
Long term Infrastructure Investment			
Assets		**#NOME?**	**#NOME?**
Current		**#NOME?**	**#NOME?**
Grantor .- State - Account Receivable	4.1	#NOME?	#NOME?
Inventories	4.2	#NOME?	#NOME?
Clients and other accounts receivable	4.3	#NOME?	#NOME?
Liabilities		**#NOME?**	**#NOME?**
Non current		**#NOME?**	**#NOME?**
Borrowings	4.4	#NOME?	#NOME?
Current		**#NOME?**	**#NOME?**
Borrowings	4.4.	#NOME?	#NOME?
Suppliers and other accounts payable	4.5	#NOME?	#NOME?

4.1 Grantor - State - Account Receivable

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

Amounts in Euro

Financial Assets - State account	Notes	2011	2010
Assets under Concession (LDI)	4.11	8 309 550 022	7 970 510 942
Subsidies	4.12	-3 896 526 692	-3 836 244 749
Return on assets	4.13	- 3 088 956	- 3 088 956
Charged Interest	4.14	723 599 460	598 580 997
Impairments	4.15	- 305 200 000	- 305 200 000
		4 828 333 834	**4 424 558 234**

4.1.1 Assets under Concession (LTI)

Changes occurred in the year are summed up as follows:

31 December 2011

Amounts in Euro

Gross assets	Opening balance	Transfers	Increases	Write-offs/corrections	Closing Balance
Tangible fixed assets - Active LTIs					
Land and natural resources	223 926 718	165 548			224 092 265
Buildings and other constructions	4 912 272 951	881820 073		- 233 675	5 793 859 349
Basic equipment	30 268 679				30 268 679
Work in progress	2 796 604 907	- 880 321882	340 343 797		2 256 626 823
Advances on account of AFT	7 579 068			- 1659 880	5 919 188
	7 970 652 322	**1663 739**	**340 343 797**	**- 1893 555**	**8 310 766 303**
Tangible fixed assets - decommissioned LTIs					
Land and natural resources	- 6 508 510	- 1096		- 8 520	- 6 518 126
Buildings and other constructions	6 367 130	716		- 1066 001	5 301845
	- 141 380	**- 380**		**- 1074 521**	**- 1216 281**
Total gross tangible fixed assets - LIDs	**7 970 510 942**	**1 663 359**	**340 343 797**	**- 2 968 076**	**8 309 550 022**

31 December 2010

Amounts in Euro

Gross assets	Opening balance	Transfers	Increases	Write-offs/corrections	Closing Balance
Tangible fixed assets - Active LTIs					
Land and natural resources	221570 137	2 747 920		- 391340	223 926 718
Buildings and other constructions	4 685 657 334	226 297 066	374 680	- 56 130	4 912 272 951
Basic equipment	30 268 679				30 268 679
Work in progress	2 624 431610	- 229 127 049	401300 346		2 796 604 907
Advances on account of AFT	11573 396		844 925	- 4 839 253	7 579 068
	7 573 501 156	**- 82 063**	**402 519 951**	**- 5 286 722**	**7 970 652 322**
Tangible fixed assets - decommissioned LTIs					
Land and natural resources	- 6 466 112			- 42 398	- 6 508 510
Buildings and other constructions	6 416 644			- 49 514	6 367 130
	- 49 468			**- 91 912**	**- 141 380**
Total gross tangible fixed assets - LIDs	**7 573 451 688**	**- 82 063**	**402 519 951**	**- 5 378 634**	**7 970 510 942**

Assets under Concession (Discontinued LTI)

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

The change occurred in 2011 results from the sale of the railway neighbourhood in Viana do Castelo and a building in Godim.

4.1.2 Subsidies

Changes occurred in subsidies were as follows:

31 December 2011

Amounts in Euro

Description	Opening balance	Increases	Reimbursements	Closing Balance
PIDDAC	996 750 992	7 000 000		1003 750 992
Cohesion Fund	1164 473 514	52 668 572		1217 142 085
DGTREN	31713 831	815 026		32 528 857
FEDER-IOT	634 998 658	548 345		635 547 003
High Speed				
Poceirão-Caia	18 337 737			18 337 737
Lisboa - Poceirão	7 071250		- 750 000	6 321250
Signalling and telecommunications	7 492 073			7 492 073
Other	975 406 695			975 406 695
Subsidies - Investment Activity	**3 836 244 749**	**61 031 943**	**- 750 000**	**3 896 526 692**

31 December 2010

Amounts in Euro

Description	Opening balance	Increases	Reimbursements	Closing Balance
PIDDAC	989 550 991	7 200 000		996 750 992
Cohesion Fund	1094 959 038	69 514 476		1164 473 514
DGTREN	31020 430	693 401		31713 831
FEDER-IOT	618 009 186	16 989 472		634 998 658
High Speed				
Poceirão-Caia		18 337 737		18 337 737
Lisboa - Poceirão	313 534	6 757 716		7 071250
Signalling and telecommunications		7 492 073		7 492 073
Other	975 406 695			975 406 695
Subsidies - Investment Activity	**3 709 259 873**	**126 984 876**		**3 836 244 749**

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

The repayment shown stemmed from the cancellation of the financial aid for the "Execution Project for the Moita-Poceirão sub-stretch, included in the Lisbon-Madrid - PP3 High Speed Railway Axis of South Europe ", according to EC decision C (2010) 4442, after the Portuguese Government decided to cancel the ongoing tender and started a different one, which in terms of schedule permitted compliance with provision in Section 4.2 of the 2009 annual application invitation, which established that the projects should be completed up to 31 December 2011.

4.1.3 Return on assets

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

Amounts in Euro

Description	2011	2010
Return on assets	- 3 088 956	- 3 088 956

4.1.4 Charged Interest

Charged interest derives from the situation explained in note 2.c). The change occurred in this caption (125,018,463 Euros) is recorded under caption financial gains - interest earned - grantor - State (Nota 5.22).

Amounts in Euro

Financial Assets - State account	2011	2010
Charged Interest	723 599 460	598 580 997

4.1.5 Impairments

The setting up of REFER's statutory capital was made in specie, specifically against the railway infrastructure which at the date was estimated at 62,349,737.13 Euros. From 1998 to 2001, the Portuguese Government increased the statutory capital of REFER by 242,850,261.87 Euros, with the purpose of financing the investments in long term railway infrastructures, as provided in each joint ministerial orders.

Given that at that date, the accounting rules in force only permitted the recognition of such increases directly under capital, as the value of public domain railway assets were recorded as tangible fixed assets of REFER, following the adoption of IFRIC 12, these amounts take the form of timely repayments of the investments made in long term infrastructures by the concessionaire REFER.

As result, it is considered that this amount will no longer be repaid by the State grantor, and therefore the amount stated as receivable from the grantor is now recorded as impairment in relation to the amount already received.

4.2 Inventories

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

Amounts in Euro

Description	2011	2010
Inventories	15 924 857	30 574 300

4.3 Clients and other accounts receivable

Amounts in Euro

Description	2011	2010
Clients and other accounts receivable	8 796 652	15 652 522

This caption consists of the receivables from the Municipality of Espinho in the amount of EUR 619,682 (2010: EUR 8,250,890); and the property receivable from REFER PATRIMONIO, in the amount of EUR 4,547,631 (2010: EUR 4,553,612), relating to the Sines land swap (see Note 2.1.1).

4.4 Loans obtained

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

Investing activities

Amounts in Euro

Description	2011	2010
Non current loans		
Amounts owed to credit institutions	1 381 877 704	1 644 254 844
Bond loans	1 595 463 755	1 595 132 922
State Loan	1 588 615 236	
	4 565 956 695	**3 239 387 766**
Current loans		
Amounts owed to credit institutions	262 377 139	1 185 170 468
	262 377 139	**1 185 170 468**
Borrowings	**4 828 333 834**	**4 424 558 234**

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

In December, REFER contracted a loan with the Portuguese State in the amount of 2,062,771,620 Euros with maturity in 2016, 1,588,615,236 Euros of which was allocated to Investment Activity.

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 2011

	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 II E	29-06-1992	30 633 783	2 356 445	15-06-1998	15-06-2012	Annual	15-Jun	EIB Variable	
	CP III Linha do Norte-B	14-07-1997	49 879 790	36 578 512	15-06-2008	15-06-2022	Annual	15-Mar 15-Jun 15-Set 12-Jan	EIB variable, cannot exceed Euribor 3M +0.15%	
	Douro Line	09-09-1996	43 894 215	21 947 107	15-09-2007	15-09-2016	Annual	15-Mar 15-Jun 15-Set 15-Dez	EIB variable, cannot exceed Euribor 3M +0.15%	
	Tagus railway crossing	01-10-1996	99 759 579	49 879 790	15-09-2007	15-09-2016	Annual	15-Mar 15-Jun 15-Set 15-Dez	EIB variable, cannot exceed Euribor 3M +0.15%	
	Tagus-B railway crossing	14-11-1997	99 759 579	39 903 832	15-09-2003	15-09-2017	Annual	15-Mar 15-Jun 15-Set 15-Dez	EIB variable, cannot exceed Euribor 3M +0.15%	
	Tagus-C railway crossing	26-11-1998	25 000 000 25 000 000 49 759 579	13 792 500 14 282 500 23 221 137	15-09-2004	15-09-2018	Annual	15-Mar 15-Jun 15-Set 15-Dez	1st fixed 2nd fixed 3rd fixed	4,670% 5,800%
	Minho Line-A	26-11-1998	25 000 000 25 000 000 24 819 685	13 792 500 14 282 500 11 582 519	15-09-2004	15-09-2018	Annual	15-Mar 15-Jun 15-Set 15-Dez	1st fixed 2nd fixed 3rd fixed	4,670% 5,800%
	CP III Linha do Norte-D	10-11-2000	25 937 491	24 208 325	15-09-2011	15-09-2020	Annual	15-Mar 15-Jun 15-Set 15-Dez	EIB variable, cannot exceed Euribor 3M +0.15%	1,658%
	Connection to Algarve-A	08-10-2001	90 000 000	90 000 000	15-09-2012	15-09-2021	Annual	15-Mar 15-Jun 15-Set 15-Dez	EIB variable, cannot exceed Euribor 3M +0.12%	1,648%
	Minho Line-B	08-10-2001	59 855 748	59 855 748	15-09-2012	15-09-2021	Annual	15-Mar 15-Jun 15-Set 15-Dez	EIB variable, cannot exceed Euribor 3M +0.12%	1,648%
	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-Set 15-Dez	EIB variable, cannot exceed Euribor 3M +0.12%	1,648%
	CPIII/2 L. Norte-B	15-07-2004	200 000 000	200 000 000	15-12-2014	15-12-2023	Annual	15-Mar 15-Jun 15-Set 15-Dez	EIB variable, cannot exceed Euribor 3M +0.15%	1,658%
	Suburban	25-11-2004	100 000 000	85 714 286	15-06-2009	15-06-2024	Annual	15-Mar 15-Jun 15-Set 15-Dez	EIB variable, cannot exceed Euribor 3M +0.15%	1,658%
	Suburban B	14-12-2005	100 000 000	90 476 190	15-09-2010	15-09-2025	Annual	15-Set	Revisable rate	3,615%
	Suburban C	12-10-2006	55 000 000	52 380 952	15-03-2011	15-03-2026	Annual	15-Mar	Revisable rate	4,247%
	Connection to Algarve-B	02-10-2002	30 000 000	30 000 000	15-03-2013	15-03-2022	Annual	15-Mar 15-Jun 15-Set 15-Dez	EIB variable, cannot exceed Euribor 3M +0.12%	1,648%
	CP III Linha do Norte-C	08-01-2009	100 000 000	100 000 000	15-06-2017	15-06-2026	Annual	15-Mar 15-Jun 15-Set 15-Dez	Euribor 3M +0,054%	1,582%
	CP III Linha do Norte-D	08-01-2009	100 000 000	100 000 000	15-12-2017	15-12-2026	Annual	15-Mar 15-Jun 15-Set 15-Dez	Euribor 3M +0,056%	1,584%
EIB with no guarantee	Refer V	20-08-2008	160 000 000	160 000 000	15-03-2014	15-03-2033	Annual	15-Mar	Revisable rate	4,786%
	Refer VI	10-09-2009	110 000 000	110 000 000	15-09-2013	15-09-2032	Annual	15-Set	Revisable rate	2,976%
Eurobond w/ Guarantee	Eurobond 06/26 (1)	08-11-2006	600 000 000	600 000 000	16-11-2026		Bullet	16-Nov	Rate	4,047%
	Eurobond 09/19 (1)	18-02-2009	500 000 000	500 000 000	18-02-2019		Bullet	18-Fev	Rate	5,875%
	Eurobond 09/24 (1)	18-10-2009	500 000 000	500 000 000	18-10-2024		Bullet	18-Out	Rate	4,675%
Borrowings	Borrowings "Schuldschein"	02-10-2002	200 000 000	200 000 000	08-10-2012		Bullet	08-Abr 08-Out	6M Euribor	1,755%
Borrowings Non	State Loan	30-12-2011	1 588 615 235	1 588 615 235	31-05-2013	30-11-2016	Half-year	31-Mai 30-Nov	Rate	6,500%
	Total			**4.832.870.079**						
	(1) Total considering effective cost			**4.828.333.834**						

Repayment terms and conditions of the loans to finance investment projects

31 December 2010

	Name	Date of signature	Amount (€)	Principal due	Repayment			Interest Payment	Interest rate	Final interest rate
					Opening date	Closing date	Periodicity			
FINANCING SECURED BY EIB	CP II E	29-06-1992	30 633 783	4 712 890	15-06-1998	15-06-2012	Annual	15-Jun	EIB Variable	1,160%
	CP II B	19-09-1991	29 927 874	1 995 192	15-09-1997	15-09-2011	Annual	15-Set	fixed, revisable for 5 year periods	3,928%
	CP III Linha do Norte-B	14-07-1997	49 879 790	39 903 832	15-06-2008	15-06-2022	Annual	15-Mar 15-Jun 15-Set 12-Jan	EIB variable, cannot exceed Euribor 3M +0.15%	1,156%
	Douro Line	09-09-1996	43 894 215	26 336 529	15-09-2007	15-09-2016	Annual	15-Mar 15-Jun 15-Set 15-Dez	EIB variable, cannot exceed Euribor 3M +0.15%	1,156%
	Tagus railway crossing	01-10-1996	99 759 579	59 855 748	15-09-2007	15-09-2016	Annual	15-Mar 15-Jun 15-Set 15-Dez	EIB variable, cannot exceed Euribor 3M +0.15%	1,156%
	Tagus-B railway crossing	14-11-1997	99 759 579	46 554 470	15-09-2003	15-09-2017	Annual	15-Mar 15-Jun 15-Set 15-Dez	EIB variable, cannot exceed Euribor 3M +0.15%	1,156%
	Tagus-C railway crossing	26-11-1998	25 000 000 25 000 000 49 759 579	15 427 500 15 900 000 26 538 442	15-09-2004	15-09-2018	Annual	15-Mar 15-Jun 15-Set 15-Dez	1st fixed 2nd fixed 3rd fixed	4,670% 5,800% 1,156%
	Minho Line-A	26-11-1998	25 000 000 25 000 000 24 819 685	15 427 500 15 900 000 13 237 165	15-09-2004	15-09-2018	Annual	15-Mar 15-Jun 15-Set 15-Dez	1st fixed 2nd fixed 3rd fixed	4,670% 5,800% 1,156%
	CP III Linha do Norte-D	10-11-2000	25 937 491	25 937 491	15-09-2011	15-09-2020	Annual	15-Mar 15-Jun 15-Set 15-Dez	EIB variable, cannot exceed Euribor 3M +0.15%	1,156%
	Connection to Algarve-A	08-10-2001	90 000 000	90 000 000	15-09-2012	15-09-2021	Annual	15-Mar 15-Jun 15-Set 15-Dez	EIB variable, cannot exceed Euribor 3M +0.12%	1,146%
	Minho Line-B	08-10-2001	59 855 748	59 855 748	15-09-2012	15-09-2021	Annual	15-Mar 15-Jun 15-Set 15-Dez	EIB variable, cannot exceed Euribor 3M +0.12%	1,146%
	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-Set 15-Dez	EIB variable, cannot exceed Euribor 3M +0.12%	1,146%
	CPIII/2 L. Norte-B	15-07-2004	200 000 000	200 000 000	15-12-2014	15-12-2023	Annual	15-Mar 15-Jun 15-Set 15-Dez	EIB variable, cannot exceed Euribor 3M +0.15%	1,156%
	Suburban	25-11-2004	100 000 000	90 476 190	15-06-2009	15-06-2024	Annual	15-Mar 15-Jun 15-Set 15-Dez	EIB variable, cannot exceed Euribor 3M +0.15%	1,156%
	Suburban B	14-12-2005	100 000 000	95 238 095	15-09-2010	15-09-2025	Annual	15-Set	Revisable rate	3,615%
	Suburban C	12-10-2006	55 000 000	55 000 000	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-Set 15-Dez	EIB variable, cannot exceed Euribor 3M +0.12%	1,146%
	CP III Linha do Norte-C	08-01-2009	100 000 000	100 000 000	15-06-2017	15-06-2026	Annual	15-Mar 15-Jun 15-Set 15-Dez	Euribor 3M +0,054%	1,080%
	CP III Linha do Norte-D	08-01-2009	100 000 000	100 000 000	15-12-2017	15-12-2026	Annual	15-Mar 15-Jun 15-Set 15-Dez	Euribor 3M +0,056%	1,082%
EIB with no guarantee	Refer V	20-08-2008	160 000 000	160 000 000	15-03-2014	15-03-2033	Annual	15-Mar	Revisable rate	4,786%
	Refer VI	10-09-2009	110 000 000	110 000 000	15-09-2013	15-09-2032	Annual	15-Set	Revisable rate	2,976%
Eurobond w/ Guarantee	Eurobond 06/26	08-11-2006	600 000 000	600 000 000		16-11-2026	Bullet	16-Nov	Rate	4,047%
	Eurobond 09/19	18-02-2009	500 000 000	500 000 000		18-02-2019	Bullet	18-Fev	Rate	5,875%
	Eurobond 09/24	18-10-2009	500 000 000	500 000 000		18-10-2024	Bullet	18-Out	Rate	4,675%
Bilateral with guarantee	Borrowings "Schuldschein" ABN (Deutschland) AG	03-04-2001	300 000 000	300 000 000		11-04-2011	Bullet	09-Abr 09-Out	Euribor 6M - 0,03%	1,167%
	Borrowings "Schuldschein"	02-10-2002	200 000 000	200 000 000		08-10-2012	Bullet	08-Abr 08-Out	6M Euribor	1,190%

The loans from EIB, Schuldschein ABN, Schuldschein Westlb, Eurobond 0626, Eurobond 0919 and Eurobond 0924 were obtained exclusively to finance Long Term Infrastructure investment projects..

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

In what concerns the EIB loans, the principal will be reimbursed in equal annual instalments after a grace period. Remaining loans will be totally repaid at maturity.

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

In April 2011 loan Schuldschein BHH in the amount of EUR 300 million was fully repaid.

In relation to 2010 we point out the allocation to the financing of Investment Activity of the amount of 831.1 million Euros relating to commercial paper.

The fair value of the fixed rate financial debt at 31 December 2011 is as follows:

Financing at fixed rate - fair value

31 December 2011

Amounts in Euro

Name	Nominal Value	Principal due	Fair value	Interest rate
EIB - Minho A	25 000 000	13 792 500	15 301 591	4,67% Fixed
	25 000 000	14 282 500	16 465 122	5,80% Fixed
EIB - Tejo C	25 000 000	13 792 500	15 301 591	4,67% Fixed
	25 000 000	14 282 500	16 462 821	5,80% Fixed
EIB - Suburbans B	100 000 000	90 476 190	99 280 792	3615% Fixed
EIB - Suburbans C	55 000 000	52 380 952	59 993 589	4247% Fixed
EIB - REFER V	160 000 000	160 000 000	196 533 703	4786% Fixed
EIB - REFER VI	110 000 000	110 000 000	115 205 363	2,976% Fixed
Eurobond 06/26	600 000 000	600 000 000	241 197 833	4,047% Fixed
Eurobond 09/19	500 000 000	500 000 000	249 741 039	5,875% Fixed
Eurobond 09/24	500 000 000	500 000 000	202 424 333	4,675% Fixed
Portuguese State Loan 11/16	1588 615 235	1588 615 235	1588 390 037	6,5% Fixed
		3 657 622 378	**2 816 297 814**	

4.5 Suppliers and other accounts payable

The Suppliers of other accounts payable caption comprises current debts arising modernisation / renovation works.

Caption **accrued expenses** includes the amount of EUR 66,842 thousand (EUR 67,442 thousand in 2010) of accrued interest with loans contracted for investment in long term infrastructures.

Amounts in Euro

Suppliers and other accounts payable	2011	2010
Trade payables - Sundry	62 563 360	92 709 588
Suppliers - guarantee withheld	9 574 304	10 859 049
Accrued expenses	66 842 409	67 441982
	138 980 072	**171 010 619**

5. Infrastructure Management Activity

5.1 Tangible fixed assets

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

31 December 2011

Amounts in Euro

Gross value	Opening balance	Transf.	Increases	Write-offs/Adj.	Closing Balance
Tangible fixed assets					
Land and natural resources	4 844 786	8 480		- 8 480	4 844 786
Buildings and other constructions	35 884 733	- 2 523 980		- 670 802	32 689 951
Basic equipment	22 725 759	10 680	501296	- 41313	23 196 422
Transport equipment	6 611310	125 319	20 244	- 493 754	6 263 119
Tools and utensils	554 192		3 888		558 080
Administrative equipment	10 619 405	765 101	335 624	- 1239 058	10 481071
Other tangible fixed assets	458 757			- 5 579	453 178
Work in progress	554 226	- 48 760	2 510 648		3 016 113
Total gross tangible fixed assets	**82 253 167**	**- 1663 160**	**3 371700**	**- 2 458 987**	**81502 720**

Amounts in Euro

Depreciation	Opening balance	Transf.	Increases	Write-offs/Adj.	Closing Balance
Tangible fixed assets					
Buildings and other constructions	10 293 712		1 048 123		11 341 836
Basic equipment	14 631 413		1 416 206	- 37 127	16 010 492
Transport equipment	6 375 531		155 261	- 493 754	6 037 038
Tools and utensils	545 434		9 027		554 462
Administrative equipment	9 807 747		741 696	- 1 242 410	9 307 034
Other tangible fixed assets	393 672		5 626	- 5 579	393 718
Total Depreciation	**42 047 510**		**3 375 939**	**- 1 778 870**	**43 644 579**
Total net tangible fixed assets	**40 205 657**	**- 1 663 160**	**- 4 239**	**- 680 117**	**37 858 141**

31 December 2010

Amounts in Euro

Gross value	Opening balance	Transf.	Increases	Write-offs/Adj.	Closing Balance
Tangible fixed assets					
Land and natural resources	4 844 786				4 844 786
Buildings and other constructions	35 884 733	80 486		- 80 486	35 884 733
Basic equipment	22 245 707	- 80	484 418	- 4 286	22 725 759
Transport equipment	7 473 979		33 279	- 895 948	6 611 310
Tools and utensils	532 189		22 003		554 192
Administrative equipment	10 325 682	80	580 218	- 286 575	10 619 405
Other tangible fixed assets	458 587		170		458 757
Work in progress	390 504	1 577	162 145		554 226
Total gross tangible fixed assets	**82 156 167**	**82 063**	**1 282 233**	**- 1 267 295**	**82 253 167**

Amounts in Euro

Depreciation	Opening balance	Transf.	Increases	Write-offs/Adj.	Closing Balance
Tangible fixed assets					
Buildings and other constructions	9 179 900		1 113 813		10 293 712
Basic equipment	13 216 284		1 419 415	- 4 286	14 631 413
Transport equipment	7 145 519		115 092	- 885 080	6 375 531
Tools and utensils	516 829		28 606		545 434
Administrative equipment	9 461 655		631 802	- 285 710	9 807 747
Other tangible fixed assets	385 941		7 731		393 672
Total Depreciation	**39 906 126**		**3 316 459**	**- 1 175 075**	**42 047 510**
Total net tangible fixed assets	**42 250 040**	**82 063**	**- 2 034 227**	**- 92 219**	**40 205 657**

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

Tangible fixed assets installed in third party property were as follows:

Amounts in Euro

Description	2011	2010
Edifício ART'S		468 804
Terreiro do Paço	42 040	42 040
	42 040	**510 844**

The change in relation to the previous year stems from the rescission of the lease contract for building Edifício Art's, effective as from 30 June 2011 (note 5.17).

The company's facilities at Terreiro do Paço are those indicated in Joint Dispatch 261/99 related with "establishing the CP concession" and the respective refurbishment which took place on 31/12/1999.

Finance Leases

REFER records financial assets acquired through finance leases as tangible assets.

At 31 December 2011, leases in force cover three vehicles, with the following respective values:

Amounts in Euro

Name	Gross value	Cumulative Depreciation	Net value 2011	Debt value 2011
Licence plate 97-GN-03	51015	- 51015		18 970
Licence plate 97-GN-03	51015	- 51015		18 970
Licence plate 10-GO-71	51015	- 51015		18 970
	153 044	**- 153 044**		**56 909**

Minimum, non-cancellable future lease instalments relating to contracts entered into by REFER are as follows:

Amounts in Euro

Description	Less than 1 year	1 to 5 years
According to contract		
97-GN-03	11680	
97-GN-04	11680	
10-GO-71	11680	
	35 041	
Debt current value	**22 142**	

5.2 Intangible assets

In the years ended 31 December 2011 and 2010, changes occurred in intangible fixed assets and respective depreciation captions were as follows:

31 December 2011

Amounts in Euro

Gross value	Opening balance	Transf.	Increases	Write-offs/Adj.	Closing Balance
Intangible assets					
Development expenses	662 768				662 768
Software	17 194 654	- 1 319	4 960		17 198 295
Transfers					
Industrial property and other rights	29 928				29 928
Intangible assets in progress	1845 362	1 120	7 395	- 80 000	1773 877
Total gross intangible fixed assets	**19 732 712**	**- 199**	**12 355**	**- 80 000**	**19 664 868**

Amounts in Euro

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

31 December 2010

Amounts in Euro

Gross value	Opening balance	Transf.	Increases	Write-offs/Adj.	Closing Balance
Intangible assets					
Development expenses	662 768				662 768
Software	17 190 825		3 830		17 194 654
Transfers					
Industrial property and other rights	29 928				29 928
Intangible assets in progress	1633 118		212 244		1845 362
Total gross intangible fixed assets	**19 516 639**		**216 073**		**19 732 712**

Amounts in Euro

Amortisation	Opening balance	Transf.	Increases	Write-offs/Adj.	Closing Balance
Intangible assets					
Development expenses	625 047		18 860	7 091	643 907
Software	15 719 929		1080 347	303 760	16 800 276
Transfers	-				
Industrial property and other rights	29 928				29 928
Total Amortisation	**16 374 903**		**1 099 207**	**310 852**	**17 474 111**
Total net intangible fixed assets	**3 141 736**		**- 883 134**	**- 310 852**	**2 258 601**

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

5.3 Investments in subsidiaries

During the years ended at 31 December 2011 and 2010, investments in subsidiaries recorded the following changes:

Amounts in Euro

Subsidiaries	2011	2010 (Restated)
Acquisition cost	**20 286 631**	**19 286 631**
Acquisitions	220 000	
Transfers (Rave)		1000 000
Closing Balance	**20 506 631**	**20 286 631**
Cumulative Impairment (Note 5.22)	- 4 534 077	- 4 915 588
Net value	**15 972 554**	**15 371 043**

In May 2011, the merger of CP COM – Exploração de Espaços Comerciais, S.A. into REFER PATRIMÓNIO – Administração e Gestão Imobiliária, S.A. was finally registered with the commercial registry.

Therefore, before the integration of CP COM assets and liabilities into REFER PATRIMÓNIO, REFER strengthened its position in CP COM, acquiring the remaining 20% of this company for the amount of 220,000 Euros.

In 2010, financial investment in RAVE was classified as subsidiary and corrected accordingly, by impairment (See Note.5.23).

The change occurred in impairments is duly explained in note 5.23.

Description of Equity Holdings in Subsidiaries:

Companies	2011	Value of equity holding	2010	Value of equity holding (restated)
FERBRITAS - Empreend.Industriais e comerciais, S.A. Rua José da Costa Pedreira nº11 - 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%	12 383 412	99,997%	11 158 405
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
CPCOM - Exploração de Espaços Comerciais da CP, S.A. Av. da República, 90 Galeria Fracção 4 - Lisboa			80,00%	623 496
RAVE Av D.João II Lote 107.2.1, 1º Piso - Parque das Nações - 1990-096 Lisboa	40,00%		40,00%	
		15 972 554		**15 371 043**

The former equity holding in CP COM, was included jointly with acquisitions for the year in REFER PATRIMÓNIO, as result of the integration of CP COM into REFER PATRIMÓNIO, pursuant to the merger described above.

5.4 Investments in associated companies

At 31 December 2011 and 2010 this caption was made up as follows:

Amounts in Euro

Associates	2011	2010
GIL	322 476	322 476
	322 476	**322 476**
Cumulative Impairment (Note 5.19)	- 322 476	- 322 476
Balance	**0**	**0**

The equity holding in GIL is totally adjusted, following successive losses posted by the companies over several years.

Description of Equity Holdings in Associated Companies:

2011

Amounts in Euro

Companies	Equity Holding	Equity	Profit/(loss) for the year	Total assets	Total liabilities	Income for the period	Value of the statement of financial position
Associates							
GIL Centro Intermodal de Logística, S.A. Av.D. João II, Estação do Oriente, lote 1.15 1990-233 Lisboa	33,98%	- 9 690 342	- 874 806	77 479 614	87 169 956	5 042 609	0

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

2010

Amounts in Euro

Companies	Equity Holding	Equity	Profit/(loss) for the year	Total assets	Total liabilities	Income for the period	Value of the statement of financial position
Associates							
GIL Centro Intermodal de Logística, S.A. Av.D. João II, Estação do Oriente, lote 1.15 1990-233 Lisboa	33,98%	- 8 928 657	- 1 128 564	78 248 158	87 176 815	5 377 667	0

5.5 Categories according to IAS 39

31 December 2011

Amounts in Euro

Categories according to IAS 39	Loans and accounts receivable	Financial assets at fair value through results	Available-for-sale financial assets	Financial liabilities at fair value through results	Other Financial liabilities	Non financial assets and liabilities	Total
Assets							
Railway infrastructure management assets	**121 580 625**	**15 399 540**	**31 875**			**7 166 759**	**144 178 799**
Non current							
Available-for-sale financial assets (Note 5.6)			31875				31875
			31 875				**31 875**
Current							
Cash and cash equivalents (Note 5.11)	10 929 364						10 929 364
Suppliers and other accounts payable (Note 5.10)	110 651 261					7 166 759	117 818 020
Derivative financial instruments (Note 5.9)		15 399 540					15 399 540
	121 580 625	**15 399 540**				**7 166 759**	**144 146 924**
Activity in long term Infrastructure investments	**4 836 321 147**					**809 339**	**4 837 130 486**
Current							
Grantor .- State - Account Receivable (Note 4.1)	4 828 333 834						4 828 333 834
Suppliers and other accounts receivable (Note 4.3)	7 987 313					809 339	8 796 652
	4 836 321 147					**809 339**	**4 837 130 486**
Total financial assets	**4 957 901 772**	**15 399 540**	**31 875**			**7 976 098**	**4 981 309 285**
Liabilities							
Railway infrastructure management liabilities				**78 943 804**	**1 770 354 782**	**31 141 197**	**1 880 439 783**
Non current							
Loans obtained (Note 5.12)					1569 094 901		1569 094 901
					1 569 094 901		**1 569 094 901**
Current							
Borrowings(Note 5.12)					142 651608		142 651608
Derivative financial instruments due (Note 5.9)				78 943 804			78 943 804
Suppliers and other accounts payable (Note 5.13)					58 608 274	31 141 197	89 749 470
				78 943 804	**201 259 881**	**31 141 197**	**311 344 882**
Activity in long term Infrastructure investments					**4 957 739 603**	**9 574 304**	**4 967 313 907**
Non current							
Borrowings(Note 4.4)					4 565 956 695		4 565 956 695
					4 565 956 695		**4 565 956 695**
Current							
Borrowings(Note 4.4)					262 377 139		262 377 139
Suppliers and other accounts payable (Note 4.5)					129 405 769	9 574 304	138 980 073
					391 782 908	**9 574 304**	**401 357 212**
Total financial liabilities				**78 943 804**	**6 728 094 385**	**40 715 500**	**6 847 753 689**

31 December 2010

Amounts in Euro

Categories according to IAS 39	Loans and accounts receivable	Financial assets at fair value through results	Available-for-sale financial assets	Financial liabilities at fair value through results	Other Financial liabilities	Non financial assets and liabilities	Total
Assets							
Railway infrastructure management assets	**68 392 903**	**29 949 075**	**31 875**			**9 496 813**	**107 870 667**
Non current							
Available-for-sale financial assets (Note 5.6)			31875				31875
			31 875				**31 875**
Current							
Cash and cash equivalents (Note 5.11)	163 319						163 319
Suppliers and other accounts payable (Note 5.10)	68 229 584					9 496 813	77 726 398
Derivative financial instruments (Note 5.9)		29 949 075					29 949 075
	68 392 903	**29 949 075**				**9 496 813**	**107 838 792**
Activity in long term Infrastructure investments	**4 440 176 755**					**34 001**	**4 440 210 757**
Current							
Grantor .- State - Account Receivable (Note 4.1)	4 424 558 234						4 424 558 234
Suppliers and other accounts receivable (Note 4.3)	15 618 521					34 001	15 652 522
	4 440 176 755					**34 001**	**4 440 210 757**
Total financial assets	**4 508 569 658**	**29 949 075**	**31 875**			**9 530 814**	**4 548 081 423**
Liabilities							
Railway infrastructure management liabilities				**89 282 049**	**1 673 872 666**	**35 024 715**	**1 798 179 429**
Non current							
Borrowings(Note 5.12)					1094 282 418		1094 282 418
					1 094 282 418		**1 094 282 418**
Current							
Borrowings(Note 5.12)					501949 305		501949 305
Derivative financial instruments due (Note 5.9)				89 282 049			89 282 049
Suppliers and other accounts payable (Note 5.13)					77 640 943	35 024 715	112 665 658
				89 282 049	**579 590 248**	**35 024 715**	**703 897 012**
Activity in long term Infrastructure investments					**4 584 709 906**	**10 858 947**	**4 595 568 854**
Non current							
Borrowings(Note 4.4)					3 239 387 766		3 239 387 766
					3 239 387 766		**3 239 387 766**
Current							
Borrowings(Note 4.4)					1 185 170 468		1 185 170 468
Suppliers and other accounts payable (Note 4.5)					160 151 672	10 858 947	171 010 620
					1 345 322 141	**10 858 947**	**1 356 181 088**
Total financial liabilities				**89 282 049**	**6 258 582 572**	**45 883 662**	**6 393 748 283**

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

31 December 2011

Amounts in Euro

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

31 December 2010

Amounts in Euro

Categories according to IAS 39	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through results		29 949 075		29 949 075
		29 949 075		**29 949 075**
Financial liabilities				
Financial liabilities at fair value through results		- 89 282 049		- 89 282 049
		- 89 282 049		**- 89 282 049**

5.6 Available-for-sale financial assets

Available for sale financial assets include the following investments:

Amounts in Euro

Available-for-sale financial assets	2011	2010
Opening balance	**96 369**	**96 369**
Cumulative Impairment (Note 5.19)	- 64 494	- 64 494
Closing Balance	**31 875**	**31 875**

Amounts in Euro

Available-for-sale financial assets	2011	2010
Gross value of equity holding		
Fernave	64 494	64 494
Metro Mondego	26 875	26 875
CRV	5 000	5 000
	96 369	**96 369**
Imparidades acumuladas	- 64 494	- 64 494
	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.g).

Equity holding in FERNAVE is of 10% and in Metro Mondego, of 2.5%. As for the CVR – Centro para a Valorização Resíduos [Waste Recycling Centre], REFER holds 10 share units.

Investment in FERNAVE is adjusted by impairment, since this company's equity (provisional version at this date) amounts to a negative sum of EUR 1,855,893 (amount not yet final) (EUR 3,800,454 in 2010).

5.7 Loans and accounts receivable

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

Amounts in Euro

Loans and accounts receivable	2011	2010
Loans to associates	9 002 763	4 889 014
Impairment in cumulative loans (Note 5.19)	- 9 002 763	- 4 889 014
Total (Note 8.3)	**0**	**0**

In 2011 REFER increased its partners' loans to associated companies (GIL) to ensure this company's compliance with its liabilities. These partners' loans were adjusted by impairment during this year (see Note 5.19) given the credit risk of the balances receivable from this entity.

5.8 Inventories

Amounts in Euro

Description	2011	2010
Raw-material, subsidiary materials & consumables	14 967 287	14 638 615
Goods in transit		82 479
Impairment on inventories (Note 5.19)	- 689 755	- 228 698
Inventories	**14 277 532**	**14 492 397**

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

A physical inventory and analysis of stocks is made on a regular basis viewing to assess required adjustments in inventories. The impairment refers to:

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

- a comparison between the market value of materials and their book value;

From the analysis made during 2011 it was concluded that the impairment adjustments should be reinforced by EUR 461,058 (Note 5.1.9).

5.9 Derivative financial instruments

REFER uses derivatives to manage its exposure to financial risks.

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

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

Instruments that do not qualify as hedge accounting instruments are classified as trade derivatives in the financial assets and liabilities category at the fair value through the results. Trade derivatives are recorded on the balance sheet at respective fair value and their variations are recognised in financial results. At 31 December 2011 and 31 December 2010, the nominal value of REFER's derivatives portfolio totalled EUR 1850 million and EUR 2750 million, respectively, for an overall financial debt of EUR 6551 million in 2011 and EUR 6025 million in 2010.

The fair value of existing derivatives is as follows:

31 December 2011

Hedged instrument	% hedging	Description	Fair value (€)		Change in fair value Dec 11/ Dec 10 (€)		Nominal amount (million €)	Maturity
			Assets	Liabilities	<0	>0	Dez-11	
Schuldshein ABN	100%	Cap KO (Eur 6m < 5.80%)				3 137 131	300	11-04-2011
Schuldshein West LB	100%	Digital Cap (Stibor 12m <6,25%;Euribor 12m < 6,25%; Eur 6m < 6.00%)		- 3 335		215 808	200	08-10-2012
Schuldshein West LB		Cap KO (Eur 6m < 6%)		- 3 992 776		4 167 026	200	08-10-2012
Eurobond 05/15	100%	Dual Range [(10Y GBP-10Y EUR Spread) e (10Y-2Y EUR Spread)]		- 16 476 067	- 5 109 380		150	16-03-2015
Eurobond 05/15		Plain vanilla	15 399 540			1813 183	150	16-03-2015
Eurobond 05/15		Plain vanilla			- 7 727 973		150	16-03-2015
Eurobond 05/15		Plain vanilla		- 15 596 623	- 1891901		150	16-03-2015
Eurobond 05/15		10Y-2Y EUR Spread Rib		- 28 025 575	- 2 757 352		300	16-03-2015
Eurobond 06/21	100%	Cap KO (Eur 12m < 7%)		- 9 775 292		7 545 782	500	13-12-2021
Eurobond 06/26	50%	Cap KO (Eur 12m < 6.50%)		- 5 074 136		4 683 644	200	16-11-2026
Eurobond 06/26		Plain vanilla			- 2 345 336		100	16-11-2026
Eurobond 06/26		Fixed-Fixed Swaption Bermuda				347 487	100	16-11-2026
Eurobond 09/24		Plain vanilla			- 6 289 409		250	16-10-2024
			15 399 540	**- 78 943 804**	**- 26 121 352**	**21 910 061**	**1 850**	

31 December 2010

Hedged instrument	% hedging	Description	Fair value (€)		Change in fair value Dec 10/ Dec 09 (€)		Nominal amount (million €)	Maturity
			Assets	Liabilities	<0	>0	Dez-10	
Schuldshein BHH	100%	Plain vanilla				5 502 447		
Schuldshein ABN	100%	Cap KO (Eur 6m < 5.80%)		- 3 137 131		5 570 931	300	11-04-2011
Schuldshein West LB	100%	Digital Cap (Stibor 12m <6,25%;Euribor 12m < 6,25%; Eur 6m < 6.00%)		- 219 143		407 504	200	08-10-2012
Schuldshein West LB		Cap KO (Eur 6m < 6%)		- 8 159 802		977 750	200	08-10-2012
Eurobond 05/15	100%	Dual Range [(10Y GBP-10Y EUR Spread) e (10Y-2Y EUR Spread)]		- 11366 687	- 3 074 225		150	16-03-2015
Eurobond 05/15		Plain vanilla	13 586 357			2 251667	150	16-03-2015
Eurobond 05/15		Plain vanilla	7 727 973			3 417 709	150	16-03-2015
Eurobond 05/15		Plain vanilla		- 13 704 722	- 13 704 722		150	16-03-2015
Eurobond 05/15		Plain vanilla			- 11302 116			
Eurobond 05/15		10Y-2Y EUR Spread Rib		- 25 268 223		12 723 134	300	16-03-2015
Eurobond 06/21	100%	Cap KO (Eur 12m < 7%)		- 17 321074	- 1731666		500	13-12-2021
Eurobond 06/26	50%	Cap KO (Eur 12m < 6.50%)		- 9 757 779	- 1280 441		200	16-11-2026
Eurobond 06/26		Long Cap	2 345 336			3 488 542	100	16-11-2026
Eurobond 06/26		Fixed-Fixed Swaption Bermuda		- 347 487	- 347 487		100	16-11-2026
Eurobond 09/24	50%	Plain vanilla	6 289 409			10 324 980	250	16-10-2024
			29 949 075	**- 89 282 049**	**- 31 440 657**	**44 664 663**	**2 750**	

5.10 Suppliers and other accounts payable

Amounts in Euro

Description	2011	2010
Clients	69 377 931	32 420 708
Other accounts receivable	38 926 532	36 815 239
Accrued income	6 272 498	1047 928
Government and other public bodies	2 627 991	6 149 925
Expenses to recognise	613 068	1292 599
	117 818 020	**77 726 398**

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

Caption Suppliers is made up as follows:

Amounts in Euro

Clients	2011	2010
Clients - Other related parties (Note 8.4)	59 860 085	26 650 676
Clients -Subsidiaries (Note 8.2)	5 421 250	2 946 829
Clients -Associates (Note 8.3)	37 696	12 361
Clients - Sundry	4 058 901	2 810 841
	69 377 931	**32 420 708**

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

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

The other accounts receivable are as follows:

Amounts in Euro

Other accounts receivable	2011	2010
Other accounts receivable - Sundry	41 181 571	39 078 941
Cumulative Impairment (Note 5.19)	- 2 255 039	- 2 263 702
	38 926 532	**36 815 239**

In caption **other debtors,** approximately 32% (38% in 2010) concerns the partial fulfilment of the Protocol with Aveiro Council for the construction of a new railway station, road-rail interface and urban rehabilitation of the surrounding area.

The amount receivable from Gabinete Metro Sul do Tejo (2010: 616,982 Euros) was no longer considered in this caption as this entity was extinguished by Council of Ministers Resolution 87/2010 dated 11 November; Likewise, Chapter 50 of the State Budget for 2012 does not include any amount for the repayment of expenses made by the already extinguished GMST, leading to the settlement of the amounts stated before as due (597,813 Euros).

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

Likewise, the VAT amount relating to the reversal of tax payer in the amount of 414,323 Euros (377,229 Euros in 2010) settled based on the measurement reports signed and which due to time differences in the receipt of respective invoices could not be tax deducted.

Cumulative impairments from other debtors totals 2,255,039 Euros, which, after testing the probability of recovery, was strengthened by 8,664 Euros (Note 5.19). This decrease is recorded under caption "Reversal of Impairment losses from Debts Receivable" in the Statement of Comprehensive Income.

The adjustment is made up of balances of Benaterras – EUR 6,818 – dating from 2001 to 2003; Aetur – EUR 22,070 – dating from 2003 to January 2006; and O2 – EUR 1,805,995. As to the remaining amount, it relates to the entities undergoing bankruptcy proceedings.

As for the **Accrued Revenue** item, it is entirely related to operational income, particularly the amount relative to the stations operation concession (approximately 41% of the total) invoiced in 2012, but relating to 2011. In relation to this amount, it is worth noting the concession agreement entered with REFER PATRIMÓNIO for the management of railway stations as concerns the public railway operation service, the operation of public domain railway assets not allocated to railway operation and private domain assets of REFER subject to three separate contracts. These contracts are being reformulated to form one unique contract, which as of the date of this report was already drafted but not yet valued. As result, the amounts relating to each of these contracts were recognized as accrued revenue.

The company identified leftover equipment from several investment projects. These equipment were in due time, requested to the main warehouses and allocated to the different projects. As it was not possible to identify in useful time the names of most of them, which operating bodies estimate at 3,087,742 Euros, this amount was not included in inventories but added to this caption against gains on inventories /leftovers (Note 5.21). Following the entering of the names in the inventory, this caption will be written off in 2012.

As to caption **State and other public entities** it is made up of the VAT amount receivable relating to the period of July 2011 in the amount of 2,500,000 Euros. This refund was received in 6 January 2012

The amount owed to Social Security of EUR 127,991 is justified since REFER is a centralising company and, as such, temporarily substitutes Social Security by paying employees on sick leave/leave upon presentation of a medical certificate.

5.11 Cash and cash equivalents

Cash and Cash Equivalents shown in the cash flow statement for the year ending 31 December 2011 are reconciled with the amounts shown in the captions of the statement of financial position.

Amounts in Euro

Description	2011	2010
Bank deposits	10 915 305	151 607
Cash	14 060	11 711
Cash and cash equivalent	**10 929 364**	**163 319**

The materially relevant balance shown in the cash caption corresponds to a provisional transfer between cash accounts; the average balance of this caption at the end of each month of 2011 stood at 503,639 Euros.

5.12 Loans obtained

5.12.1 Amounts owed to credit institutions

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

Amounts in Euro

Description		2011	2010
Non current loans			
Bond loans		1 094 938 517	1 094 225 508
State		474 156 384	
Financial leases (Note 5.1)			56 909
	(Note 5.5)	**1 569 094 901**	**1 094 282 418**
Current loans			
Amounts owed to credit institutions		142 592 673	501 914 265
Financial leases (Note 5.1)		58 935	35 041
	(Note 5.5)	**142 651 608**	**501 949 305**
Borrowings		**1 711 746 509**	**1 596 231 723**

Caption current loans includes the amount of EUR 1,691 thousand (2010: EUR 5,455 thousand) relating to accrued income and expenses to be recognised from loans allocated to Infrastructure Management through the recognition of amortised cost.

At 31 December 2011 REFER held EUR 100 million in commercial paper and approximately EUR 44.3 million in bank overdrafts, recorded as "Amounts owed to credit institutions". In 2010, the following amounts were allocated to the Infrastructure Management Activity: 175.6 million Euros relating to commercial paper and 320.8 million Euros in bank overdrafts.

5.12.2 Loans maturities and terms

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

31 December 2011

Name	Date of signature	Amount (Euro)	Principal due	Repayment			Interest Payment	Interest rate
				Opening date	Closing date	Periodicity		
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	474 156 385	474 156 385	31-05-2013	30-11-2016	Half-year	31-May 30-Nov	6,50%
Commercial paper	Several dates	100 000 000	100 000 000	-	Mar-12	-	Half-yearly/ Quarterly	5,23%
Bank overdrafts	Several dates	44 283 989	44 283 989	-	Jul-12	-	Quarterly	3,227%
Total			**1 718 440 374**					
(1) Total considering effective cost			**1 713 378 890**					

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

31 December 2010

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%
Commercial paper	Several dates	175 621 479	175 621 479	Several dates		-	Half-yearly/ Quarterly	-
Bank overdrafts	Several dates	320 837 288	320 837 288	Several dates		-	Several dates	-
Total			**1 596 458 768**					
(1) Total considering effective cost			**1 590 684 276**					

The fair value of the fixed rate financial debt at 31 December 2011 is as follows:

Name	Nominal Value	Principal due	Fair value	Interest rate
Eurobond 5/15	600 000 000	600 000 000	254 473 363	4% Fixed
Eurobond 6/21	500 000 000	500 000 000	157 780 682	4.25% Fixa
Portuguese State Loan 11/16	474 156 385	474 156 385	474 089 170	6.50% Fixa
		1 574 156 385	**886 343 215**	

5.13 Suppliers and other accounts payable

This caption comprises the following amounts:

Amounts in Euro

Description	2011	2010
Trade payables	24 947 049	50 256 121
Loans form related entities (Note 5.13 / 8.2)	21454 980	17 100 000
Advances to be forwarded to Sales	18 252 137	17 606 311
Accrued expenses	15 587 405	17 663 216
Government and other public bodies	5 309 076	3 789 961
Other accounts payable	3 390 368	5 338 595
Income to recognise	808 455	911454
	89 749 470	**112 665 658**

The breakdown of impairment is as follows:

Amounts in Euro

Trade payables	2011	2010
Trade payables - Sundry	16 252 666	28 888 936
Suppliers, invoices expected or being checked	3 904 174	4 643 815
Clients -Subsidiaries (Note 8.2)	2 792 475	12 483 177
Clients - Other related parties (Note 8.4)	999 300	3 030 674
Suppliers - guarantee withheld	718 996	877 988
Clients -Associates(Note 8.3)	279 438	331531
	24 947 049	**50 256 121**

The breakdown of caption other expenses is as follows:

Amounts in Euro

Government and other public bodies	2011	2010
VAT	2 594 060	733 115
Contributions to social security and CGA	1821471	1977 538
Income Tax	893 544	978 199
Other taxes		101109
	5 309 076	**3 789 961**

Personal Income Tax and Social Security balances correspond to the December 2011 wages processed that year but settled in January 2012.

VAT payable concerns the period of December 2011, which was settled in February 2012.

Accrued expenses include liabilities with 2011 holiday pay due in 2012, corresponding to 8% of 2011's balance (15% of 2010's balance since it also included the liability for holiday allowances for 2010). It further comprises rents for facilities and miscellaneous expenses in 2011 not invoiced by respective entities until the end of the respective year.

It also includes the increase resulting from redundancy payments in the amount of 3,233,136 Euros (847,731 Euros in 2010). These advances resulted from a time difference between the processing date and the date of closure of the financial year concerned, since respective dates do not coincide (the processing of the wages occurred on 19 December 2011).

Loans obtained from related entities concern subsidiaries and represent temporary applications of treasury surplus, according to rules established by REFER in this regard (see note 5.22).

Advances for sales in the amount of EUR 18,252 thousand (EUR 17,606 thousand in 2010) 77% of which concerns Promissory Purchase / Sale Contract signed on 28/07/2000 covering assigned Surface Rights whose deed has not yet been signed, although the amounts agreed in the said Promissory Purchase / Sale Contract are being received. This caption also includes the amounts received deriving from protocols with several entities and in relation to which the conditions are not fulfilled to enable recognition of the revenue, namely dispatches to de-allocate the assets concerned from railway public domain.

The balance shown in **other accounts payable** includes consultancy and advisory expenses in the amount of 2,348,704 Euros, accounting for 69% of the said balance (20% in 2010).

Pursuant to Regulation 473/2010 of 6 May 2010, REFER started debiting and crediting the amounts relating to "Performance Improvement" (PI) determined in accordance with the said regulation. Hence, the amount of EUR 119,363 included in caption **other creditors,** relate to the bonuses determined in the current year, to be distributed amongst operators.

Deferred income include EUR 595,260 (EUR 747,516 in 2010) relating to the value to be integrated in proportion to respective depreciation of industrial creosoting of wood cross-ties, included in tangible fixed assets in 2007.

5.14 Provisions

The changes in the provisions and accumulated impairment losses in the years ended 31 December 2011 and 2010 are as follows:

31 December 2011

Amounts in Euro

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

31 December 2010

Amounts in Euro

Description	Opening balance	Increase	Decrease	Closing Balance
Pending legal proceedings	11 702 371	1 547 444	1 847 117	11 402 698
Provision for restructuring		3 974 393		3 974 393
	11 702 371	**5 521 837**	**1 847 117**	**15 377 091**

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

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

The provision for **restructuring** set up in 2010 was fully used during the current year, mainly in redundancy payments resulting from the elimination and automation of railway crossings, the implementation of the new maintenance strategy and the technical and organisational restructuring started in 2010.

5.15 Income tax

The amounts receivable / (payable) to the State in 2011/2010 relating to income tax are as follows:

Amounts in Euro

Description	2011	2010
Corporate Income Tax (CIT)		
Recoverable CIT	700 000	3 070 977
CIT payable	- 306 941	

Recoverable tax in the amount of 700,000 Euros concerns special payments on account (2010: 630,000 Euros) made by REFER.

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

During the current year, the autonomous taxation determined for the year (387 thousand Euros – note 5.24.2), as against the property withholdings made (80 thousand Euros) resulted in an amount payable to the State; in 2010, the amount of property tax withheld was more significant motivated by the lease in force at that date, concerning the Art's building, which was terminated in 2011. (see Notes 5.1 and 5.17)

5.16 Services and operating subsidies

5.16.1 Services rendered

Services rendered are as follows:

Amounts in Euro

Description	2011	2010
Grantor - LTI Revenue (Note 6)	58 487 847	63 439 759
Utilisation of slots (fees)	55 688 734	58 801453
Traction Power	4 431061	3 944 251
Manoeuvres/Parking Rolling stock	3 541297	3 533 802
Use of Stations and Stops	2 680 526	2 620 778
Capacity requested and not used	2 448 740	2 569 001
Customer Service	448 637	520 451
Crossings	153 506	115 575
Performance improvement	148 211	115 355
Maintenance of private railway lines	82 535	80 806
Other services	2 620 320	1227 550
	130 731 415	**136 968 780**

The amounts recorded under **State Grantor – LTI revenue** correspond to internal works debited to long term investment activity (see note 6).

This caption also includes revenues associated to the rendering of services, invoiced according to the Network Directory established pursuant to Decree-Law 270/2003, as amended by Decree-Law 231/2007, particularly provisions in articles 30 to 32 (see note1.2), namely revenues for the use of infrastructures, i.e. the using rate of railway infrastructures approved by the National Railway Transport Institute and charged to CP, CP Carga, Fertagus and Takargo.

This item also includes services provided by REFER employees for railway circulation manoeuvres and debited from the same companies for using railway complexes, the debit of traction energy, parking of rolling stock and utilisation of railway stops.

5.16.2 Operating subsidies

Pursuant to the Council of Ministers Resolution 53/2011, dated December, the company received 36,000,000 Euros (2010: 35,850,553 Euros), by way of compensatory payments recorded under this caption.

5.17 Supplies and Services

At 31 December 2011 caption supplies and services was made up as follows:

Amounts in Euro

Description	2011	2010
Sub-contracts	65 148 640	85 063 149
Electricity	10 166 725	9 031582
Specialised works	4 391352	7 562 852
Surveillance and Safety	4 166 387	4 528 539
Rents and rentals	3 163 554	4 093 881
Cleaning, Hygiene and comfort	1710 112	1874 969
Communications	1402 628	1612 808
Insurance	1251952	1333 953
Fuel	1184 485	1352 714
Royalties	1166 330	1149 872
Maintenance and repair	1104 899	1835 464
Water	1102 973	1210 796
Transport of personnel	920 551	1008 776
Fees	238 549	291844
Tolls	206 146	268 097
Others below 200,000 euros	924 473	1701887
Supplies and Services	**98 249 757**	**123 921 181**

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

Subcontracting expenses decreased for all specialities, but mainly track maintenance remained that which posted the most significant expenses.

Amongst the most relevant contracts, it is worth noting the Contract for Integrated Railway Track Maintenance of the Sul, Lisboa, Beira Alta and Oeste Lines, which accounts for 57% of expenses in this field.

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

The 23% fall recorded in **rents and rentals** results from the rescission of the lease for Edifício Art's, effective as from 30 June 2011.

As far as **maintenance and repair** costs are concerned, there was a decrease in relation to 2010 in technical assistance services for information equipment and in car fleet and railway equipment maintenance and repair.

Operating leases

Caption rents and rentals includes EUR 1,471,891 (EUR 1,481,892 in 2010) relating to expenses with car leasing and EUR 173,937 (EUR 87,771 in 2010) with administrative equipment leasing.

As of the date of this report, REFER had 346 service vehicles (394 vehicles in 2010) and 41 administrative equipment (51 administrative equipment in 2010) under lease contracts.

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

Amounts in Euro

Description	Less than 1 year	1 to 5 years
According to contract		
Vehicles	1146 739	861249
Equipment	180 070	466 625
Debt current value		
Vehicles	1124 232	836 019
Equipment	176 536	448 581

5.18 Personnel expenses

Personnel expenses for the years ended as of 31 December 2011 and 2010 were made up as follows:

Amounts in Euro

Description	2011	2010
Wages	74 688 004	87 786 431
Indemnities	26 775 918	3 003 142
Wage expenses	16 090 152	18 786 891
Other personnel costs	5 462 869	5 460 162
Occupational insurance policies	772 628	832 196
Social security expenses	588 178	755 172
Remuneration of the members of governing bodi	295 896	414 524
	124 673 646	**117 038 518**

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

The average number of employees during 2011 was of 3,237 (2010: 3,469), and the number of employees as at 31/12/2011 was of 2,815 (3,445 in 31/12/2010). The decrease in employees explains the rise in redundancy payments, which totalled 26,775 thousand Euros (2010: 3,003 thousand Euros). The average return period for these redundancies is of 26 months; the average seniority of employees which received them is 33 years.

Captions **Personnel Remuneration** and **Remuneration Expenses** are also impacted by the decrease in personnel in 2011. The total wages bill decreased by 10.26% in relation to the previous year. Excluding redundancies, personnel expenses amounted to 97,897 thousand Euros in 2011, as against 114,035 thousand in 2010. This decreasing trend in personnel expenses, net of redundancies, should be kept in 2012.

Note also REFER's expenses with employee representation structures (information referred to by the Dispatch from the Secretary of State of the Treasury, of 25 June 1980). For workers involved full time in these activities (Union Leaders and Employee Committee) the expenses determined for the employee representation structure for the years of 2011 and 2010 totalled EUR 126,586 and EUR 188,739 respectively.

Respective breakdown is as follows:

Amounts in Euro

Description	2011	2010
Monthly wages	67 287	101 185
Long-service wage rises	6 628	8 013
Sub. Holiday pay Christmas	15 002	23 051
Employer's contribution	23 896	35 833
Other	13 773	20 657
Expenses with Workers' Representation Structures	**126 586**	**188 739**

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

Description	2011	2010
Part-time (average no.)		
Union Leaders	175	154
Committees and sub-committees	21	26
Full time		
Union Leaders	6	7
Committees and sub-committees		
No. of employees involved in workers' representation structures	**202**	**186**

5.19 Impairments

The breakdown of impairment is as follows:

31 December 2011

Amounts in Euro

Impairments	Opening balance	Increase	Write back for the year	Closing Balance
Investments in associates (Note 5.4)	322 476			322 476
Available-for-sale financial assets (Note 5.6)	64 494			64 494
Clients -Associates(Note 5.7)	4 889 014	4 113 749		9 002 763
Inventories (Note 5.8)	228 698	461058		689 755
Other debtors (Note 5.10)	2 263 702		8 664	2 255 039
	7 768 384	**4 574 807**	**8 664**	**12 334 527**

31 December 2010

Amounts in Euro

Impairments	Opening balance	Increase	Write back for the year	Closing Balance
Investments in associates (Note 5.4)	322 476			322 476
Available-for-sale financial assets (Note 5.6)	64 494			64 494
Clients -Associates(Note 5.7)		4 889 014		4 889 014
Inventories (Note 5.8)	91159	137 539		228 698
Other debtors (Note 5.10)	1973 395	290 307		2 263 702
	2 451 524	**5 316 860**		**7 768 384**

5.20 Other expenses

The breakdown of caption other expenses is as follows:

Amounts in Euro

Description	2011	2010
IMTT	2 211 984	610 743
Direct and indirect taxes	501 874	522 040
Losses on non financial instruments	469 979	65 767
Indemnities	281 943	452 529
Donations	266 228	317 847
Contributions	183 234	202 098
Losses on inventories	128 043	61 248
Irrecoverable debt	15 693	9 723
Operating expenses < 10,000 euros	53 700	25 253
Other expenses	**4 112 678**	**2 267 250**

The change in IMTT caption does not reflect a real increase in expenses since the amount recorded in 2010 was influenced by the corrections in invoicing in 2008 and 2009; the amount effectively borne in relation to 2010 was of 2,211,987 Euros.

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

Caption other sundry expenses include donations made to Fundação Nacional do Museu Ferroviário in the amount of EUR 213,728 (EUR 252,000 in 2010) and to UNICRI in the amount of EUR 20,000 (EUR 20,000 in 2010).

5.21 Other income

The breakdown of caption other expenses is as follows:

Amounts in Euro

Description	2011	2010
Concessions and licences	6 816 599	6 540 696
Gains on inventories	3 221 253	84 858
Telecommunications	1 596 036	1 626 746
Sale/assignment of energy and water	921 119	859 587
Miscellaneous sales	611 721	190 072
Assignment of equipment and personnel	418 041	1 188 608
Equipment rental	189 273	290 251
Home Conservation Fund	164 716	189 891
Subsidies	61 609	128 152
Other income < 50000 euros	670 946	2 858 148
Other income	**14 671 314**	**13 957 008**

Caption **Concessions for the use of licences** includes mainly the concession for the use of commercial areas, accounting for 66% (24% in 2010) of the total and for buildings and land, accounting for approximately 16% (47% in 2010) of the total in this caption. The significant rise in the concession for commercial areas results from the concession contract entered with REFER PATRMÓNIO during the current year (see note 5.19).

Sales of residues and railway sleepers recorded a significant increase in 2011, which explains for the positive change in caption **Sundry sales**; 611,691 Euros in 2011 as against 189,976 Euros in 2010).

The extremely negative change recorded in caption **Assignment of equipment and personnel, 65%** in relation to 2010 is explained by the termination of contracts with RAVE, S.A., as result of the ongoing extinction of this company.

5.22 Financial losses and gains

Caption financial losses and gains is made up as follows:

Amounts in Euro

Description	2011	2010 (Restated)
Financial losses		
Interest paid		
Borrowings	- 192 637 526	- 137 071344
Derivative financial instruments	- 75 463 959	- 90 440 444
Other interest paid	- 657 320	- 171452
Changes in fair value:		
Derivative financial instruments (Note 5.9)	- 26 121352	- 31440 657
Other financial losses	- 15 730 293	- 9 698 350
	- 310 610 450	**- 268 822 247**
Financial gains		
Income from tradeable instruments and other financial applications	160 325	334
Interest earned		
Derivative financial instruments	83 327 575	91636 550
Other interest earned	169 229	70 045
Loans from State Grantor (Note 4.14)	125 018 463	94 929 220
Changes in fair value:		
Derivative financial instruments (Note 5.9)	21910 061	44 664 663
Other operating gains	183 897	92
	230 769 550	**231300 905**
(Impairment) / Reversals (Note 5.23)	381511	- 4 915 588
Amortisation (Note 5.23)	7 205 720	1000 000
Gains/(losses) on subsidiaries and associates (Note 5.23)	**7 587 231**	**- 3 915 588**
Financial results	**- 72 253 669**	**- 41 436 930**

Interest paid concern interest on debt associated to Investment and Infrastructures Management Activities, namely bond loans, bilateral loans and short term credit lines. It also includes interest paid to paying leg and interest rate swap premiums and interest paid for treasury applications made by subsidiaries with REFER. Subsidiaries are paid at the 1-week Euribor rate minus 1 percentage point on a 365-day basis, with a minimum interest rate of 0.25%.

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

Caption Interest Income includes interest earned on financial derivative instruments, specifically swap operations (receiving leg and premiums), other interest on financial applications and interest paid by the State grantor (Note 4.14).

The reductions in fair value of derivative financial instrument operations are shown under Financial Losses and the increases under Financial Gains. The net effect of these changes amounted to negative EUR 4.2 million in 2011 (EUR 13.22 million in 2010).

5.23 Gains/(losses) on subsidiaries and associates

In 2011 and 2010, caption Gains / (Losses) on subsidiaries was made up as follows:

Amounts in Euro

Description	2011	2010 (Restated)
(Impairment) / Reversals (Note 5.3 / 5.22)	381511	-4 915 588
Gains on subsidiaries (Note 5.22)	7 205 720	1000 000
Gains/(Losses on subsidiaries)	**7 587 231**	**- 3 915 588**

Gains on subsidiaries resulted from the distribution of free reserves of FERBRITAS in the amount of 5,905,720 Euros (2010: 0) and dividends of REFER TELECOM 1,300,000 Euros, (2010: EUR 1,000,000).

In 2010 the Company recorded impairments on the equity holdings in RAVE (1,000,000 Euros) and REFER PATRIMÓNIO (3,915,588 Euros – Note 2.1.1). In 2011, as result of the positive change in the equity of REFER PATRIMÓNIO it was possible to partially reverse the adjustment made in 2010, (See note 5.3).

The impairment set up on investment in RAVE takes into account the future integration of RAVE into REFER, as provided in the State Budget Consolidation measures published in the Official Gazette 1 series, on 27/12/2010. As result, the Management considered the existence of a risk of recovery of the investment in the light of the nature of RAVE assets that are to be integrated, having therefore adjusted the full amount of this interest.

5.24 Income tax for the year

5.24.1 Deferred tax assets and liabilities

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

No deferred tax liabilities were identified in the year.

As for deferred tax assets, there are fiscal losses to be used, totalling EUR 904,733,293. On par with these tax losses to recover, given the current economic environment, the estimate for forthcoming years and the nature of REFER's activity, the company does not expect to obtain tax profits in the future that will enable it to recover the temporary asset differences.

Amounts in Euro

Date of loss	Final reporting date	Amount
2006	2012	191696 681
2007	2013	222 339 125
2008	2014	208 952 175
2009	2015	236 172 810
2010	2014	45 572 502
		904 733 293

5.24.2 Income tax for the year

Income tax for the year, recognised in the statement of comprehensive income, refers to the autonomous taxation calculated in accordance with tax rules in force on reporting date.

Amounts in Euro

Description	2011	2010
Current tax for the year	386 857	289 154
	386 857	**289 154**

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

The internal work carried out for the investment activity in LTI, which was not recognised in the statement of comprehensive income, is as follows (see Note 5.16).

Amounts in Euro

Description	2011	2010
Activity in long term Infrastructure investments		
Consumption		133 705
Material for investment	31133 765	33 168 062
Equipment	37 764	24 246
Labour	769 435	1267 103
Overhead costs	26 546 882	28 846 643
Total Activity in long term Infrastructure investments	**58 487 847**	**63 439 759**

7. Remuneration of the members of governing bodies

Information referred to in Council of Ministers Resolution no. 155/2005 of 8 September 2005 and article 13º-A, of Decree-Law no. 558/99, of 17 December, as amended by Decree-Law no. 300/2007, of 23 August.

Amounts in Euro

Board of Directors	Position	Social Security Regime	2011 Main Remun.	2011 Main Remuner.	2011 Employer's Disc. Social Security	2011 Employer's Disc. CGA
Luís Filipe Melo e Sousa Pardal	Chairman	Normal Regime	86 495	67	20 543	
Romeu Costa Reis	Member	CGA	75 495	535		5 975
Alberto José Engenheiro Castanho Ribeiro	Member	Normal Regime	75 495	802	14 297	
Carlos Alberto João Fernandes	Member	Normal Regime	75 495	67	14 297	
Remuneration paid			**312 979**	**1 470**	**49 137**	**5 975**

Amounts in Euro

Board of Directors	Position	Social Security Regime	2010 Main Remun.	2010 Main Remuner.	2010 Employer's Disc. Social Security	2010 Employer's Disc. CGA
Luís Filipe Melo e Sousa Pardal	Chairman	Normal Regime	97 912	334	23 254	
Alfredo Vicente Pereira	Vice-chairman	Normal Regime	58 507		13 895	
Romeu Costa Reis	Member	CGA	85 460	1504		6 488
Alberto José Engenheiro Castanho Ribeiro	Member	Normal Regime	85 460	752	20 297	
Carlos Alberto João Fernandes	Member	Normal Regime	85 460	1921	20 297	
Remuneration paid			**412 798**	**4 511**	**77 743**	**6 488**

Figures provided to the Supervisory Committee were as follows:

Amounts in Euro

Entity	2011 Monthly Sum	2011 Total	2011 Social security contributions	2010 Monthly Sum	2010 Total	2010 Social security contributions
Hilário Manuel Marcelino Teixeira	951	3 802	903	951	11 412	2 710
Barbas, Martins, Mendonça & Associados, SROC	3 037	36 439		4 392	52 708	

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

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

8. Balances/transactions with related entities

8.1 Summary of related entities

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

2011

	Relationship
Subsidiaries	
REFER PATRIMÓNIO	REFER holds 99.997% of the share capital
Ferbritas	REFER holds 98.43% of the share capital
REFER TELECOM	REFER holds 100% of the share capital
RAVE	REFER holds 40% of the share capital
Empresas Associadas	
GIL	REFER holds 33.98% of the share capital
Other related parties	
CP	Controlling relationship - State
CP CARGA	Controlling relationship - State

2010

	Relationship
Subsidiaries	
REFER PATRIMÓNIO	REFER holds 99.997% of the share capital
Ferbritas	REFER holds 98.43% of the share capital
CP COM	REFER holds 80% of the share capital
REFER TELECOM	REFER holds 100% of the share capital
RAVE	REFER holds 40% of the share capital
Associated companies	
GIL	REFER holds 33.98% of the share capital
Other related parties	
CP	Controlling relationship - State
CP CARGA	Controlling relationship - State

8.2 Balances and transactions with subsidiaries

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

Amounts in Euro

Company	2011	2010
Accounts receivable		
REFER PATRIMÓNIO	4 547 631	4 553 612
LDI'S - Accounts receivable (Notes 4.3.3)	**4 547 631**	**4 553 612**
REFER PATRIMÓNIO	3 705 246	234 612
REFER TELECOM	1638 977	1560 898
RAVE	74 703	442 990
Ferbritas	2 324	16 838
CP COM		691491
Clients (Note 5.10)	**5 421 250**	**2 946 829**
	9 968 881	**7 500 441**
Balances payable		
Ferbritas	3 551603	5 832 537
REFER PATRIMÓNIO	38 280	1479 459
REFER TELECOM	20 471	2 819 541
CP COM		18 637
LDI's - Suppliers and other accounts payable	**3 610 354**	**10 150 173**
REFER TELECOM	2 583 933	10 655 447
REFER PATRIMÓNIO	201079	799 100
Ferbritas	7 463	1028 509
CP COM		121
Suppliers (Note 5.13)	**2 792 475**	**12 483 177**
REFER TELECOM	13 500 000	9 200 000
Ferbritas	6 424 980	7 250 000
REFER PATRIMÓNIO	1530 000	650 000
Loans obtained (Note 5.13)	**21 454 980**	**17 100 000**
	27 857 809	**39 733 350**

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

Amounts in Euro

Company	2011	2010
Investments and Suppliers & Services		
REFER TELECOM	13 910 685	17 635 793
FERBRITAS	12 334 325	13 061 149
REFER PATRIMÓNIO	84 535	1793 551
CP COM		10 865
	26 329 545	**32 501 358**
Rendering of Services		
Ferbritas	5 946 113	19 317
REFER TELECOM	3 116 347	1958 047
REFER PATRIMÓNIO	2 347 567	713 465
RAVE	551095	1327 456
CP COM		2 118 266
	11 961 122	**6 136 551**
Financial expenses		
REFER TELECOM	28 248	18 038
FERBRITAS	21649	18 946
RAVE	5 437	
REFER PATRIMÓNIO	2 492	6 861
	57 826	**43 845**

8.3 Balances and transactions with associated companies

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

Amounts in Euro

Company	2011	2010
Accounts receivable		
GIL		
Loans and other accounts receivable (Note 5.	0	0
GIL	37 696	12 361
Clients (Note 5.10)	**37 696**	**12 361**
	37 696	**12 361**
Balances payable		
GIL	279 438	331531
Suppliers (Note 5.13)	**279 438**	**331531**
	279 438	**331 531**

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

Amounts in Euro

Company	2011	2010
Investments and Suppliers & Services		
GIL	908 741	1096 057
	908 741	**1 096 057**
Rendered Services		
GIL	40 863	40 863
	40 863	**40 863**

8.4 Balances and transactions with other related entities

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

Amounts in Euro

Company	2011	2010
Accounts receivable		
CP - Comboios de Portugal, E.P.E.	46 418 011	17 878 134
CP Carga - Log.Tr.F.Mercadorias, S.A.	13 442 073	8 772 542
Clients (Note 5.10)	**59 860 085**	**26 650 676**
	59 860 085	**26 650 676**
Balances payable		
CP - Comboios de Portugal, E.P.E.	215 250	3 640
CP Carga - Log.Tr.F.Mercadorias, S.A.	27 798	10 420
LDI's - Suppliers and other accounts payable	**243 048**	**14 060**
CP - Comboios de Portugal, E.P.E.	961558	2 944 215
CP Carga - Log.Tr.F.Mercadorias, S.A.	37 742	86 459
Suppliers (Note 5.13)	**999 300**	**3 030 674**
	1 242 348	**3 044 734**

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

Amounts in Euro

Company	2011	2010
Investments and Suppliers & Services		
CP - Comboios de Portugal, E.P.E.	6 473 375	6 351464
CP Carga - Log.Tr.F.Mercadorias, S.A.	114 861	135 990
	6 588 236	**6 487 454**
Rendering of Services		
CP - Comboios de Portugal, E.P.E.	52 016 232	54 065 810
CP Carga - Log.Tr.F.Mercadorias, S.A.	14 340 728	14 287 285
	66 356 960	**68 353 095**

8.5 Balances and invoicing with public entities

As of 31 December 2011, protocols of significant amount in force are as follows:

Amounts in Euro

Municipality	Description of Protocol/ Related entity	Cumulative Issued Invoices up to 31/12/2011	Amount Due at 31/12/2011
Balances receivable			
Espinho	Intervention in Espinho Urban regeneration and levelling of track	15 750 890	619 682
Aveiro	Construction of the New Station of Aveiro - Road Interface, Urban Regeneration of Surrounding Area, Financing of the Undertaking	13 350 792	13 350 792
EP - Estradas de Portugal	Protocol for the management of road and rail engineering works maintenance	5 730 346	670 415
Viana do Castelo	Closure of railway crossings in the Municipaliity of Viana do Castelo	3 209 153	2 464 825
Sintra	Technical and financial collaboration of REFER and the Municipality of Sintra for the construction of the "Túnel de Agualva"	3 171 712	1 132 509
Cascais	Regeneration and Improvement of the Cascais railway line - Carcavelos/Estoril stretch (Revision)	3 132 348	3 076 512
Fundão	Road and rail infrastructures in the urban area of Fundão - 2nd addenda	2 865 417	2 865 417
Coimbra	Final closure of 25 railway crossings and respective access roads in the Municipality of Coimbra	2 676 764	2 676 764
Viseu	Assignment to the Municipality of Viseu of all real estate belonging to REFER located in this Municipality, following decommissioning of railways	2 125 000	300 000
Ovar	Closure of 6 railway crossings and respective access roads in the Municipality of Ovar,	1 405 654	- 11 776
		53 418 076	**27 145 141**

9. Recently issued accounting standards and interpretations

The impact of the adoption of the standards and interpretations which came into force as of **01 January 2011** is as follows:

Standards

- IAS 32 (amended), 'Financial Instruments: Preparation - classification of issued rights (effective for periods beginning at or after 01 February 2010) - This amendment provides the accounting treatment of issued rights denominated in a currency other than the issuer's operating currency. If rights are issued pro-rata to the shareholders for a fixed amount in any currency, it is deemed as a transaction with shareholders to be classified under Equity. Otherwise, the rights must be recorded as derivative liabilities. This amendment had no impact on REFER's financial statements.

- IFRS 1 (amended). "First Adoption of the IFRS" (effective for periods beginning after 1 July 2010, in the European Union). This amendment gives first time adopters of the IFRS the same transition provisions of IFRS 7 - Financial Instruments: Disclosure", which relieves first time adopters from providing comparative information for the three level classification of fair value required by IFRS 7. This amendment had no impacts of REFER's financial statements as the company already reports according to IAS/IFRS.

- IAS 24 (amended) - Related Parties (effective for periods beginning after 01 January 2011) Amendment to this standard cancels general requirements of disclosure of related parties transactions of state companies although the disclosure of the relation between the company and the state is mandatory as well as any significant transactions that have occurred with the State or State related parties. Additionally, the definition of related party was changed to eliminate any inconsistencies in the identification and disclosure of related parties. This standard was early applied by REFER in 2010.

- Annual improvement of the standards in 2010 while revising the consistency with the practical application of the IAS/IFRS, IASB decided to improve standards viewing to clarify some of the identified inconsistencies. The most significant improvements relate to changes made to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13. The adoption of 2010 improvement to standards had no relevant impact on REFER.

Interpretations

- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments. Clarifies the accounting principle to adopt when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments. A gain or loss us recognised in profit or loss for the period, based on the fair value of the equity instruments issued as against the debt's book value. The simple reclassification of the debt as equity is not permitted. This amendment had no impact on REFER's financial statements.

- IFRIC 14 (Amendments), As result of this amendment, an entity must recognise as assets the payments of futures services made in advance, and in each period, the analysis of the plan's surplus must be made as no early payments were made. IFRS 14 had no impact on REFER's financial statements.

There are new standards, amendments and interpretations made to existing standards which, although already published, their application is only **mandatory for annual periods beginning as from 01 July 2011** or subsequently, which the Company decided not to adopt in advance:

Standards

- IFRS 1 (amended). "First Adoption of the IFRS" (effective for periods beginning after 01 July 2011). This amendment includes a specific relief for first time adopters of IFRS that formerly operated in economies classified as hyperinflationary. Thus, when transition date to IFRS is a date equal or subsequent to the date in which the entity's operating currency has "standardised", the entity may opt to measure all assets and liabilities held at standardisation date at fair value, in the transition to the IFRS. Another amendment introduced concerns the removal of dates in the exceptions to the retrospective application of IFRS for the first time. This amendment had no impact on REFER's financial statements.

- IFRS 7 (amended), Financial instruments: Disclosures - transfer of financial assets (effective for periods beginning after 01 July 2011) - This standard is still subject to the adoption process by the European Union. This amendment to IFRS 7 addresses disclosure requirements of financial assets transferred to third parties but not derecognised in the balance sheet because the company still holds obligations or continued involvement with such assets. This amendment had no impact on REFER's financial statements.

- IAS 12 (amended) - Income tax (effective for periods beginning after 01 January 2012) - This standard is still subject to the adoption process by the European Union. Amendment to IAS 12 resulted in the integration of SIC 21 - "Income tax - Recovery of Revalued Non Depreciable Assets and the exception to the accounting treatment provided in SIC 21 for investment properties measured at fair value. In the case of investment properties at fair value it is presumed that their recovery will always be at sale value, for the purposes of determining the tax impact. This amendment had no impact on REFER's financial statements.

- IAS 1 (Amendments) 'Presentation of Financial Statements – Statement of Comprehensive Income' (effective for periods beginning after 1 January 2013). This standard is still subject to the adoption process by the European Union. This amendment requires companies to present separately items accounted for as comprehensive income, whether this income may or not be recycled in the future as income for the year and respective tax impact or if items are presented before taxes. This amendment had no impact on REFER's financial statements.

- IFRS 9 (new). "Financial instruments - classification and measuring" (effective for periods beginning after 01 January 2013). This standard is still subject to the adoption process by the European Union. IAS 39 establishes two measurement categories: amortised cost and fair value. All capital instruments are measured at fair value. A debt instrument is measured at amortised cost only when the entity holds it to receive contractual cash flows and the cash flows corresponds to principal and interest. Otherwise, debt instruments are measured at fair value via profit and loss. REFER will apply IFRS 9 in the year it will become effective.

- IFRS 10 (new). "Consolidated financial statements" (effective for periods beginning after 01 January 2013). This standard is still subject to the adoption process by the European Union. IFRS 10 replaces all principles associated to control and consolidation included in IAS 27 and SIC 12, altering the definition of control and the criteria used to determine control. The base principle whereby the consolidated statement presents the parent company and subsidiaries as one sole company remains unchanged.

- IFRS 11 (new). "Joint Arrangements" (effective for periods beginning after 01 January 2013). This standard is still subject to the adoption process by the European Union. IFRS 11 focuses the rights and obligations of joint arrangements rather than their legal form. Joint arrangements may be: Joint operations (rights to assets and obligations) or joint ventures (rights to net assets by applying the equity method). Proportional consolidation is no longer possible. REFER will apply IFRS 9 in the year it will become effective.

- IFRS 12 (new). "Disclosure of Interests in Other Entities" (effective for periods beginning after 01 January 2013). This standard is still subject to the adoption process by the European Union. IFRS 12 establishes disclosure requirements for all types of interests in other entities, including joint undertakings associated to the entity's interest. An entity may carry out some or all disclosures without having to apply the IFRS 12 in full or IFRS 10 and 11 and IAS 27 and 28. REFER will apply IFRS 9 in the year it will become effective.

- IFRS 13 (new). "Fair value measurement" (effective for periods beginning after 01 January 2013). This standard is still subject to the adoption process by the European Union. The objective of IFRS 13 is to increase consistency, providing a precise definition of fair value and to set out a single framework for measuring fair value and disclosing fair value measurements applicable to all IFRS. REFER will apply this IFRS in the year it will become effective.

- IFRS 27 (2011 revision). "Separate financial statements" (effective for periods beginning after 01 January 2013). This standard is still subject to the adoption process by the European Union. IAS 27 was revised following the issuing of IFRS 10 and establishes accounting and disclosure requirements for investments in subsidiaries, joint undertakings and associates when an entity prepares separate financial statements. REFER will apply this IFRS in the year it will become effective.

- IFRS 28 (2011 Revision). "Investments in associates and joint undertakings" (effective for periods beginning after 01 January 2013). This standard is still subject to the adoption process by the European Union. IAS 28 was revised following the issue of IFRS 11 and it establishes the accounting treatment to be provided to investments in associates and the requirements for applying the equity method. REFER will apply this IFRS in the year it will become effective.

- IFRS 19 (Amendment). "Employee Benefits" (effective for periods beginning after 01 January 2013). This standard is still subject to the adoption process by the European Union. This amendment introduces significant changes to the recognition and measurement of expenses with defined benefits and termination benefits, as well as disclosures to be made concerning all benefits granted to employees. Actuarial deviations started to be immediately recognised under other comprehensive income only (the corridor method is no longer permitted). The financial costs of funded benefit plans are determined on the net basis of the non funded liability. REFER will apply this IFRS in the year it will become effective.

10. Investment commitments

The estimated value of investments to be made into Long Term Infrastructures (LTI) for the public railway domain, and other investments that are not part of LTI (IEAG – Support and Management Structures integrating the investments of operation, studies and other fixed assets) necessary for developing the planned activities, reached EUR 73 million.

Of the total investment planned, 97% (EUR 71 million) corresponds to investments in LTI; the remaining 3% (EUR 2 million) corresponds to investments in Support and Management Structures.

Amounts in Euro

Programmes/Projects	2012 Estimate
Investment in LTI	
included in PIDDAC	**71**
Minimum investment programme in National Railway Network	71
Not included in PIDDAC	**0**
Investment in LTI	**71**
Investment in EAG	**#NOME?**
Total Investment REFER	**#NOME?**

Note: investment at technical costs

11. Guarantees and State guarantees

On 31 December 2011, **loans which benefited from State guarantees** amounted to EUR 2,974,254,844 (2010: EUR 3,328,296,792), as per note 4.6.

Total bank guarantees received from suppliers came to EUR 187,407,517 (2010: EUR 203,562,838).

Total **bank guarantees received from clients/debtors** amounted to EUR 11,363,720 (2010: EUR 8,698,030). 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.

At 31 December 2011, REFER had liabilities for **guarantees given to courts** valued at EUR 171,552 (2010: 454,326) and **other guarantees** EUR 2,629,092 (2010: EUR 2,632,592).

As major shareholder of FERBRITAS, REFER signed a comfort letter in favour of Banco Millennium covering medium- and long-term financing up to a level of EUR 188,372.

12. Contingencies

Pending lawsuits

In the year ended at 31 December 2011, pending lawsuits concerning expropriation proceedings totalled EUR 359,586 (2010: EUR 788,891). This amount has no impact on the statement of financial position.

To this end, deposits are made with Caixa Geral de Depósitos in the name of the courts judging the lawsuits, in an amount equivalent to the arbitrated amount, and the settlement of these proceedings does not represent a cost but rather an investment in railway infrastructures. The Company also has pending proceedings relating to railway accidents at infrastructures managed by the company, damages caused to third-party property, and some lawsuits in progress in the Labour Court, which are covered by provision.

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

Other Situations

On 5 May 2011, the Company made a binding information request to the Tax Authorities concerning the tax framework given to investment in LTIs activity, regarding which it had received no reply as of the date of these financial statements.

However, in view of tax opinions obtained in the meantime, the Management believes that no corrections and/or additional settlements will result thereof.

13. Subsequent events

On 20 January 2012 the rating agency Standard & Poor's downgraded its credit rating of REFER from B- to CCC+, with negative outlook.

On 14 February 2012 REFER contracted a new loan with the Portuguese State in the amount of EUR 273,400,000 with maturity in 2017 at an annualised interest rate of 3.25%.

On 16 February 2012 the rating agency Moody's downgraded its credit rating of REFER guaranteed bonds from Ba2 to Ba3. The credit rating of non guaranteed bond issues remained at B2. The Outlook is negative.

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

It has been noted that this partnership has long ceased to be of interest for the Group since it has implied the sharing of continuous losses contradicting contracted terms. As result, the Group started in March of this year to negotiate the end of this partnership, having proposed the disposal of the 50% stake held by REFER PATRIMÓNIO against the future repurchase by REFER of a plot of land in Tomar to be partially or fully reintegrated in the public railway domain.

The acquisition of this land will be made by assuming the contractual position of IFERVISA relating to part of the debt allocated to the Tomar Land.

PART III
CORPORATE GOVERNANCE REPORT

III CORPORATE GOVERNANCE

This report refers to the company Rede Ferroviária Nacional – REFER, E.P.E. (REFER). The information presented herein portrays the company's activities in 2011.

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

Rede Ferroviária Nacional – REFER, E.P.E.
Estação de Santa Apolónia
1100-105 Lisbon
Site: www.refer.pt
Share Capital 430,200,000 euros
Tax Number: 503 933 813

REFER

Contents

Introduction

REFER, E.P.E. has had a longstanding and special commitment to an appropriate corporate governance system and to regularly disclose its positions and solutions to stakeholders, the financial community, authorities and the market in general.

In keeping with that sense of commitment and as in previous years, in this section of the annual management report, the Board of Directors presents the most relevant aspects concerning corporate governance. At the same time, it also fulfils its duty of information stipulated by Council of Ministers Resolution (RCM) 49/2007 and by the Regulations of the Portuguese Securities Exchange (CMVM) no. 5/2008.

Mission, Objectives and Policies

According to Decree-Law 104/97, of April 29, the main goal of REFER E.P.E. is to provide a public service of managing the national railway network. The company's goals also include:

- Construction, installation and renovation of the railway infrastructures which includes, in particular, the respective studies, planning and development;
- Circulation command and control and the promotion, coordination and development of all activities related with the railway infrastructure;
- Activities complementary or subsidiary to the main goal.

In 2008 REFER's statutes were republished through Decree-Law 141/2008, of July 22, which came into force on July 23. This Decree-Law amended and republished the statue that created Rede Ferroviária Nacional, REFER, E. P., and the respective statutes in order to adapt them to the new legal system applicable to the state's corporate sector.

Therefore, Rede Ferroviária Nacional, REFER, E.P., was transformed into a public corporate entity called Rede Ferroviária Nacional, REFER, E.P.E., which includes an alteration to the structure of its bodies.

Nature of REFER, E.P.E.:

"REFER, E.P.E., is a public corporate entity with legal personality, endowed with administrative and financial autonomy and its own assets, and is subject to supervision by the ministers responsible for the finance and transport sectors."

In summary, REFER has the following mission:

"Provide a competitive transport infrastructure to the market by managing and developing an efficient, safe and environmentally friendly railway network."

And has the following vision

"REFER will be an exemplary European railway infrastructure manager."

To carry out its activities, REFER has structured its organisation to suit the two aspects of its mission, whilst always keeping in mind that its main goal is to provide a public infrastructure management service. However, the whole corporate and administrative structure serves each activity in the same manner.

In addition to the activities covered by its missions – infrastructure management and investment management – REFER, in performing its normal operations, also carries out other complementary activities.

According to its corporate purpose, REFER carries out two complementary business activities:

- **Infrastructure Management and Operation**, as a public service provider which manages the whole National Railway Network infrastructure, including circulation command and control and the promotion, coordination and development of all activities related with the railway infrastructure.
- **Investment** to build, install and renew the railway infrastructure, which includes, in particular, the respective study, planning and development, an activity carried out on behalf of the state (the assets are part of the public railway domain).
- **Other Activities,** such as building, installing and managing interfaces with services of other transport modes.

In carrying out its activities, in light of its mission, REFER is the total or partial owner of a number of companies that, due to nature of their activities, are complementary or subsidiary to the public service of managing the railway infrastructure.

Through Council of Ministers Resolution 45/2011, of November 10, the government approved the Strategic Transport Plan (PET), which stipulates priority measures in the infrastructure and transport sector from 2011 to 2015 and which is based on three priorities:

a) "Comply with Portugal's external commitments and make the sector financially balanced and affordable for Portuguese tax payers;
b) Leverage the national economy's competitiveness and development;
c) Ensure mobility and accessibility to persons and goods in an efficient manner suitable to needs, whilst promoting social cohesion."

(in: Plano Estratégico dos Transportes [Strategic Transports Plan])

As for the company's mission, the following goals and policies are highlighted:

- Cost cutting and improved efficiency;
- Adjustment of the company's conditions and resources to restrictions raised by the Stability and Growth Plan (PEC) and to the Memorandum of Understanding;
- Promoting suitable levels of service safety, quality and reliability;
- Completion of interventions and projects in progress;
- Carrying out essential interventions to maintain adequate safety and service levels.

Financial Risk Management

Order 101/09-SETF of January 30 stipulates a number of instructions to be met by non-financial public companies (EPNF) to minimise the effects of volatility in financial markets on their financial results. The following table details the degree of compliance with those instructions:

In 2011, through Order 896/2011-SETF of June 9, non-financial public companies were forced to "… notify DGTF about projects to contract financial risk management instruments, including the respective datasheet and other information stipulated in Order 101/09-SETF of January 30, prior to being signed, also subject to a prior opinion issued by the Institute for the Management of Treasury ad Public Credit (IGCP);…".

As of June 2011, REFER's application of financial risk management instruments were authorised by the supervising ministry and subject to an opinion by IGCP prior to being signed.

Financial Risk Management - Order no. 101/09-SETF, of 30-01

	Complied			Description
	Yes	No	Not Applic.	
Procedure applied to evaluate the risk and respective coverage measures				
Diversification of financing instruments	√			Overdrafts; commercial paper; trusts; debenture loans
Diversification of available interest rate plans	√			Fixed rate; floating rate
Diversification of creditor entities	√			> 10 creditor entities
Contracting of risk coverage management instruments according to market conditions	√			Interest rate swaps
Application of an active policy to reinforce permanent capital				
Consolidation of remunerated liabilities: Transformation of Short Term Liabilities into M/L term under favourable conditions	√			State loan
Contracting of an operation that minimises the financial cost (all-in-cost) of the operation	√			competitive bid
Minimisation of providing real guarantees	√			
Minimisation of restrictive clauses (covenants)	√			
Measures applied to optimise the company's financial structure				
Applying a policy to minimise the allocation of outside capital for the financial coverage of investments			√	
Option for investments with proven social/corporate return, benefit from EU funds and equity			√	
Utilisation of self-financing and disinvestment revenue			√	
Inclusion in the E&C				
Description of the average annual financing rate in the last 5 years	√			
Interest paid annually on remunerated liabilities and other charges in the last 5 years	√			
Analysis of the efficiency of the financing policy and use of financial risk management instruments	√			
Impact on the 2011 financial costs by the effect by variations in the fair value of swap contracts in the portfolio	√			

Legend

EU Funds - European Community Funds

Governing Bodies

According to its statutes (Decree-Law 104/97 of April 29), the governing bodies of REFER E.P. include a Board of Directors as its management body and an Audit Committee as its supervisory body. Decree-Law 141/2008, of July 22, transformed REFER into a public corporate entity and thereby altered the structure of its governing bodies. The duties of the former Audit Committee are now shared by two new governing bodies: Supervisory Board and Chartered Accountant.

Until 31 December 2011, the order appointing the members of the Supervisory Board had not yet been issued, such that the Audit Committee remained in office.

CHAIRMAN OF THE BOARD OF DIRECTORS
LUÍS FILIPE MELO E SOUSA PARDAL

- General Secretariat
- General Network Development Department
- Department of Human Capital Coordination, Organisation and Legal Support

MEMBER OF THE BOARD OF DIRECTORS

ALBERTO JOSÉ ENGENHEIRO CASTANHO

RIBEIRO

- Infrastructure Engineering and Operation
- Safety
- Logistics

MEMBER OF THE BOARD OF DIRECTORS
ROMEU COSTA REIS

- Internal Auditing
- Communication and International Relations
- EU Funds

MEMBER OF THE BOARD OF DIRECTORS

CARLOS ALBERTO JOÃO FERNANDES

- Economy and Finance Coordination Department
- IT Systems and Technology
- Management of High Speed Concessions
- Contracts with the State

The Board of Directors generally performs all acts necessary to manage and develop the company and to manage its assets without undermining the powers of the respective supervising ministries.

In 2011 the Board of Directors held 50 weekly meetings.

Month	Number of Meetings
January	4
February	4
March	5
April	3
May	4
June	5
July	4
August	4
September	5
October	4
November	5
December	3
TOTAL	**50**

At its meetings and according to its powers, the Board of Directors decides on:

a) The company's objectives, strategies and management policies;
b) The annual and multi-year activity plans, investment and financial plans and the annual budgets, which it submits for approval to the Minister of Finance and to the minister of the supervising ministry;
c) The annual financial statements are submitted to the Minister of Finance and to the minister of the supervising ministry until 31 March of each year, along with an opinion by the Audit Committee, in reference to 31 December of the previous year;
d) Management of the company's transactions and operations to fulfil the respective objective;
e) Contracting of loans or other financing means, provided such is stipulated in the approved investment and financing plans and may, for that purpose, set up guarantees, burdens or charges over the assets and rights of the company's private domain;
f) Submit requests to the competent authorities for proceedings of public utility expropriations, to occupy land, to set up routes and to establish limitations for the use of buildings or of protection zones and to proceed with administrative servitudes;
g) Technical-administrative organisation of the company and of internal operation regulations, including regulations applicable to personnel, without undermining rights arising from labour agreements with unions;

h) Appointment and exoneration of management personnel assigned to the company's organic structure;
i) The company's participation in the capital of other companies or in partnerships.

On 31 December 2011, members of REFER's Board of Directors were also board members at the following group companies:

Name	REFER Position	Company	Position
Luís Filipe Melo e Sousa Pardal	Chairman	Rave	Chairman
Romeu Costa Reis	Member	Ferbritas	Chairman
		Rave	Member
Carlos Alberto João Fernandes	Member	REFER Património	Member
		Rave	Member
Alberto José Engenheiro Castanho Ribeiro	Member	Refer Telecom	Chairman
		Rave	Member

Annual Objectives 2009-2011

Decree-Law 71/2007 stipulates that public managers' management duties must be systematically evaluated according to the objectives specified in the guidelines stipulated in art. 11 of DL 558/99, of 17/12, or as stipulated in the management contract and with the criteria defined at a general meeting (art. 6, no. 1). In accordance with the said Decree-Law, on 30 July 2009 a Management Contract was signed between the REFER Board of Directors and the Ministry of Finance and Public Administration (Secretary of State for the Treasury and Finance) and the Ministry of Public Works, Transport and Communications (Secretary of State for Transport), representing the Portuguese State, applicable to each Director and stipulating indicators and quantified targets for meeting the goals for the 2009-2011 three-year period.

The indicators and targets proposed for 2011 and their degree of completion were defined as shown in the table below:

REFER Annual Objectives 2009 - 2011

Objective	Indicator	Calculation Formula	2009 Target	2010 Target	2011 Target	Weight
1. Improved efficiency and cost containment	Growth rate of Total Operating Costs (Infrastructure Management, Investment and Common)	[Operation Costs Year N /Operation Costs Year N-1]-1	8%	4%	3%	20%
2. Reduction in the average payment period to suppliers	Average payment period to suppliers	(Payable suppliers balance)/(Purchases+Extern. Supp. and Serv.+Investment)(12 months)*365 (Council of Min. Res. 34/2008 and DGT Info.)	50 days	42 days	36 days	5%
3. Increased Profitability	EBITDA Margin	EBITDA / Own Income (in %)	-157%	-138%	-129%	20%
4. Sustainability	Growth in non-core income	Income, excluding works for the company, core and operation subsidies	>=14M €	>=15M €	>=16M €	15%
5. Service Quality and Reliability	Punctuality Rate	[Ipp*CP/CT+IPm*CM/CT]/CT (%)	83%	84%	85%	10%
	Network Quality Rate (NQR)	Specific equipment is used to evaluate the network's technical parameters forming a basis for building a qualitative network status structure.	Good: 67 Accept.: 23 Poor: 6 Bad: 4	Good: 68 Accept.: 23 Poor: 6 Bad: 3	Good: 69 Accept.: 23 Poor: 6 Bad: 2	10%
6. Safety	Number of significant accidents per train/kilometre travelled by the operators on the national railway network	No. of significant accidents/TK travelled	1,771	1,682	1,597	5%
7. Investment Control	Financial Deviation	Financial deviation in executing the investment budget (%) ((Financial execution in the period)/(Budgeted amount in the period)-1)	<=12%	<=11%	<=10.2%	15%

Management Objectives for 2011

Realisation 2011

Objective	Indicator	Calculation Formula	2011		
			Real	Target	Deviation
1.Improved efficiency and cost containment	Growth rate of Total Operation Costs (Infrast. Man., Invest. and Common) (%)	[Operation Costs in Year N /Operation Costs in Year N-1]-1	-8,6%	3,0%	- 11,6 p.p.
2. Reduction in the average payment period to suppliers	Average payment period to suppliers (days)	((Purchases+Ext. Supp. and. Serv.+Investment)(12 months)/(Payable suppliers balance)*365 (C. of Minist. Res. 34/2008 and DGT Info)	80 days	36 days	44 days
3. Increased Profitability	EBITDA Margin (%)	EBITDA/Own Income (in %)	-144%	-129%	- 15 p.p.
4. Sustainability	Growth of non-core income (M €)	Income, excluding work for the company, core and operation subsidies	11,5 M€	>= 16 M€	-4,49204056
5. Service Quality and Reliability	Punctuality Rate (%)	[Ipp*CP/CT+IPm*CM/CT]/CT (%)	88%	85%	3 p.p.
	Network Quality Rate (IQV)	Specific equipment is used to evaluate the network's technical parameters forming a basis for building a qualitative network status structure.	Good:66% Accept.:24% Poor:7% Bad:3%	Good:69% Accept.:23% Poor:6% Bad:3%	Good: -3 p.p. Acceptab.: 1 p.p. Poor: 1 p.p. Bad: 1 p.p.
6. Safety (*)	Number of significant accidents per million train/kilometres travelled by the operators on the national railway network	No. of significant accidents / 106 TK travelled	0,773	1,597	-0,824
7. Investment Control (**)	Financial Deviation (%)	Deviation in executing the investment budget (%) ((Financial deviation in the period)/(Budgeted amount in the period)-1)	7%	<= 10%	- 3 p.p

Audit Bodies (Decree-Law 141/2008 of July 22)

"The audit bodies are responsible for monitoring the company's legality, regularity and good financial and asset management."

Supervisory Board

"It is the Supervisory Board's responsibility, notwithstanding further duties that may be assigned to it by law, to:

a) Audit management and compliance with regulatory standards applicable to the company's activities, in particular to fulfil the objectives stipulated in the annual budgets;

b) Issue opinions on documents disclosing the company's accounts, in particular results, the profit and loss statement and other documents to be submitted annually by the Board of Directors, as well as the annual report of the said board;
c) Issue an opinion about any issue of interest to the company which is submitted by the Board of Directors for assessment;
d) Inform the competent bodies about any detected company management irregularities;
e) Issue an opinion on the legality and convenience of the acts by the Board of Directors in cases where the law requires their approval or agreement."

Chartered Accountant

"The Chartered Accountant shall perform all examinations and checks necessary for the review and legal certification of accounts, as well as perform the following duties:

a) Check the compliance of the books, accounting records and the underlying documents;
b) When deemed convenient and using the means thought appropriate, check cash levels and the existence of any types of goods or values belonging to the company or received by it as a guarantee, deposit or for any other purpose;
c) Check the accuracy of the financial statements;
d) Check whether the accounting policies and valuation criteria applied by the company lead to a correct evaluation of the assets and results.

Quarterly, the Supervisory Board and the Chartered Accountant must send to the ministers in charge of finance and transports a brief report outlining the implemented control measures and any detected anomalies, as well as budget deviations and respective causes."

As mentioned above, on 31 December 2011 the order appointing the members of the Supervisory Board had not yet been issued, such that, according to Decree-Law 141/2008, of July 22, the Audit Committee remained in office.

Audit Committee

Audit Committee

Position	Governing Bodies	Election
President (ROC)	Barbas, Martins, Mendonça & Associados, SROC, Represented by Issuf Ahmad	
Member	Hilário Manuel Marcelino Teixeira	DC SETF and SET of August 2007
Mandate suspended	José Manuel Alves Portela	

Auditing

In 2011 the company did not contract an independent auditor.

Remuneration to Members of Governing Bodies

On December 31, the following remuneration statute was issued for the governing bodies of REFER E.P.E.:

1. Board of Directors

Executive Directors

Chairman

- Remuneration of 6,864.70 euros, 14 times per year;

Board Members

- Remuneration of 5,991.65 euros, 14 times per year;

Note: the aforementioned remunerations are subject to the reductions stipulated in Law 55-A/ 2010.

2. Audit Committee

Audit Committee Member

Hilário Manuel Marcelino Teixeira

- Remuneration for being an Audit Committee member 950.51€ 12 times per year

(as of 2011, the member suspended the remuneration for this position).

Governing body members earned the following remunerations in 2011:

[euros]

	Luís Filipe Melo e Sousa Pardal Chairman	Romeu Costa Reis Member	Alberto José Engenheiro Castanho Ribeiro Member	Carlos Alberto João Fernandes Member
1. Remuneration				
1.1. Base/fixed annual remuneration (€)	100 911	88 077	88 077	88 077
1.2. Reduction according to Law 12-A/2010 (€)	4 805	4 190	4 190	4 190
1.3. Reduction according to Law 55-A/2010 (€)	9 611	8 388	8 388	8 388
1.4. Real annual remuneration (1.1.- 1.2.-1.3.) (€)	86 495	75 499	75 499	75 499
1.5. Presence allowance (€)				
1.6. Accumulation of management positions (€)				
1.7. Variable remuneration (€)				
1.8. EFWH (exemp. from fixed work. hours) (€)				
1.9. Others (identify in detail) (€)				
2. Other fringe benefits				
2.1. Annual mobile communicat. allowance (€)	1200	1200	1200	1200
2.2. Telephone expenses	305	276	862	823
2.3. Travel subsidy (€)				
2.4. Meal subsidy (€)				
2.5. Others (identify in detail) (€)				
3. Social Benefits Costs				
3.1. Social Protection Regime (€)	20 543	5 975	14 297	14 297
3.2. Health insurance (€)	247	247	247	247
3.3. Life insurance (€)	32	32	32	32
3.4. Personal accident insurance (€)				
3.5. Others (identify in detail) (€)				
4. Automobile Fleet				
4.1. Make	Volvo	Mercedes	Mercedes	Mercedes
4.2. Model	S80	E220 CDI	E220 CDI	E220 CDI
4.3. Licence plate	74-IO-93	48-FT-67	30-EF-86	30-EF-57
4.4. Type of utilisation (Acquisition/Long. Term Lease/Rental/Lease)	AOV	AOV	AOV	AOV
4.5. New vehicle purchase refer. value (€)	57 397	48 167	48 167	48 167
4.6. Start year	30-12-2009	05-06-2008	21-08-2007	21-08-2007
4.7. End year	29-12-2013	04-06-2012	31-12-2011	31-12-2011
4.8 No. of instalments (if applicable)	48	48	52	52
4.9. Residual value (€)	n.a.	n.a.	n.a.	n.a.
4.10. Rent/annual instalment of company vehicle (€)	17 369	13 094	18 576	12 841
4.11. Fuel spent on vehicle (L)	2 445	1944	3 551	2 537
4.12. Assigned yearly fuel allowance (L)	3.600	3.600	3.600	3.600
4.13. Other (tolls and repairs) (€)	617	110	1.064	2.741
5. Additional Information				
5.1. Option for salary of origin (y/n)	No	No	No	No
5.2. Gross annual for the position of origin (€)				
5.3. Social protection regime	Normal Regime	Civil Serv. Pension Fund	Normal Regime	Normal Regime
5.3.1. Social security (y/n)	yes	no	yes	yes
5.3.2. Other (indicate)				
5.4. Remunerated positions held outside the group (y/n)				
5.5. Other (identify in detail)				

According to article 4 of Decree-Law 141/2008, of July 22, REFER, E.P.E. is audited by a Supervisory Board and by a Chartered Accountant. This Decree-Law states that, until the above-mentioned appointment, the members of the Audit Committee will remain in office.

Audit Committee 2011

[euros]

	Hilário Manuel Marcelino Teixeira	Barbas, Martins, Mendonça & Associados, SROC, Lda
Remuneration		
Base remuneration	3 802	
Mandatory Social Security	903	
Social Security regime	Normal Regime	
Fees *		47 437
TOTAL	**4 705**	**47 437**

* fees agreed for the year of 2011

Internal and External Rules and Regulations

This chapter lists the external and internal regulations to which REFER is subject:

- **Constitution of the Portuguese Republic** - 7th Constitutional Revision, in article 84, stipulates that the national railway lines are of Public Domain.
- **Law 10/90 of March 17 -** approves the legal code for the land transport system.
- **Decree-Law 104/97, of 29 April 1997** which created REFER, E.P., was amended and republished through Decree-Law 141/2008.
- **Decree-Law 558/99,** of December 17 (Amended and republished through Decree-Law 300/2007, of August 23) revises the legal policy applicable to the State Corporate Sector.
- **Decree-Law 93/2000**, of May 23, establishes the conditions to be met in the national territory to obtain interoperability of the trans-European high speed railway system (transposes Council Directive 96/48/EC, of 23 July 1996). It was altered by Decree-Law 152/2003, of July 11, which rectifies omissions detected in the transposition of Council Directive 96/48/EC, of July 23, carried out by Decree-Law 93/2000, of May 23.
- **Decree-law no. 276/2003**, **of November 4**, establishes the new legal policy applicable to assets of the public railway domain, including rules on their respective utilisation, disfranchisement, exchange and rules applicable to relations of bordering proprietors and the population in general with those assets, for which legislative authorisation was given by Law 51/2003, of August 22.
- **Decree-law no. 24/2005, of January 26,** amends the Level Crossing Regulations approved by Decree-Law 568/99, of December 23.
- **Regulation 21/2005** of the National Institute for Rail Transport was published in March 25 and covers user fees applicable to services rendered to operators by the infrastructure manager.
  Consequent to what was stipulated in this legal statute **REFER** prepared and **published** in this year, the first edition of the **Network Directory** which provides railway transport companies essential information for their access to and utilisation of the national railway infrastructure managed by **REFER** and open to railway transport.
- **Decree-law no. 156/2005**, **of September 15,** establishes the obligation for all goods and service providers that are in contact with the general public to maintain a complaints book.
- As an issuer of securities, REFER must publish all the information stipulated in the **Securities Code,** and in the **Securities Exchange (CMVM) Regulations no. 5/2008** (which defines the duties of information by issuers of securities) and **11/2005** referring to the application of the IFRS.
- **Council of Ministers Resolution 65/2007**, of May 7, defines the National Strategy for Public Ecological Acquisitions.
- **Decree-law no. 231/2007**, of June 14 – Transposes Directive 2004/51/EC, of the European Parliament and of the Council, of April 29, to the internal legal system

and which amends Council Directive 91/440/EEC, of July 29, regarding the development of EU railways and, partially, Directive 2004/49/EC, of the European Parliament and of the Council, of April 29, regarding the safety of EU railways, amending and republishing Decree-Law 270/2003, of October 28, which specifies the conditions for rendering rail transport services and for railway infrastructure management.
This statute was also amended by Decree-Law 20/2010, of March 24, and by Decree-Law 62/2010, of June 9.

- **Decree-law no. 147/2007, of April 27** – approves the internal law of Instituto da Mobilidade e dos Transportes Terrestres, IP (Institute of Mobility and Land Transport), which regulates, inspects, coordinates and plans the land transport sector.
- **Council of Ministers Resolution 49/2007 -** approves Good Governance principles for state corporate sector companies.
- **Law no. 67/2007, of December 31** – approves the extra-contractual third-party liability policy of the State and other public entities.
- **Decree-law no. 71/2007,** of March 27 - approves the new statute of the **Public Manager,** amended by **Decree-law no. 8/12 of 18 January.**
- **Decree-law no. 280/2007,** of August 27 – establishes the legal system applicable to public property assets.
- **Decree-law no. 300/2007** of August 23 - makes the first amendment to Decree-Law 558/99, of December 17, which establishes the policy for the State Corporate Sector and for Public Companies.
- **Decree-law no. 18/2008,** of January 29, and complementary legislation **-** approves the Public Contracts Code which stipulates the procedures applicable to public contracting and the substantive framework applicable to public contracts in the form of administrative contracts.
- **Council of Ministers Resolution 34/2008 -** approves the Timely Payment Program for a significant reduction in payment periods by public entities to suppliers of goods and services.
- **Decree-law no. 58/2008,** of March 26 **-** stipulates the legal system applicable to the rail transport contract for passengers and baggage, portable volumes, pets, velocipedes and other goods.
- **Decree-law no. 77/2008,** of April 29 - amends (second amendment) Decree-Law 568/99, of December 23, which approves Regulations on Level Crossings and establishes the obligation to prepare multi-year plans to eliminate level crossings.
- **Order no. 14227/2008,** of May 23, - through Decree-Law 300/2007, of August 23, an amendment was made to the legal system of the state corporate sector – as stipulated in Decree-Law 558/99, of December 17 – taking into account the experience gained during approximately eight years from the respective practical application and the need to harmonise that policy and the new Public Manager Statute stipulated in Decree-Law 71/2007, of March 27.
- **Decree-Law 141/2008,** of July 22, which alters and republishes REFER's statutes which came into force on 23 July 2008. This Decree-Law alters the statute that created Rede Ferroviária Nacional, REFER, E.P., and the respective statutes, in order to adapt them to the new legal system of the state corporate sector.

Therefore, Rede Ferroviária Nacional, REFER, E.P., was transformed into a public corporate entity now called **Rede Ferroviária Nacional, REFER, E.P.E.**

- **Ordinance 701-D/2008,** of July 29, approves the model on statistical data to be submitted by contract awarding entities to Agência Nacional de Compras Públicas, E.P.E. (National Public Procurement Agency) or to Instituto da Construção e do Imobiliário, I.P. (Institute of Construction and Real Estate), according to the case, pursuant to the provisions of article 472 of the Public Contracts Code.
- **Decree-law no. 69-A/2009**, of March 24, stipulates the necessary provisions for executing the State Budget for 2009, approved by Law 64-A/2008, of December 31, amended by Law 10/2009, of March 10.
- **Ordinance 959/2009,** of August 21, approves the form for contract specifications applicable to contract works and public works contracts.
- **Council of Ministers Resolution no. 1/2011 of January 4 – stipulates the application of regulations to reduce remunerations at public companies whose capital is exclusively or mainly public**.
- **Decree-Law no. 29-A/2011,** of March 1 – stipulates the necessary provisions for executing the State Budget for 2011.
- **Law no. 52/2011,** of October 13 **–** makes the sixth amendment to the budget framework law, approved by Law 91/2001, of August 20, and stipulates the submittal of the strategy and procedures to be applied until 2015 regarding the budget framework.
- **Council of Ministers Resolution 45/2011** of November 10 – defines the strategic transport plan.
- **Law 64-A/2011** of December 30 **–** approves the State Budget for 2012-2015.
- **Law 64-B/2011** of December 30 **–** approves the State Budget for 2012.
- **Law 64-C/2011** of December 30 **–** approves the applicable strategy and procedures pursuant to the budget framework law and the calendar for the respective implementation until 2015.
- **Decree-Law 126-C/2011** of 29-12 – which approves the organic law of the Ministry of the Economy and of Labour, whereby IMTT was thereafter called Instituto da Mobilidade e dos Transportes, I.P. (Institute of Mobility and Transports).

Information on Relevant Transactions with Related Entities

The following table illustrates the most relevant transactions by REFER with companies within its group during 2011:

Relevant Transactions with REFER Group Companies

[euros]

Company	Description of Transaction	Amount
Rave- Rede de Alta Velocidade, S.A.	Rendered services	- 551095
	Total	**- 551 095**
REFER TELECOM -Serviços de Telecomunicações, S.A.	Purchased services	13 910 685
	Rendered services	-3 116 347
	Financial costs	- 28 248
	Total	**10 766 090**
Ferbritas - Empreendimentos Industriais e Comerciais, S.A.	Purchased services	12 334 325
	Rendered services	-5 946 113
	Financial costs	- 21649
	Total	**6 366 562**
Refer Património	Purchased servcies	84 535
	Rendered services	-2 347 567
	Financial costs	- 2 492
	Total	**-2 265 524**

Information About Other Transactions

As of 30 July 2008, REFER E.P.E. was covered by the new Public Contracts Code (PCC) approved by Decree-Law 18/2008, of January 29. By regulating public contracting matters, the PCC transposes E.U. Directives 2004/17 and 2004/18 (both of the European Parliament and of the Council, of 31 March 2004), defining the rules that, until now, were dispersed among the following statutes:

a) Decree-Law 59/99, of March 2 (public contract works);

b) Decree-Law 197/99, of June 8 (acquisitions of goods and services);

c) Decree-Law 223/2001, of August 9 (contract works and acquisitions within special sectors);

d) Various other statutes and miscellaneous precepts applicable to public contracting.

In 2011, the Board of Directors decided to set up a permanent Public Contracting Work Group to, in particular, update the Internal Contracting Manual and standard documents arising from legislative alterations and from alterations better suited to the company's objectives.

The following table lists the suppliers whose invoiced amount exceeded 1 million euros:

[euros]

Company	Amounts Invoiced in 2011	Company	Amounts Invoiced in 2010
Neopul - Soc Estudos Construções S.A.	32 883 102	Bombardier Transportation Portugal, S.A.	3 431443
THALES PORTUGAL, S.A.	23 609 236	FITONOVO, S.A.	3 013 466
Obrecol - Obras e Construções S.A.	20 458 958	GIBB Portugal Strategic Alliance with Gibb Hold	3 007 384
SOMAGUE Engenharia S.A.	19 700 979	ELECTREN, SA - Sucursal em Portugal	2 977 725
OPWAY - Engenharia, S.A.	19 393 708	Satepor-Indústria de Travessas de Betão, S.A.	2 898 873
Dimetronic S.A.	19 206 743	VAE GMBH - Sucursal em Portugal	2 787 254
Ferrovias e Construções, S.A.	18 813 999	COBA - Consultores de Engenharia e Ambiente	2 479 925
Refer Telecom Serv Telecomunic S.A.	17 392 830	Geofer -Prod Com Bens Equipament S.A.	2 460 280
FERBRITAS - Empreend. Industriais e Comercia	16 643 070	Promorail - Tecnologias de Caminhos de Ferro	2 179 299
Edifer-Const.Pires Coelho& Fernandes, S.A.	12 302 145	EDP Serviço Universal, S.A.	1676 799
Fergrupo - Const Tecnicas Ferrov S.A.	9 452 552	Iberlim-Sociedade Técnica de Limpezas, S.A.	1555 550
DST - Domingos da Silva Teixeira	8 250 077	Ecociaf -Construção Civil e Obras Públicas, Lc	1530 041
TECNOVIA-Sociedade de Empreitadas Lda	7 928 725	BRISA Engenharia e Gestão, S.A.	1495 784
Somafel - Eng.Obras Ferroviárias S.A.	7 661 175	ECG Engenharia, Coordenação Gestão de Emp	1337 219
VIAS Y CONSTRUCCIONES SA	6 788 404	TECNASOL-FGE Fundações Geotecnia S.A.	1294 244
CP-Comboios de Portugal, E.P.E.	6 757 263	RAILTECH PORSOL Prod. e Serviços Ferroviá	1280 913
Ramalho Rosa Cobetar Soc. Constr.S.A.	6 281342	FUTRIMETAL-Ind e Com de Prod Metál	1197 779
EDP Comercial Comercialização de Energia,S.A	5 055 985	GIL - Gare Intermodal de Lisboa S.A.	1117 751
Futrifer-Indústrias Ferroviárias S.A.	4 958 108	ENSULMECI - Gestão de Projectos de Engenha	1067 103
Teixeira Duarte-Eng. Construções S.A.	4 762 802	LeasePlan Portugal-Com Alug Automóv e Equi	1059 898
Efacec Engenharia e Sistemas, S.A.	4 692 388	ALSTOM Portugal, S.A.	1049 780
Grupo 8-Vigilância Prev Electr Lda	4 466 934	Aurélio Martins Sobreiro & F.ºs, S.A.	1041554
Construções Gabriel A. S. Couto S.A.	3 835 435	Viyella & Carvalho, Lda	1017 933

Note: Amounts include VAT

Annexes:
Annex I – Contracts that were not signed through a public tender (direct agreement)
Annex II – Contract works whose value exceeded 250,000 euros
Annex III – Acquisition of goods in a value exceeding 250,000 euros
Annex IV – Acquisition of services in a value exceeding 250,000 euros

Evolution in the Average Payment Period to Suppliers

(in compliance with Council of Ministers Resolution 34/2008, of February 22)

Council of Ministers Resolution (RCM) 34/2008, of February 22, approves the Timely Payments Program which aims to significantly reduce the payment periods by public entities to suppliers of goods and services. The RCM stipulates deadline targets and the monitoring and disclosure of the evolution in the average payment period to suppliers.

Order 9870/2009 adapted the indicator for the average payment period.

REFER discloses its average payment period in its annual report, and quarterly in its site, and also sends to DGTF the amounts comprising the indicator's calculation formula.

The evolution, in 2011, was as follows:

Average Payment Period (APP)
[days]

	31-Dez-10	31-Mar-11	30-Jun-11	30-Set-11	31-Dez-11
APP (days) See Order no. 9870/2009	61	66	65	75	80

The indicator deteriorated in 2011 due to the economic recession and the consequent difficulty in obtaining financing in the market, which made REFER dependent on the Ministry of Finance to meet its debt obligations.

Compliance with Special Duties of Information

(in compliance with Ordinance 14277/2008, of May 23).

In compliance with Ordinance 14277/2008, which stipulates a stricter application of financial control mechanisms and special duties of information, REFER submits to the supervising ministries its annual and multi-annual Investment Plans along with the respective financing sources and annual budgets, including estimated financial operations with the state.

The information is also submitted in a dematerialised manner in the Economic and Financial Information Collection System (SIRIEF).

The company also discloses remunerations paid to management in the profit and loss statement, on the company's website and in the publication Diário da República.

Special Information Obligations

[Order no. 14277/2008, of May 23]

	DGTF	MOPTC	GPERI	IGOPTC *	IGF
Annual and multi-annual investment plans	X	X	X	X	X
Annual budgets, including estimate of financial operations with the state	X	X	X	X	X
Annual and multi-annual investment plans and respective financing sources	X	X	X	X	X
Quarterly budget execution reports, including reports by the audit committee	X	X	n.a.	n.a.	n.a.
Documents on the annual rendering of accounts, along with reports written by the external auditors and the annual audit report by the chartered accountant.	X	X	X	X	X

* although extinguished during 2011, REFER provided information to this entity.

Recommendations by the shareholder during approval of the 2010 accounts

REFER's 2010 accounts were approved by a Joint Order, of 30 July 2010, by the Secretary of State of the Treasury and Finance and the Secretary of State Public Works, Transport and Communications. The said order stipulates that the Board of Directors must take the necessary measures to comply with the recommendations of the Stability and Growth Program and with Order 510/10 of SETF, of June 1, particularly regarding the maximum debt growth, stipulated at 6% for 2011; the Board of Directors is advised to take the necessary actions to fulfil Council of Ministers Resolution 34/2008, of February 22, which approved the Timely Payment Program.

REFER carried out the necessary management measures to fulfil the recommendations of the Stability and Growth Program.

Compliance with the "remuneration guidelines":

For governing bodies:

REFER, E.P.E., reduced the fixed monthly gross remuneration of its Board of Directors by 5% according to article 12 of Law 12-A/2010, of June 30.

Pursuant to article 20, no. 4, of Law 12-A/2010, of June 30, because the provisions of article 12 came into force as of 1 June 2010 and because the company's remunerations had already been processed on the date on which that statute was published, the corresponding adjustments to the remuneration of the Board of Directors were made in July 2010 to render the situation legal.

Through the publication of the 2011 State Budget (Law 55-A/2010, of December 31) and since the members of the Board of Directors of REFER, E.P.E. are subject to the regulation (cf. article 19, no. 9, paragraph q of Law 55-A/2010, of December 31), the remuneration cutback stipulated in article 19 of that law was applied to the members of the Board of Directors of REFER, E.P.E. The said remuneration reduction, pursuant to article 19, no. 8 of Law 55-A/2010, of December 31, was based on the total gross remuneration determined after the application of the decrease stipulated in article 12 of Law 12-A/2010, of June 30.

As for the other personnel:

The personnel of REFER, E.P.E. whose total gross remuneration exceeds € 1,500 were subject to a remuneration reduction according to the provisions of article 19 of Law no. 55-A/2010, of December 31, since they are subject to the regulation (cf. article 19, no. 9, paragraph t, of Law 55-A/2010, of December 31)."

Variable Remuneration Component

Official memorandum 2590 stipulates that the whole State Corporate Sector must implement a policy based on greater containment applicable to remunerations paid to members of the respective management bodies, particularly by not paying any variable remuneration component in the years of 2010 and 2011.

Therefore, although it was recognized that the determined targets had been met, no variable components were paid to the members of the Board of Directors.

Public Contracting Regulations
(Guidelines in Ordinance 438/10)

When the Public Contracts Code (CCP), approved by Decree-Law 18/2008, of January 29, came into force, REFER E.P.E. launched a comprehensive task to ensure its internal procedures are better suited to the public contracting rules stipulated in the said code, insofar as those rules are applicable to this company.

A work group was set up to comply with this goal. The group drafted an Internal Contracting Manual, revised a number of already existing standard models (Tender Programs, Contract Specifications, etc.) and also created other non-existing models (containing specific aspects arising from rules specified in the Public Contracts Code (CCP).

In 2011, the initial work group having met its objectives and since it was imperative to maintain the Internal Contracting Manual and the standard documents permanently updated, according to the respective legislation, a new permanent Work Group was created for Public Contracting. The main objective of this group is, in particular, to update the Internal Contracting Manual and the standard documents (whether arising from legislative alterations and from alterations better suited to the company's objectives) and to propose any convenient measures within the scope of public contracting, in particular the preparation of standard documents for contracting procedures not yet available (particularly for supplies and rendering of maintenance services).

To that end, REFER, E.P.E. currently uses, in particular, documentation regarding the decision to contract and containing an appropriate explanation about the respective need and the goals to be achieved. These measures fulfil the public interest underlying each pre-contractual procedure and comply with the principle of transparency, among other objectives.

Nevertheless and always from a perspective of improvement and compliance with the latest stipulations applicable to public companies (particularly in respect to service rendering contracts of 125,000€ or more), during 2011, new standard forms were approved for justifying the initiative and for evaluating the signed contracts, in order to systematise the data and to standardise the company's procedures.

In regard to justifying the initiative (document to be applied generically to all contracts), that model includes in an individualised manner, among other aspects, the need to contract, justifying that the proposed solution meets the principle of economy, efficiency and effectiveness, the possible lack of internal solutions or another specific reason why the proposal relies on third parties, as well as the objectives to be met through the respective contracting.

When evaluating signed contracts (for service rendering contracts in a value of 125,000€ or greater, according to the guideline specified in official memorandum 6132, of 6 August 2010, issued by DGTF), that model will include, also in an individualised basis and, among other aspects, time and/or financial deviations and the respective justification.

During 2011, all existing standard forms were also subject to the necessary alterations for including the new rules of relevancy (to which REFER became subject as a Reclassified Public Entity, as well as being subject to prior approval by the Court of Auditors – consequent to the publication of Law 61/11 in December 2011).

It is worth noting that currently and independently of the standard documentation being prepared, in the respective contracts and respective statements of work, REFER, E.P.E. already safeguards the obligations and responsibilities by contractors when performing the services including, according to the case and as suitable, specific clauses stipulating responsibility and penalties for defective services.

REFER, E.P.E. has endeavoured to ensure that companies in which it holds a majority shareholding comply with the Principles of Good Governance applicable to these types of companies. Inclusively, it has provided them with knowledge, procedures and documents to be applied in situations covered by the Public Contracts Code.

Rationalising the Goods and Services procurement policy, particularly the company's participation in the National Public Procurement System

During 2011 REFER joined the National Public Procurement System (SNCP) and accredited some users to apply the National Public Procurement Catalogue (CNCP) of ANCP, E.P.E. This measure facilitate the overall procurement process, thereby simplifying the procedures for acquiring goods and services insofar as SNCP allows these processes to take place according to the framework agreements signed by the National Public Procurement Agency (ANCP, E.P.E.).

To finalise its participation in the National Public Procurement System (SNCP) and having accredited its users at CNCP, the membership contract was signed between REFER and ANCP on 14 April 2011.

Compliance with Maximum Debt Increase Limits

Ordinance 155/2011 of the MEF, of April 28, stipulates that companies in the State Corporate Sector must promote greater selectivity in public investment and stabilise the debt growth of companies in the State Corporate Sector. The Stability and Growth Program thus specifies a maximum limit for annual debt growth by public companies operating within the transport sector.

To this end, in 2011 REFER revised and trimmed back its operation budget and its investment budget, in compliance with the imposed limits authorised by the Ministry of Public Works, Transport and Communications. Investments were reformulated to ensure suitable safety and service conditions.

Compliance with the Cost Cutting Plan

Order 155/2011 - MEF, of April 28, stipulates that the State Corporate Sector (SEE) must set an annual spending limit for personnel costs and external supplies and services not exceeding 85% of the amount recorded in the previous year.

REFER prepared its activity plans and budgets with the main purpose of achieving improvement, efficiency and cost containment as a means of contributing to the company's financial sustainability.

Compliance with the State Treasury Unit

The economic situation in which national banks faced a lack of liquidity and rising financing costs, combined with successive REFER rating downgrades, closed the door to short-term financing alternatives and limited the company's long-term negotiation capacity. Consequently, the Portuguese State was forced to intervene in refinancing REFER, thereby enabling the company to meet its refinancing needs to service its debt.

When the company has surplus treasury funds, and in light of what was legally stipulated, these funds are channelled to IGCP. However, on sporadic occasions in when such takes place, and since IGCP cannot apply funds on a very short-term basis, we emphasise that REFER will continue to be subject to an opportunity cost.

Cash and demand deposits are currently maintained at minimum balances as strictly necessary to pay REFER's treasury responsibilities, mainly payments to suppliers and personnel. These payments are, whenever possible, made through banking services provided by IGCP.

Analysis of the Company's Economic, Social and Environmental Sustainability

An analysis of the company's economic, social and environmental sustainability is included in the Sustainability Report which REFER has issued. The following aspects are included in the indicated report**:**

- Adopted strategies;
- Compliance rate of stipulated targets;
- Policies implemented to ensure economic, financial, social and environmental efficiency and to safeguard quality standards;
- Identification of the main operation risks and risks for the company's future;
- Means of complying with the principles underlying a suitable corporate management:
    - Social responsibility:
        - Guaranteed promotion of equal opportunities, respect for human rights and non-discrimination;
        - Suitable management of the company's human resources by promoting individual employee valorisation and by implementing systems that guarantee well-being and reward personnel merit;
        - Adoption of correct environmental practices.
    - Sustainable development:
        - Creating value for the shareholder (higher productivity, customer-oriented service and lower exposure to risks arising from environmental, economic and social impacts created by activities);
        - Fostering environmental protection;
        - Contributing to social inclusion (employability).
    - Public service that meets the needs of the general public.
- Means by which the company's competitiveness was safeguarded, particularly through research, innovation, development and integration of new technology in the production process;
- Actions plans for the future.

Feasibility of Compliance with Good Governance Principles

(Council of Ministers Resolution 49/2007, of March 28)

In order to clarify the 2011 Annual Report's compliance with the specifications in Council of Ministers Resolution 49/2007, of March 28, the following table was prepared describing each principle:

Good Governance Principles for Companies in the State Corporate Sector (RCM (Council of Ministers Resolution) no. 49/2007, of March 28)

	Applied			Description	Support documents
	Yes	No	Not Applic.		
2.4. Are company's accounts subject to annual audits by independent entities? Exemplify.	√			The external auditors issue an annual accounts audit report and the Chartered Accountant issues a Legal Certification of Accounts.	Annual Report
2.5. Did the management create and maintain a control system suitable to the company's dimension and complexity? Demonstrate.	√			By approval of specific regulations and development of application software (SAP and E-contracts)	
2.6. Are the auditing bodies subject to rotation and mandate limitations? Demonstrate.	√			According to the company's statutes, members of the supervisory board are appointed by a joint order by the ministers responsible for finance and transports, for a three-year period renewable up to three times.	
I.3. Remuneration and other rights					
3.1. Does the company publicly disclose total remunerations - fixed and variable - and other benefits and privileges (health insurance, company car, etc.) earned by each member of the management and auditing bodies? Through which means?	√			In the Annual Report and in the State Corporate Sector website	Annual Report
I.4. Preventing conflicts of interest					
4.1. Do those responsible for the organisation abstain from intervening in decisions involving their own interests, particularly the approval of expenses incurred by them?	√				
4.2. Is a declaration issued at the start of each mandate to the management and auditing body and to the IGF by the members of the governing bodies of the companies indicating any shareholdings in the company or relevant relations susceptible of creating conflicts of interest?	√				
I.5. Disclosure of Relevant Information					
5.1. Does the company immediately and publicly disclose all known information susceptible of having a relevant impact on the company's economic, financial or asset situation or on the conditions of rendering a public service?	√			The information is immediately published in the CMVM (Securities and Exchange Commission) website and on the SEE (State Corporate Sector) website after the respective occurrence	
I.6. Adjustment to each company's size and specific nature					
6.1. Does the company explain the reasons why, due to its size or special nature, it is not able to comply with the principles of good governance, if such is the case?			√		
II. Information disclosure principles					
1. Does the company disclose in its own website and in the DGTF (General-Directorate of Treasury and Finance) website the company's historic and current financial information, identity and curriculum information on members of governing bodies, public service obligations, financing model and financial aid received from the state in the previous three years? Demonstrate.	√			Information disclosed through the Annual Report and in the DGTF portal (SIRIEF)	Annual Report
2. Was a Customer Ombudsman appointed, freely accessed without charge?	√			The COMPANY'S site has an option called "Citizen Service" through which a citizen may submit questions/suggestions. These are forwarded to the respective departments according to the issue.	
3. Do the management reports include a section about corporate governance that includes: internal and external regulations; relevant transactions; remuneration of governing bodies; analysis of sustainability; analysis on the degree of compliance with the principles of good governance? Demonstrate.	√			See Annual Report	Annual Report

Ethics and Conduct Code

As for corporate ethics, the Ethics Committee maintained its activity of monitoring the implementation of REFER's Ethics and Conduct Code and of disclosing its content. In this latter aspect, members of the Ethics Committee held various training sessions for company personnel at various locations in Portugal as part of the company's training plan.

The Ethics Committee also continued to monitor specific requests submitted to it, many of which were clarifications about the code's practical application, which implies that the personnel use it as another work tool, thus having accepted its conduct principles and standards.

All these factors help increase the culture of responsibility and integrity which is characteristic of REFER's actions, based on the ethical principles of rigour, transparency, honesty and impartiality in fulfilling the company's mission of providing the market with a competitive transport infrastructure whilst managing and developing an efficient, safe and environmentally friendly railway network.

REFER Group companies guide their actions according to the values, ethical principles and conduct regulations of their shareholder's code of ethics.

The Ethics and Conduct Code may be consulted at www.refer.pt.

Any person or entity may contact the Ethics Committee by e-mail at comissao.etica@refer.pt.

Information on the Existence of a Control System Compatible with the Company's Size and Complexity to Protect Investments and Assets

(Item 19 of Council of Ministers Resolution 49/2007, of March 28)

The Contracting Procedures manual involves the overall contracting function and was written to meet the new public contracts code that came into force through the publication of Decree-Law 18/2008. This manual is applied to produce uniform information and to define procedures for assigning duties and for determining the respective control measures.

Identifying Mechanisms Implemented to Prevent Conflicts of Interest

(Item 22 of Council of Ministers Resolution 49/2007, of March 28)

“Members of governing bodies of public companies must abstain from intervening in decisions involving their own interests, in particular in the approval of expenses incurred by them. Moreover, at the start of each mandate, and whenever justified, the said members must declare to the management body and to the audit body, as well as to the Inspectorate General of Finance, any substantial assets held in the company, as well as relevant relations maintained with its suppliers, clients, financial institutions or any other business partners susceptible of generating conflicts of interest.

Compliance with the policy of incompatibilities and restrictions applicable to public managers and the notification of all shareholdings and asset interests held in the company where the manager holds office is fulfilled by submitting the Declaration of Incompatibility to the Office of the Attorney General.

Expenses incurred by each member of the Board of Directors are approved by the other board members.

Grounded Clarification of all Updated Information Disclosed

(Stipulated in Council of Ministers Resolution 49/2007, of March 28)

Information on the SEE (state corp. sect.) website

(RCM (council of Min. Resol.) no. 49/2007, of March 28)

	Complied			Remarks (SEE Document)
	Yes	No	Not applic.	
Updated Statutes (PDF)	√			Statutes
Background, Vision, Mission and Strategy	√			Characterisation of the company
Summary Company File	√			Summary file
Company Identification				
Mission, objectives, policies, public service obligations and financing model	√			Characterisation of the company
Governance Model / Identification of Governance Bodies				
Governance Model (Identification of Governance Bodies)	√			Governance Model (Identification of Governance Bodies
Stipulated remuneration statute	√			Governance Model (Identification of Governance Bodies
Remunerations and other benefits	√			Governance Model (Identification of Governance Bodies
Regulations and Transactions				
Internal and external regulations	√			Principles of Good Governance
Relevant transactions with related entities	√			Principles of Good Governance
Other transactions	√			Principles of Good Governance
Analysis of the Economic, Social and Environmental Sustainability	√			Principles of Good Governance
Assessment of compliance with the Principles of Good Governance	√			Principles of Good Governance
Code of Ethics	√			Principles of Good Governance
Historic and current financial information	√			Historic and current Financial Information
State Financial Effort	√			Public financial effort

Institutional Publicity
(Council of Ministers Resolution 47/2010)

As part of corporate communication, corporate publicity is one of the strategic tools for disclosing REFER's mission, as a national railway network management company, and for disclosing its public service activities.

During 2011, REFER focussed this activity on awareness raising to promote values such as safety. This strategy, which also aimed to optimise the costs of corporate publicity in the different types of media, had the following objectives:

- Disclose the launching of public tenders for contract works involving construction, conservation, modernisation and other investments in progress;
- Raise awareness about railway safety issues and to explain activities performed by REFER with an impact on populations (bans, operation start-ups, etc.);
- Strengthen REFER's image, recognisability and public exposure, thus improving public understanding of the company's unique and specific activities.

The following initiatives are examples:

- Information actions regarding the completion of investments and operation start-up (e.g. reopening of the Bombel-Casa Branca-Évora section);
- The level crossing safety awareness raising campaign – as part of the "Stop, Listen, Look" campaign and the celebration of the International Level Crossing Awareness Day, taking place on 9 June 2011, included publicity articles in some national publications;
- Presence in specialised railway publications and specialised magazines – e.g. the magazine "O Foguete," published by the Association of Friends of the National Railway Museum, and the magazine "Flecha de Prata," published by the Railway Enthusiasts Club and the magazine "Comboios em Linha," published by the National Railway Museum Foundation.

Investment in corporate publicity in 2011 reached 8,025 euros.

Risk Management System

To meet the regulatory specifications to which REFER is subject, the company has been developing a number of internal control and risk management systems designed essentially to guarantee compliance with established objectives, policies and procedures, to ensure reliable accounting, financial and operation information, to mitigate fraud and corruption and to guarantee that critical risks are identified, controlled and reduced to an acceptable level.

These systems have been continuously applied in line with the best international practices. Responsibility for implementation and compliance with these systems was assigned to upper managers (those in charge of operational and corporate departments), whereby the executive managers (Board of Directors) are responsible for the residual risk.

Internal control and risk management systems cover a number of procedures to implement, supervise, monitor and continuously improve business processes. Particular emphasis is placed on preparing and disclosing financial information, thus corresponding to REFER's longstanding commitment of maintaining an effective internal control environment.

The company has internal regulations, technical instructions and work orders that identify internal control procedures, responsibilities and mechanisms available for consultation in the company's internal portal. These mechanisms are regularly revised by the responsible bodies to guarantee their appropriateness for the dimension and complexity of operations and for the organisation's objectives.

The company also has an integrated information system (ERP) – SAP and computer applications to support its activities, covering human resources, financing, procurement, maintenance, sales and public contracting, equipped with safety mechanisms to protect access and decision processes. This system is controlled and adjusted on a regular basis and is described in detail in a specific document about the respective alterations.

The Recommendation by the Corruption Prevention Committee, of 1 July 2009, requires public entities to prepare a corruption and associated violations risk management plan and an annual report about the said plan's implementation. REFER prepared the said plan, on a broader scope, identifying the internal control and risk management systems implemented at the company and not merely the corruption and associated violation risk management system. This document systematises and summarises the implemented organisational model.

The Risk Management Supervision Committee was created within this perspective. This autonomous body is supervised directly by the Board of Directors and performs its duties in coordination with the operations and corporate departments. One of its tasks is to regularly evaluate the implementation of the Management Risks Prevention Plan, including Risks of Corruption and Associated Violations

The evaluation methodology took into account the references supplied by the Corruption Prevention Committee and the guidelines established by the international risk management standard ISO 31001, whereby an annual report is prepared describing the execution of the said plan.

In regard to implementing and executing the internal control and risk management systems, and consequent to the aforementioned references, in 2011 the company created a number of initiatives that helped strengthen the internal control atmosphere at REFER, in particular:

i) Preparation of forecasting instruments, particularly activity plans and operation and investment budgets, and regular and periodic control of their execution, either by preparing and analysing monthly execution reports or through daily monitoring of the various activities;

ii) Systematic review of internal regulations applicable to planning, execution, control and evaluation activities, with emphasis on implementing the model for characterising processes, a phased project, covering the segmentation and details of macro processes, compliant with the company's strategic priorities, with emphasis on processes related with financial sustainability objectives;

iii) Diagnosis and review of implemented contracting and logistics models, applying segregation, according to the nature, type and requirements of the activities for which the Logistics Department was created, supervised directly by the Board of Directors, and whereby contracting tasks were assigned to the Economic and Financial Department;

iv) Review of the corporate structure with the fundamental purpose of rationalising means and increasing the efficiency and effectiveness of the organisation's activities, which has been based essentially on concentrating bodies, reducing middle management and consequently improving the command and reporting chain;

v) Training actions covering the more relevant issues for meeting established objectives, training which is applicable to personnel who intervene directly in the respective activities/support processes;

Annexes

(Annex to the chapter “Information About Other Transactions”)

Annex I – Contracts Not Awarded Through a Public Tender (Direct Agreement)

Process	Objective	Contract Type	Process Type	Supplier	Signing Date	Contractual Price (€)
5110000094	Additional to the Santarém Bypass project	Rendered Services	Additional	Gapres - Gabinete Proj Eng Ser	2011-01-03	267 795
5110000314	Addit. to Contract Works - North Line - Subsection 2.3 (Alf	Contract Works	Additional	Obrecol - Obras e Construções	2011-01-11	321 677
5010005464	Elect. Trans. of tunnels of Gardunha and Penamacor	Contract Works	Direct Agreeme	Ferrovias e Construções, S.A.	2011-01-12	690 022
5110000388	Additional to Assistance, Maint. and Repair of track mach.	Rendered Services	Additional	EMEF -Emp Manutenc Equip Ferro	2011-01-27	720 000
5010002552	Rail Corrugation System EM 120	Value agreement	Direct Agreeme	Kurt Hommé & CIA, Lda	2011-01-31	378 200
5010006112	Embank. Stabil. on South Line KP 236.450/720	Contract Works	Direct Agreeme	TECNASOL-FGE Fundações Geotecn	2011-02-09	2 295 949
5110000355	Additional to Quadrupl. the track between KPs 13.750 and 1	Contract Works	Additional	Edifer-Const.Pires Coelho	2011-02-10	525 430
5110000321	Additional to MINHO LINE BYPASS OF TROFA GENERAL CIVIL CONTRACT WORKS, TRACK AND	Contract Works	Additional	OPWAY - Engenharia, SA	2011-02-10	687 734
5010005976	Service Rendering for Reformulation of PE Évora Station	Rendered Services	Direct Agreeme	FERBRITAS – Empreendimentos Industriais e Comerciais, S.A.	2011-02-18	278 624
5010006629	Extension of Public Information System - Fundão and Cov	Rendered Services	Direct Agreeme	THALES PORTUGAL, SA	2011-02-22	279 997
5110000347	Additional to Alcácer Bypass (2nd Stage): Rail Track and F	Contract Works	Additional	Somafel - Eng.Obras Ferroviári	2011-02-24	764 573
5110000365	Additional to Alcácer do Sal Bypass (2nd Stage) - Railway	Contract Works	Additional	Teixeira Duarte-Eng. Construçõ	2011-02-25	1 283 330
5110000328	Additional to Alcácer do Sal Bypass (2nd Stage) - Railway	Contract Works	Additional	Teixeira Duarte-Eng. Construçõ	2011-02-25	3 572 927
5010002107	Grade separation crossings	Rendered Services	Direct Agreeme	GIBB Portugal Strategic Allian	2011-03-01	294 800
5110000262	Additional to modernise the Barreiro Pinhal Novo section	Contract Works	Additional	Construtora Abrantina, Sa	2011-03-04	439 000
5010006293	LN-Lx SA-Former goods warehouse- Renovation and ada	Contract Works	Direct Agreeme	Ecociaf -Construção Civil e O	2011-03-10	885 000
5010007290	C. Branco/Covilhã: Telephone Network Operation	Rendered Services	Direct Agreeme	THALES PORTUGAL, SA	2011-04-15	300 000
5010005471	Assistance to management of Mondego Undertaking	Rendered Services	Direct Agreeme	FERBRITAS – Empreendimentos Industriais e Comerciais, S.A.	2011-05-09	884 690
5110000470	Sharing of Annual Costs at Oriente Station	Rendered Services	Additional	GIL - Gare Intermodal de Lisbo	2011-05-13	908 741
5010006230	South line repair/replace track superstructure	Contract Works	Direct Agreeme	Neopul - Soc Estudos Construçõ	2011-05-18	897 146
5010005645	Aq. Crossing of Azobé Tunnels Caminha and Tamel	Quantity Agreement	Direct Agreeme	Futrifer-Indústrias Ferroviári	2011-05-20	262 778
5010000422	Pumping tests	Rendered Services	Direct Agreeme	Ancorpor - Geotec. Fundações,	2011-05-25	305 606
5010007532	Renewal of licencing contract between REFER and Micros	Rendered Services	Direct Agreeme	Microsoft Ireland Operations L	2011-06-02	754 728
5010005938	Assistance and Management in construction stage for co	Rendered Services	Direct Agreeme	FERBRITAS – Empreendimentos Industriais e Comerciais, S.A.	2011-06-07	820 050
5110000433	Additional to the contract to renovate the stations of Barc	Contract Works	Additional	Edifer-Const.Pires Coelho	2011-06-09	707 232
5110000460	Additional for the maintenance of railway infrastructure in t	Rendered Services	Additional	Ferrovias e Construções, S.A.	2011-06-16	3 361 920
5010006848	Acquisition of signalling material	Quantity Agreement	Direct Agreeme	Efacec Engenharia e Sistemas,	2011-06-17	286 688
5010007381	Acquisition of impedance boxes ITEs	Quantity Agreement	Direct Agreeme	Efacec Engenharia e Sistemas,	2011-06-29	356 250
5010006467	Signalling - V.Novas (EXC) to Évora	Contract Works	Direct Agreeme	Dimetronic SA	2011-07-14	4 799 496
5010006550	Installation of ATP - Vendas Novas (EXCL) to Evora	Contract Works	Direct Agreeme	Bombardier Transportation Port	2011-07-18	944 925
5110000498	Additional to EP and Évora station interface	Contract Works	Additional	TECNOVIA-Sociedade de Empreita	2011-07-18	264 723
5110000310	Additional to Assistance and Inspection and Coordination	Rendered Services	Additional	Ws Atkins(Portugal)Consultores	2011-07-19	920 626
5110000497	Additional - Modernisation of North line and Quadrupling o	Contract Works	Additional	Obrecol - Obras e Construções	2011-07-19	896 460
5010005966	Rendering of Private Voice Network Service	Rendered Services	Direct Agreeme	Refer Telecom Serv Telecomun	2011-07-22	280 000
5110000279	Additional to General Contract Works V. Prazeres/Covilhã	Contract Works	Additional	OPWAY - Engenharia, SA	2011-08-01	405 530
5110000476	Additional to Sines - Elvas project. Modernisation of Bom	Contract Works	Additional	SOMAGUE Engenharia SA	2011-08-05	1 438 302
5110000513	Additional rail welding	Rendered Services	Additional	RAILTECH PORSOL	2011-08-10	508 140
5110000511	Additional - Level Crossing maintenance	Rendered Services	Additional	Efacec Engenharia e Sistemas,	2011-08-10	684 553
5110000458	Additional quadrupling of track between Barcarena and Ca	Contract Works	Additional	Edifer-Const.Pires Coelho	2011-08-23	728 619
5010006658	Acquisition of convel beacons	Quantity Agreement	Direct Agreeme	Bombardier Transportation Port	2011-09-09	521 481
5010009402	Preparation of the Project to Expand the Oriente Station a	Rendered Services	Direct Agreeme	SANTIAGO CALATRAVA GmbH	2011-09-19	3 280 000
5010008176	Addendum to the Service Rendering Contract for Mainten	Rendered Services	Direct Agreeme	Futrifer-Indústrias Ferroviári	2011-10-12	2 636 054
5010008239	LN-Lx SA- Creation of RAVE Installations	Contract Works	Direct Agreeme	Ecociaf -Construção Civil e O	2011-10-26	348 933
5110000621	Additional general maintenance work of BA LO track	Rendered Services	Additional	Somafel - Eng.Obras Ferroviári	2011-10-27	421 401
5110000650	Additional maintenance contract of railway infrastructure ir	Rendered Services	Additional	Ferrovias e Construções, S.A.	2011-11-04	2 351 280
5010007600	Contract works to modernise the Bombel and Vidigal secti	Contract Works	Direct Agreeme	Tomás Oliveira, Empreiteiros S, / Neopul - Soc Estudos Construçõ, / SOMAGUE Engenharia	2011-11-14	580 947
5110000474	Additional Minho Line, Trofa bypass, General Civil Constru	Contract Works	Additional	OPWAY - Engenharia, SA	2011-11-17	642 660
5010007557	Passenger platform - Évora station	Contract Works	Direct Agreeme	TECNOVIA-Sociedade de Empreita	2011-12-14	275 646
5010009243	Assistance and technical consulting, preparing the base pr	Rendered Services	Direct Agreeme	FERBRITAS – Empreendimentos Industriais e Comerciais, S.A.	2011-12-15	1 580 822
5110000630	Additional, maintenance of railway infrastructures in the are	Rendered Services	Additional	Neopul - Soc Estudos Construçõ	2011-12-19	1 110 000
5110000566	Additional METRO DO MONDEGO SYSTEM INFRASTRUCTURE REHABILITATION OF THE ALTO	Contract Works	Additional	VIAS Y CONSTRUCCIONES, SA/GABRIEL COUTO, SA/ ELECTREN, SA	2011-12-20	252 335
5010006306	Re-signalling of the Sintra Line	Contract Works	Direct Agreeme	THALES PORTUGAL, SA	2011-12-22	4 839 566
5110000544	Mobility System of Mondego; Lousã Branch Line; Rehabilitation of the Mirando do Corvo/ Serpins section	Contract Works	Additional	DST - Domingos da Silva	2011-12-22	319 935
5110000510	Additional Rehabilitation and Reinforcement of the Sabug	Contract Works	Additional	Spie Batignolles/Monte Adriano	2011-12-22	252 873
5110000494	Additional Gen. Contr. Works V. Prazeres/Covilhã	Contract Works	Additional	OPWAY - Engenharia, SA	2011-12-22	677 376
5110000411	Additional Gen. Contr. Works V. Prazeres/Covilhã	Contract Works	Additional	OPWAY - Engenharia, SA	2011-12-22	1 127 394
5110000632	Additional Improvement and Reinforcement of the Tunnels	Contract Works	Additional	Ferrovias e Construções, S.A.	2011-12-22	619 992
5010007520	New Signalling Infrastructures	Contract Works	Direct Agreeme	Tomás Oliveira, Empreiteiros S, / Neopul - Soc Estudos Construçõ, / SOMAGUE Engenharia	2011-12-22	431 476
5010007791	South Line - Stabilisation of backfill embankment between	Contract Works	Direct Agreeme	TECNASOL-FGE Fundações Geotecn	2011-12-26	637 936
5010009111	RIV Alfarelos / Pampilhosa	Rendered Services	Direct Agreeme	FERBRITAS – Empreendimentos Industriais e Comerciais, S.A.	2011-12-26	882 679

Annex II – Contract Works in a Value Exceeding 250,000 euros

Process	Object	Supplier	Signing Date	Contract Price (€)
5010004535	Const. EP and Interface - Évora	TECNOVIA-Sociedade de Empreita	2011-01-04	2.086.571,01
5110000314	Contract Works - North Line - Subsection 2.3 (Alfarelos / Pampilhosa) - Construction of Grade Separations, Access and	Obrecol - Obras e Construções	2011-01-11	321.676,93
5010005464	Electrif. Works Tunnels of Gardunha and Penamacor	Ferrovias e Construções, S.A.	2011-01-12	690.021,97
5010006112	South Line embankment stabilisation KP 236.450/720	TECNASOL-FGE Fundações Geotecnia	2011-02-09	2.295.948,69
5110000355	Track quadrupling between KPs 13.750 and 18.250 of the Sintra Line and renovation of the stations of Barcarena/Cacém.	Edifer-Const.Pires Coelho	2011-02-10	525.429,90
5110000321	Additional MINHO LINE TROFA BYPASS, GENERAL CIVIL CONSTRUCTION CONTRACT WORKS, TRACK AND	OPWAY - Engenharia, S.A.	2011-02-10	687.734,02
5110000347	Additional Alcácer Bypass (2nd Stage): Rail Track and Electric Traction Fixed Installations.	Somafel - Eng.Obras Ferroviári	2011-02-24	764.572,78
5110000365	Alcácer do Sal Bypass (2nd Stage) - Railway Crossing over Sado River: Bridge and Access Viaducts.	Teixeira Duarte-Eng. Construçõ	2011-02-25	1.283.329,56
5110000328	Alcácer do Sal Bypass (2nd Stage) - Railway Crossig of Sado River: Bridge and Access Viaducts.	Teixeira Duarte-Eng. Construçõ	2011-02-25	3.572.926,84
5110000262	Modernisation of the Barreiro Pinhal Novo section	Construtora Abrantina, Sa	2011-03-04	438.999,82
5010003519	Vouga Line - Agueda/Aveiro and Espinho/Oliveira de Azeméis Segments - Corrective Maintenance Action of the track	Ferrovias e Construções, S.A., / Fergrupo - Const Tecnicas Ferr	2011-03-10	1.279.000,00
5010006293	LN-Lx SA-Former goods warehouse-Renovation and adaptation to offices	Ecociaf -Construção Civil e O	2011-03-10	885.000,00
5010002754	Minho Line - Sup LC 5th Cat.-Barcelos	Aurélio Martins Sobreiro & F.º	2011-03-18	1.399.312,32
5010006230	South line repairs/replacing of track superstructure	Neopul - Soc Estudos Construçõ	2011-05-18	897.146,07
5110000433	Renovation of the stations of Barcarena and Cacém	Edifer-Const.Pires Coelho	2011-06-09	707.231,99
5010006467	Signalling - V.Novas (EXC) to Évora	Dimetronic S.A.	2011-07-14	4.799.496,31
5010006550	INST. ATP - VENDAS NOVAS (EXCL) to EVORA	Bombardier Transportation Port	2011-07-18	944.924,88
5110000498	Additional EP and Interf at Évora station	TECNOVIA-Sociedade de Empreita	2011-07-18	264.722,57
5110000497	Aditional - Modernisation of the North Line and Quadrupling of the Ci	Obrecol - Obras e Construções	2011-07-19	896.460,40
5110000279	General contract works at V. Prazeres/Covilhã	OPWAY - Engenharia, S.A.	2011-08-01	405.529,78
5110000476	Additional, Sines - Elvas project. Modernisation of the Bombel and Vidigal section to Évora. General civil construction contract works	SOMAGUE Engenharia SA	2011-08-05	1.438.301,92
5010002775	Reinforcement of foundations of Praia Baixa bridge	Obrecol - Obras e Construções	2011-08-09	2.133.283,03
5110000458	Track quadrupling between Barcarena and Cacém	Edifer-Const.Pires Coelho	2011-08-23	728.619,25
5010005612	Improvement of bridges and water conduits on the Leste (East) line	Fergrupo - Const Tecnicas Ferr	2011-10-17	358.425,19
5010008239	LN-Lx SA-Creation of RAVE infrastructures	Ecociaf -Construção Civil e O	2011-10-26	348.933,06
5010007600	Contract works to modernise the Bombel and Vidigal section to Évora. RCT+TP infrastructures	Tomás Oliveira, Empreiteiros S, / Neopul - Soc Estudos Construçõ, / SOMAGUE Engenharia SA	2011-11-14	580.947,01
5110000474	Additional, Minho line, Trofa bypass, general contract works for civil c	OPWAY - Engenharia, S.A.	2011-11-17	642.660,28
5010006242	Reinforcement and rehabilitation of theValença bridge	Teixeira Duarte-Eng. Construçõ	2011-12-09	3.540.000,01
5010007557	Passenger platform - Évora Station	TECNOVIA-Sociedade de Empreita	2011-12-14	275.645,66
5110000566	METRO DO MONDEGO SYSTEM, REHABILITATION OF INFTRASTRUCTURES OF THE ALTO S. JOÃO / MIRANDA DO	VIAS Y CONSTRUCCIONES, SA/GABRIEL COUTO, SA/ ELECTREN, SA	2011-12-20	252.334,62
5010006306	Re-signalling of the Sintra line	THALES PORTUGAL, SA	2011-12-22	4.839.566,19
5110000544	Mondego mobility system; Lousã branch line; Rehabilitation of the Mirando do Corvo/ Serpins section	DST - Domingos da Silva	2011-12-22	319.935,26
5110000510	Rehabilitation and reinforcement of the Sabugal tunnel	Spie Batignolles/Monte Adriano	2011-12-22	252.872,86
5110000494	General contract works for V. Prazeres/Covilhã	OPWAY - Engenharia, S.A.	2011-12-22	677.376,19
5110000411	General contract works for V. Prazeres/Covilhã	OPWAY - Engenharia, S.A.	2011-12-22	1.127.394,04
5110000632	Improvement and reinforcement of the tunnels of S. Miguel da Carreira, of Tamel, of Stª Lucrécia and of Caminha at KP 41.849;	Ferrovias e Construções, S.A.	2011-12-22	619.992,03
5010007520	New signalling infrastructures	Tomás Oliveira, Empreiteiros S, / Neopul - Soc Estudos Construçõ, / SOMAGUE Engenharia SA	2011-12-22	431.476,43
5010007791	South Line - Stabilisation of the backfill embankment between km 252.940 and km 253.010	TECNASOL-FGE Fundações Geotecnia	2011-12-26	637.935,50

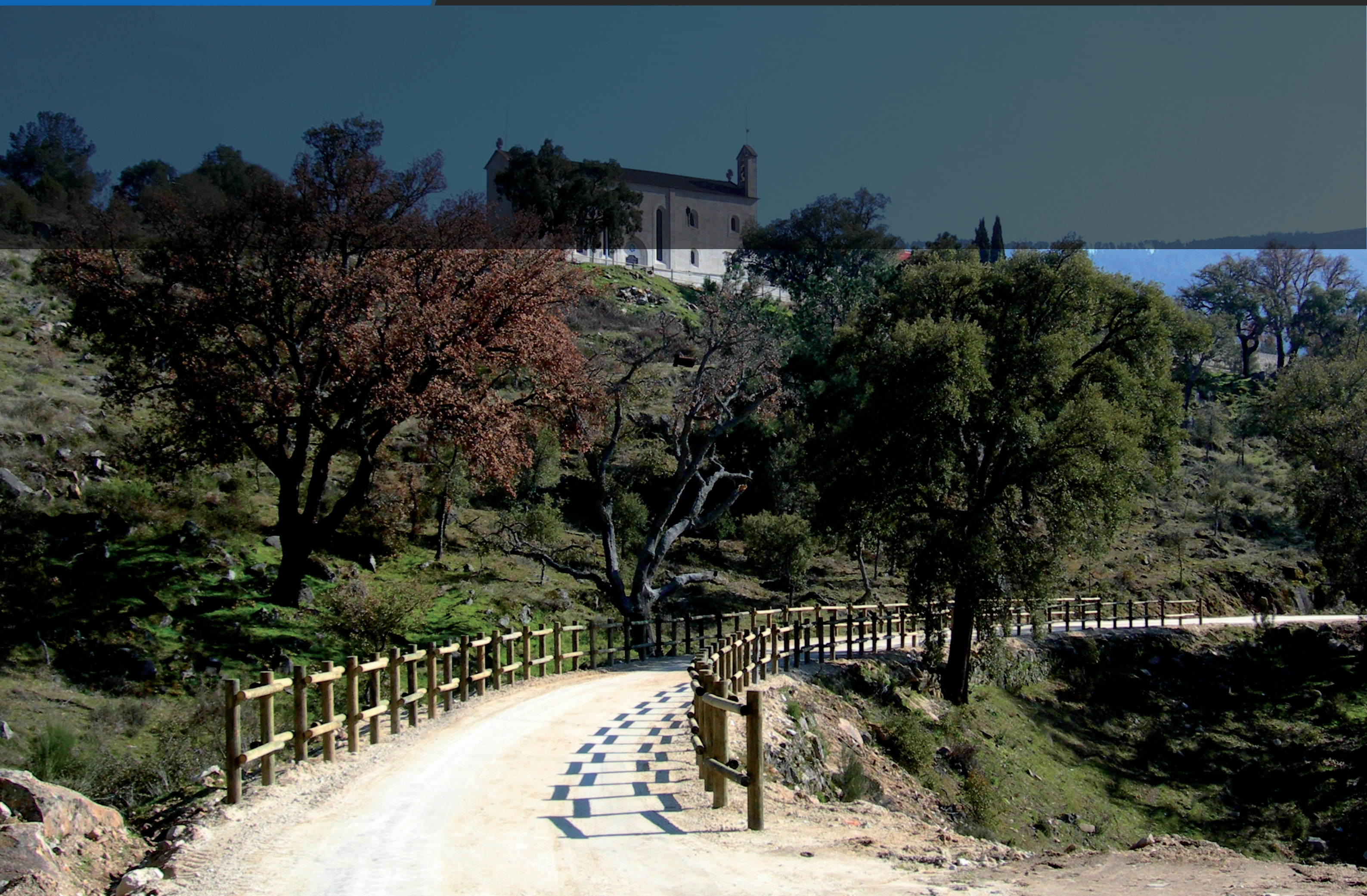
Annex III – Purchase of Goods Exceeding 250,000 euros

Process	Object	Process Type	Supplier	Signing Date	Contract Price (€)
5010005645	Aquis. of azobe sleepers, Caminha and Tamel tunnels	Direct Agreement	Futrifer-Indústrias Ferroviárias	2011-05-20	262 778
5010006658	Acquisition of convel beacons	Direct Agreemen	Bombardier Transportation Portugal	2011-09-09	521481
5010006848	Acquisition of siganlling material	Direct Agreemen	Efacec Engenharia e Sistemas,S.A.	2011-06-17	286 688
5010002552	Acquisition of the system to inspect rail corrugation of the	Direct Agreemen	Kurt Hommé & CIA, Lda	2011-01-31	378 200
5010007381	Acquis. of ITE impedance boxes	Direct Agreemen	Efacec Engenharia e Sistemas,S.A.	2011-06-29	356 250

Annex IV – Acquisition of Services Exceeding 250,000 euros

Process	Object	Process Type	Supplier	Signing Date	Contract Price (€)
5110000094	Santarém bypass project	Additional	Gapres - Gabinete Proj Eng Ser	2011-01-03	267 795
5010004875	Rental of multi-functions equipment	Public Tender	RICOH Portugal, Unipessoal Lda	2011-01-04	825 865
5110000388	Assistance, Maintenance and Repairs of Machines and Track Equipment signed with EMEF	Additional	EMEF -Emp Manutenc Equip Ferro	2011-01-27	720 000
5010004254	Work Accidents Insurance	Public Tender	Mapfre Seguros Gerais, S.A	2011-02-10	3 002 362
5010005976	Service rendered to reformulate the PE at Évora station	Direct Agreement	FERBRITAS – Empreendimentos Industriais e Comerciais, S.A.	2011-02-18	278 624
5010006629	Extension of the public information system - Fundão and Covilhã stations, on the Beira Baixa line	Direct Agreement	THALES PORTUGAL, SA	2011-02-22	279 997
5010002107	Grade separation crossings project	Direct Agreement	GIBB Portugal Strategic Allian	2011-03-01	294 800
5010004712	Rendering of services for Operation, Maintenance, Conservation, Repairs, Cleaning of the parking lots of the Barreiro (Lot 1) and Setúbal (Lot 2) stations	Public Tender	4 Parking, Lda	2011-04-08	252 000
5010007290	C. Branco/Covilhã: Operation of telephone network	Direct Agreement	THALES PORTUGAL, SA	2011-04-15	300 000
5010002325	Rail ultrasonic inspection	Public Tender	Sperry Rail International Ltd	2011-05-09	779 400
5010005471	Assistance to the overall management of the undertaking, Project Stage, of the 1st stage of the Mondego Mobility System	Direct Agreement	FERBRITAS – Empreendimentos Industriais e Comerciais, S.A.	2011-05-09	884 690
5110000470	Sharing of Annual Costs for the Oriente Station	Additional	GIL - Gare Intermodal de Lisbo	2011-05-13	908 741
5010000422	Pumping tests	Direct Agreement	Ancorpor - Geotec. Fundações,	2011-05-25	305 606
5010004512	Maintenance of substations	Public Tender	Siemens,S.A.	2011-06-01	2 141781
5010004512	Maintenance of substations	Public Tender	Efacec - Servicos Manut Assist	2011-06-01	1973 544
5010007532	Renewal of the licencing contract signed between REFER and Microsoft	Direct Agreement	Microsoft Ireland Operations L	2011-06-02	754 728
5010005938	Assistance and management in the construction stage for the contract works of Miranda do Corvo/Serpins and Alto de S. João/Miranda do Corvo of the Mondego Mobility System.	Direct Agreement	FERBRITAS – Empreendimentos Industriais e Comerciais, S.A.	2011-06-07	820 050
5110000460	Railway infrastructure maintenance in the geographic area of Contract 15/05-CA/CM, for track and catenary	Additional	Ferrovias e Construções, S.A.	2011-06-16	3 361920
5010004529	Chemical weed control on the Nat. Rail Net. - Broad gauge track	Public Tender	Ferrovias e Construções, S.A.	2011-06-29	2 306 016
5110000310	Additional, Work Site Safety Assistance, Inspection and Coordination for civil construction contracts works, track and catenary – Modernisation of the Beira Baixa line	Additional	Ws Atkins(Portugal)Consultores	2011-07-19	920 626
5010005966	Rendering of private voice network services	Direct Agreement	Refer Telecom Serv Telecomun	2011-07-22	280 000
5110000513	Additional, rail welding	Additional	RAILTECH PORSOL	2011-08-10	508 140
5110000511	Maintenance of level crossings	Additional	Efacec Engenharia e Sistemas,	2011-08-10	684 553
5010009402	Preparation of the project to expand the Oriente station and adapting it to high speed rail	Direct Agreement	SANTIAGO CALATRAVA GmbH	2011-09-19	3 280 000
5010006611	Low voltage maintenance - Caldas da Rainha, Tunes	Public Tender	Efacec - Servicos Manut Assist, / Manvia - Manutenção e Exploraç	2011-10-04	452 663
5010006611	Low voltage maintenance - Caldas da Rainha, Tunes	Public Tender	MANINDÚSTRIA - Conserv. Manute	2011-10-10	678 344
5010008176	Contract to render maintenance and assistance services for track devices	Direct Agreement	Futrifer-Indústrias Ferroviári	2011-10-12	2 636 054
5110000621	Additional, general maintenance works for BA LO track	Additional	Somafel - Eng.Obras Ferroviári	2011-10-27	421401
5110000650	Railway infrastructure maintenance contract in the geographic area of of Contract 15/05-CA/CM, for track and catenary	Additional	Ferrovias e Construções, S.A.	2011-11-04	2 351280
5010009242	Assistance and technical consultancy, preparation of studies and projects (base program, preliminary study, draft project, detailed design) for the Areeiro-Sacavém undertaking	Direct Agreement	FERBRITAS – Empreendimentos Industriais e Comerciais, S.A.	2011-12-09	5 985 000
5010009243	Assisastance and technical consultancy, preparation of the base program of the preliminary study for the General Contract Works 1– Areeiro/Oriente for the Areeiro-Sacavém undertaking	Direct Agreement	FERBRITAS – Empreendimentos Industriais e Comerciais, S.A.	2011-12-15	1580 822
5010007548	Rendering of Third-party liability insurance services to REFER	Public Tender	BES-C.S.Tranquilidade Vida S.A, / Zurich Insurance PLC - Sucursa	2011-12-15	1788 942
5110000630	Additional, maintenance of railway infrastructures in the area of the South Conservation Operational Zone	Additional	Neopul - Soc Estudos Construçõ	2011-12-19	1110 000
5010009111	RIV Alfarelos / Pampilhosa	Direct Agreement	FERBRITAS – Empreendimentos Industriais e Comerciais, S.A.	2011-12-26	882 679

PART IV
SUSTAINABILITY REPORT



IV Sustainability Report

This report refers to the company Rede Ferroviária Nacional – REFER, E.P.E. (REFER). This report’s economic, social and environmental data portray the company's activities in 2011.

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

Rede Ferroviária Nacional – REFER, E.P.E.
Estação de Santa Apolónia
1100-105 Lisbon
Site: www.refer.pt
Share Capital 430,200,000 euros
Tax Number: 503 933 813

Contents

Report

Aware of its responsibility to a number of stakeholders and as a public company, REFER, E.P.E., is hereby disclosing its 2011 Sustainability Report which is part of its Annual Report. As in previous reports, REFER will disclose its economic, social and environmental performance for the previous year within the context of the company's commitments and its management approach.

This document presents the Sustainability Report to the supervising ministries and to its stakeholders and includes an evaluation of REFER's sustainable performance within a future perspective. The company wishes to promote transparency regarding the sustainability of its activities by disclosing information of relevance to the various stakeholders, clients, the shareholder, personnel and other parties. The company thus discloses its principles, practices, programs and initiatives to improve its performance in regard to economic, environmental and social impacts caused by its activities.

This Sustainability Report's content was defined essentially by the principles of transparency, relevance and comprehensiveness in a format that may be easily and objectively read by stakeholders.

According to Order 26 811/2004, published in Diário da Republica, Series II, of 24 December 2004, companies supervised by the transport sector must include a separate document in their annual reports portraying the social and environmental aspects of their activities.

The submitted report format was approved by the Environmental Audit performed by the Ministry of Public Works, Transport and Communications through notice number 51-03/03/2006.

GRI Structure

This report complies with the Directives of the Global Reporting Initiative (GRI) for preparing sustainability reports through an "Informal Approach," whereby reports are based on the GRI guidelines without meeting all their content. This option is a more suitable approach to the current situation of our organisation and ensures that it will progressively evolve toward the "Formal Application" of the GRI Directives.

Participation in the GRI is voluntary and a means for Organisations to disclose the social, economic and environmental aspects of their activities to their various stakeholders. Until now, thousands of organisations in distinct fields (chemicals, pharmaceutics, telecommunications, transport, energy, public authorities, among others), some of which operate in Portugal, have published reports according to the GRI guidelines.

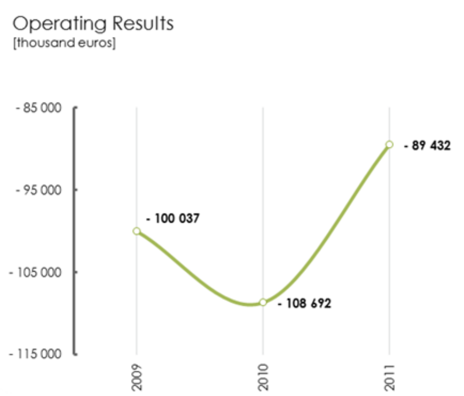
Justifying the Indicators

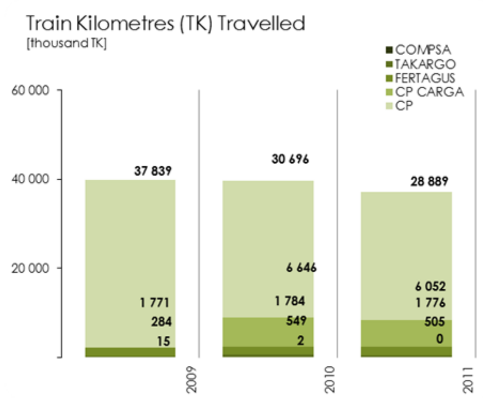
REFER endeavours to implement good business practices that ultimately have impacts on the economic, environmental and social systems in which it operates. Knowing those impacts is essential for evaluating a specific company's performance in the three sustainability areas: economic, social and environmental.

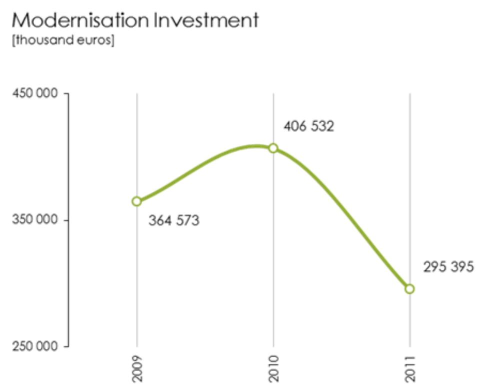
As such, the range of selected indicators reveals the relationship between the manager of the Portuguese railway infrastructure and the various stakeholders (entities coexisting within its corporate environment).

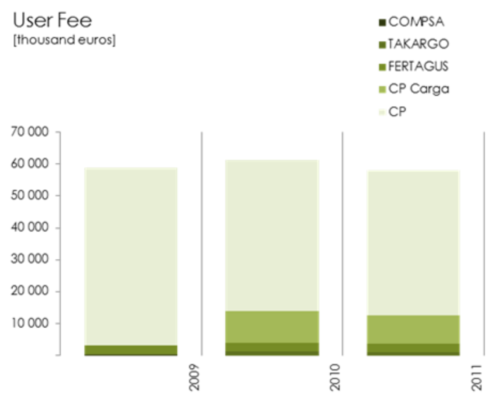
Main Sustainability Indicators

Economic Perspective

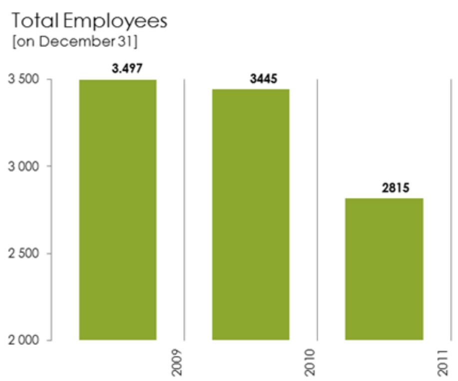


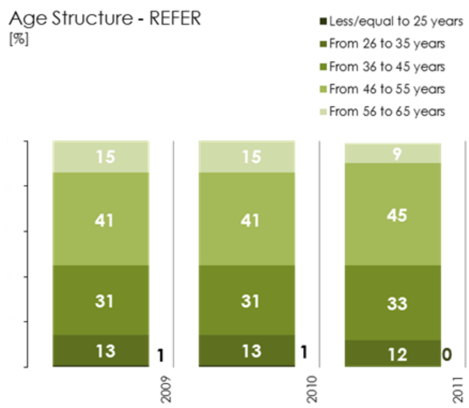




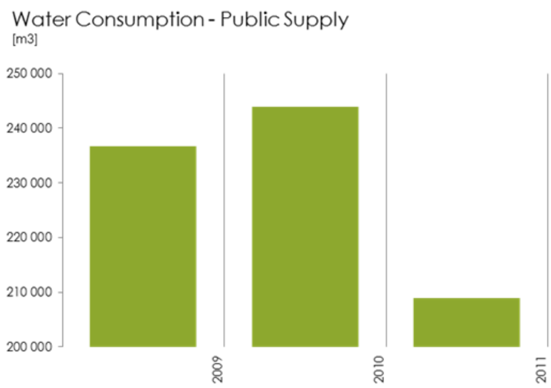


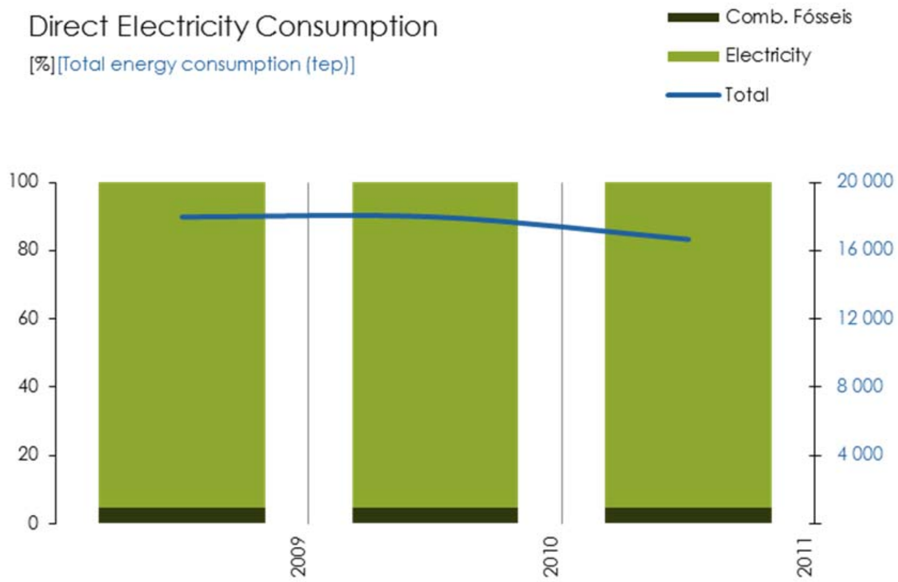
Social Perspective





Environmental Perspective




Direct Electricity Consumption
[%][Total energy consumption (tep)]
Comb. Fósseis
Electricity
Total
100
80
60
40
20
0
20 000
16 000
12 000
8 000
4 000
2009
2010
2011

Main Sustainability Actions

REFER views Sustainable Responsibility as a voluntary integration of social, environmental and economic concerns by companies in their activities and in their interaction with stakeholders.

Taking into account the two essential aspects of the company's activity – internal and external – it may be said that the internal aspect includes topics such as human resources management, health and safety at work, adaptation to change and management of the environmental impact of natural resources. As for the external aspect, concerns focus particularly on local communities, on business partners, suppliers and clients, whilst environmental issues are viewed from a global perspective.

External Aspect

In 2010, REFER carried out various initiatives to promote economic, social and environmental sustainability, of which the following are highlighted:

- 51 km of greenways were inaugurated between the lines of Tâmega and Dão, an increase of 47% compared with 2010;
- Various Level Crossing safety awareness campaigns were carried out;
- 7,500 native forest trees were planted, increasing the number of trees to 39,780 which the company supports directly. The trees were planted at the National Forest of Quinta das Virtudes;
- Preparation of a campaign to be carried out at schools to raise the youths' awareness about the importance of safety and preservation of the railway space;
- Support to the initiative called "Leituras em viagem" (Reading while travelling);"
- Refer joined the "Earth Hour" movement by switching off lights for one hour at two iconic train stations, Rossio and Santa Apolónia;
- After the success in the last campaigns and the interest and enthusiasm shown by personnel, Refer once again participated in the Food Bank Against Hunger;
- "Refer Solidária – Um Natal Diferente" (Refer Solidarity – A Different Christmas). A partnership with two entities, CAIS and AMI, to support those who receive aid from these two entities to which Refer made donations to meet their needs;
- Support to the initiative "Christmas Train", which transported 150 children from various social solidarity institutions in Setúbal.

Internal Aspect

In 2011, REFER carried out various actions to promote social sustainability for its personnel. In this framework, REFER personnel are entitled to the following benefits:

- Health Insurance
- Vaccination campaign
- Promotion of cultural events, particularly the book fair
- REFER support for education:
    - Scholarships
    - Pre-school subsidy
    - REFER holiday camps
- Discounts for CP train fares
- Possibility to join the GALP Fleet card fuel discounts program
- Other partnerships and discounts
    - Restaurants and hotels
    - Clinics, doctors and a pharmacy
    - Bank products
    - Culture and sports
    - Consumer goods
    - IT equipment
- Railway club which features sports and cultural activities
- Continuation of the “Send Ideas” Program
- Awareness campaign for the prevention of gynaecological ailments.

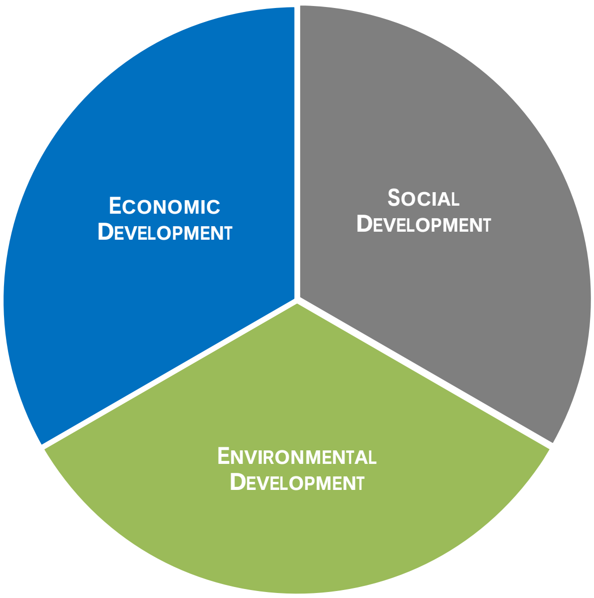
A Vision of Sustainable Development

REFER thus plays a key role in the railway sector. It must ensure the railway network's availability, capacity, reliable operation conditions, quality and safety. Additionally, it must also fulfil the state's network modernisation objectives by complying with the development strategy stipulated for the transport sector.

The search for a more sustainable corporate development model has been a major concern during recent decades due to the opportunities, but also threats, which affect the social setting, the structure of economic activities and the environmental balance.

The concept of Sustainable Development is normally defined as "meeting the needs of the present without compromising the ability of future generations to meet their own needs. This means that persons are allowed, now and in the future, to reach a satisfactory level of social and economic development and human and cultural fulfilment, whilst making a reasonable use of earth's resources and whilst preserving species and natural habitats."

Sustainable development is based on three essential pillars:



Sustainable development may be attained only if these three essential aspects evolve harmoniously.

Strategic Vision and Mission

REFER "manages the national railway network in terms of its construction, conservation, asset preservation and capacity management." We are aware that a corporate unit's sustainability is evaluated by its capacity to overcome future challenges through actions in the present time in three areas that are not always easily reconciled (Economy, Society and Environment).

The current macroeconomic situation and the guidelines stipulated by the Stability and Growth Program and by the Memorandum Understanding between IMF, ECB, EC and the Portuguese State, of 3 May 2011, set up the framework for an overall preparation process that resulted in the following Reference Objectives (2012 Activity Plan):

- Improve the efficiency and control of expenses
  - Reduce expenses in shared services
  - Reduce expenses in subcontracts
  - Adapt personnel to business needs
  - Minimise the average immobilisation time of stocks
- Contribute to the company's financial sustainability
  - Efficiently manage financial resources
  - Adapt the financial debt's maturity dates to the maturity of assets
  - Ensure that programmed investments are carried out
  - Ensure that non-core output rates are maintained
  - Prepare REFER's strategic plan
- Ensure that suitable quality, reliability and safety standards are maintained
  - Ensure suitable punctuality levels
  - Ensure suitable network uptime and reliability levels
  - Ensure suitable network safety levels
  - Prepare and publish the Network Directory on time

- Reduce accidents at level crossings
- Provide the necessary IT systems to support processes
- Continue to implement the Strategic Noise Plans
- Contribute to enhancing technical – railway expertise
- Ensure compliance with the Audit Plan

These objectives are meant to achieve the following:

- Reduce expenses and improve efficiency;
- Adjust the company's operating conditions and means to obstacles arising from the Stability and Growth Program and the Memorandum of Understanding;
- Promote suitable levels of service safety, quality and reliability;
- Complete carrying out interventions and projects in progress;
- Carry out essential interventions for maintaining suitable safety and service levels.

Company Presentation

EU Directive 440/91 and the Legal Code of the Land Transport System stipulate guidelines for the indispensible and urgent restructuring of the national railway system, in particular by highlighting the need to separate railway infrastructure management from transport production. The government defined the general guidelines for this reorganisation according to a model based on three entities:

1. **Railway sector regulatory entity (IMT)**, whose main goal is to regulate activities between railway operators and the infrastructure manager, whilst fostering safety, quality and environmental protection, thus making it a central state administration body;

2. Infrastructure management entity responsible for guaranteeing the installation, development and maintenance of railway infrastructures, as well as managing the circulation command and control systems, for which Decree Law 104/97, of 29/04, has already been published and which created **REFER**;

3. Transport Operators – CP, CP Carga, Fertagus, Takargo and Comsa are responsible for providing passenger and freight services and must reorganise their structure in order to become a market-oriented company with a client culture.

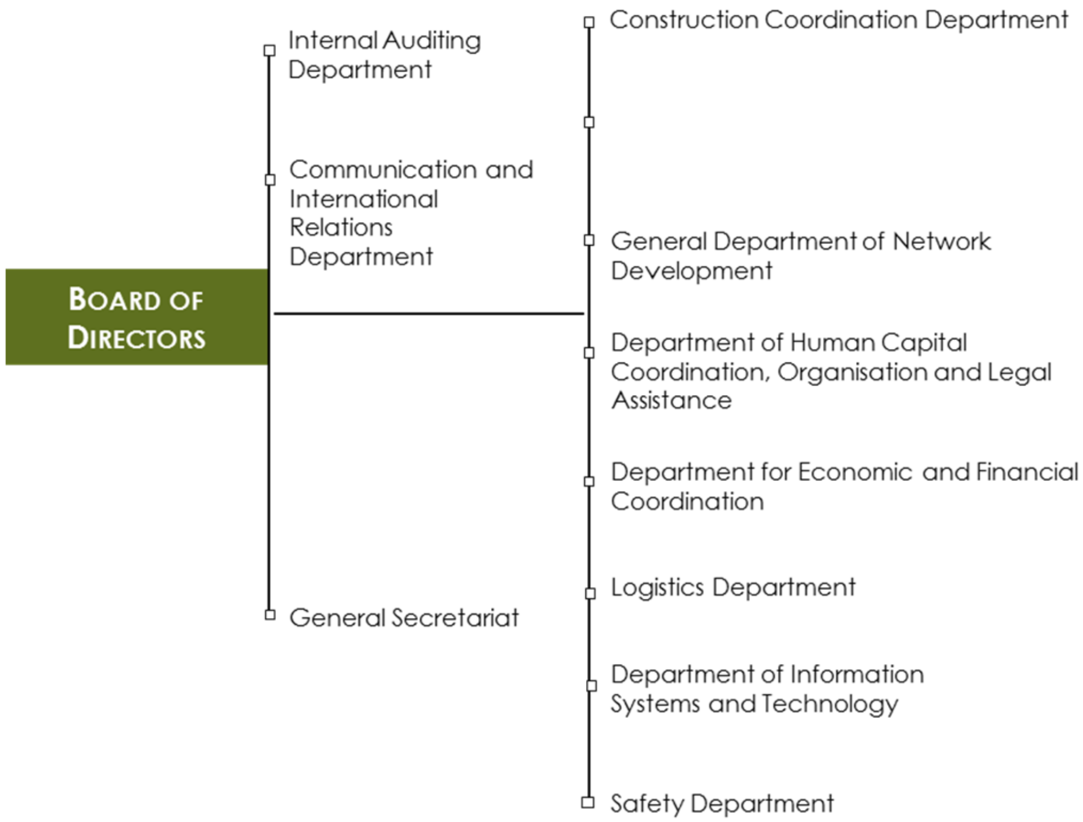
The process to create Rede Ferroviária Nacional – REFER, E.P.E., was completed only in 1999, the year in which the company began performing all the functions which it had been assigned.

History

1997	REFER was founded through the integration of the investment activities of the former Lisbon and Porto railway hubs, of the 25 de Abril Bridge and of CP itself.
1998	REFER was assigned the conservation and maintenance tasks that had been performed by CP until that time.
1999	Completion of the process to assign REFER all activities related with the management and operation of the National Railway Network and which were integrated with circulation control and management activities. The railway line along the 25 de Abril Bridge and the North-South Railway Corridor were officially inaugurated on 29 July 1999. These facilities were essential for linking the Tagus River's south margin to Lisbon, and were later assigned to a private operator.
2000	Work began to design a quality management systems (QMS) in compliance with Portuguese Standard NPEN ISO 9001:2000, to be implemented at REFER. Start of studies covering the use of decommissioned railway assets.
2001	Signing of the first protocol to build a Greenway based on the former Monção Branch Line. “Living Stations,” start-up of the first project stage covering thirteen cities. This project aims to re-qualify railway transport and its surroundings by once again assigning it the important role of boosting social, cultural and economic development of the communities it serves.
2002	The first Network Directory was issued, specifying access and utilisation conditions for the national railway infrastructure to meet the expected provisions of DL-270/2003, of October 28.
2003	The Lisbon Zone Operational Control (ZOC) obtained the Quality Certification, according to standard NP EN ISO 9001:2000, issued by APCER (Portuguese Certification Association). The CP/REFER agreement was signed, which covered the railway infrastructure User Fee for the 1999-2002 period. The Environment and Safety Departments were created. The 2004 Network Directory was published, which was prepared according to the provisions of DL-270/2003 of October 28.
2004	Inaugural trip of the Braga/Faro direct link on 30 May 2004. The work to build this link aimed to give this essential network section (Atlantic Corridor) a competitive edge over other means of transport. Signing of a protocol

	with a UMIC (Innovation and Knowledge Mission Unit), within the scope of initiatives for promoting the information society.
2005	In June 2005, the Quality Certificate was issued to the Porto Conservation Operation Zone, according to standard NP EN ISO 9001:2000 issued by APCER (Portuguese Certification Association). Electrification of the Beira – Baixa Line (Mouriscas A – Castelo Branco).
2006	In 2006, Portugal celebrated its 150th year of railway operation, a milestone in our country's history when the inaugural train trip was made from Lisbon's Santa Apolónia Station to the town of Carregado.
2007	REFER commemorated its 10th year on 29 April 2007. The work to renovate the Rossio Station building was completed. The Santa Apolónia Station was adapted for the new underground station.
2008	In 2008, the highlight was the re-opening of the totally renovated Rossio Station and Tunnel. Completion of the contract works for the railway link to the National Ironworks (Siderurgia Nacional), 1st stage of the Alcácer Alternative Route, Multimodal Terminal of Cacia and Electrification and Signalling of the Barreiro – Pinhal Novo Section. Operation start-up of the Porto Operation Command Centre on April 22.
2009	The year of 2009 was marked by the inauguration of the Cacia Multimodal Centre and the Cais do Sodré Transport Interface. Reopening of the Vendas Novas Line for train passenger service. Completion of the painting of the Maria Pia Bridge, in Porto.
2010	The year of 2010 was marked by the inauguration of the Port of Aveiro Branch Line early in the year, the operation start-up of the Trofa Alternative Route on the Minho Line and the inauguration of the Alcácer Alternative Route. This was also the year in which the renovation work for the Setúbal Station was completed.
2011	Reopening the sections of Vendas Novas to Casa Branca, on the Alentejo line, and from Casa Branca to Évora, on the Évora line, to re-establish the intercity service to Alentejo, which implied a total reduction in travel time in the Lisbon-Oriente – Évora link of about 25 minutes.

Organisational Chart for the REFER Business



Legal Framework

CP/REFER SPLIT
Decree -Law 104/97

- **1997** — **REFER Founded**
  Decree-Law 104/97
  Created on 29 April 1997
- **1998** — **INTF [Regulator]**
  Decree-Law 299-B/98
- **1998** — **FERTAGUS**
  1st Independent Operator
  Joint Order 731/98
- **2003** — **First Railway Package for Portuguese Law**
  Decree-Law 270/03
- **2006** — **1st Addendum to the 2006 Network Directory**
- **2007** — **IMTT [Regulator]**
  Decree-Law 147/2007
- **2008** — **TAKARGO**
  Private freight transport operator in Portugal
- **2008** — **COMSA**
  Private freight transport operator in Portugal

The Legal Code for the Land Transport System, Law 10/90 of March 17, states that the terrestrial transport system includes the infrastructures and production means allocated to land travel by persons and merchandise within the Portuguese territory or when the trip ends or has part of its route within the said territory and is governed by this law, its development decree-laws and regulations.

Decree-Law 104/97, which created REFER, E.P., was published on 29 April 1997.

REFER is a company whose statutory capital is 100% held by the state and is supervised jointly by the Ministry of Finance and the Ministry of Economy and Employment.

It carries out its assigned activities according to the principles of modernisation and effectiveness in order to ensure a regular and continuous public service of managing the national railway network infrastructure.

It is therefore established that REFER:

- May carry out all necessary or convenient management acts to fulfil its objectives;
- Maintains the rights and accepts the responsibilities assigned to the state by the applicable legal provisions and regulations covering the Public Railway Domain.

Decree-Law 299-B/98, published on 29 September 1998, created the National Railway Transport Institute (INTF) which regulates and inspects the railway sector, supervises the activities carried out and intervenes in public service concessions. This Decree-Law was revoked by Decree-Law 147/2007.

In September of the same year, through Joint Order 731/98, the concession for the railway passenger transport service on the North-South Corridor was granted to FERTAGUS, the first private operator.

Decree-Law 93/2000 was published in May 2000, which establishes the conditions to be met in the national territory to obtain interoperability of the trans-European high speed railway system (transposes Council Directive 96/48/EC, of 23 July 1996). It was altered by Decree-Law 152/2003, of July 11, which rectifies omissions detected in the transposition of Council Directive 96/48/CE, of July 23.

In October 2003, Decree-Law 270/2003, of October 28, was published, which transposes to national law Directives 2001/12/EC, 2001/13/EC and 2001/14/EC, commonly called “1st Railway Package.” These new laws opened the railway transport market to private business entities whilst guaranteeing a number of criteria regarding technical and financial capacity and safety issues. This Decree-Law was revoked by Decree-Law 147/2007.

Decree-Law 276/2003, of November 4, establishes the new legal policy applicable to assets of the public railway domain, including rules on the respective utilisation, disfranchising, exchange and the rules applicable to relations of bordering proprietors and of the population in general with those assets, legislative authorisation given by Law 51/2003, of August 22.

Consequent to what was stipulated in this legal statute, in this year REFER prepared and published the first edition of the Network Directory which provides railway transport companies essential information for their access to and utilisation of the national railway infrastructures managed by REFER and open to railway transport.

In March 2005, INTF published Regulation 21/2005 covering user fees applicable to services rendered to operators by the infrastructure manager.

The 2006 Network Directory, published in September 2005, was the first directory to be prepared according to the rules stipulated in Regulations 21/2005. After its publication, the operators filed appeals that forced REFER to present the properly compiled processes to the Regulatory Entity and to provide, in 2006, a variety of additional information complementary to the submitted information it used to justify the tariff rates, so that INTF could reach a decision.

The 1st Addendum to the 2006 Directory was published based on that decision.

Decree-Law 200/2006 created the IMT - Instituto da Mobilidade e dos Transportes Terrestres (Institute of Mobility and Land Transport) by merging various entities, including the former INTF – Instituto Nacional do Transporte Ferroviário (National Institute for Rail Transport).

Council of Ministers Resolution 49/2007 defines the principles of Good Governance for companies in the state's corporate sector.

On 22 July 2008, Decree-Law 141/2008 amended and republished REFER's statutes, which took effect on 23 July of that year. This Decree-Law alters the statute that created the National Railway Network, REFER, E.P., and the respective statutes, in order to adapt them to the new legal system of the state's corporate sector. Therefore, Rede Ferroviária Nacional, REFER, E.P., was transformed into a public corporate entity now called **Rede Ferroviária Nacional, REFER, E.P.E.**

In 2008, the company TAKARGO became the first private operator to operate freight trains in the national territory.

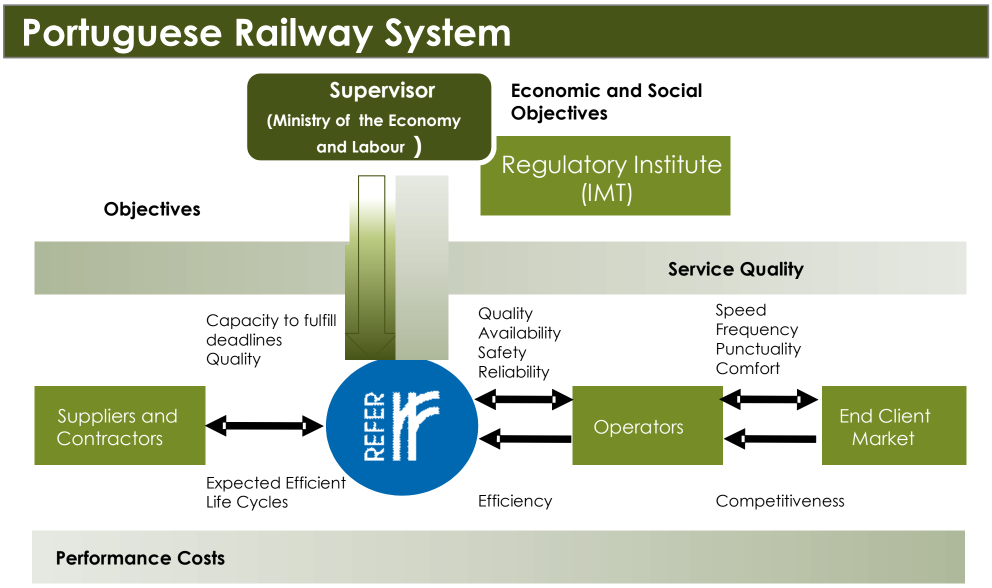
The company COMSA began operating on the national railway network in 2008, first by requesting to reserve corridors for tests and training on the Lisbon - Vilar Formoso axis.

Business Areas

REFER renders a public service by managing the overall National Railway Network infrastructure and is therefore responsible for carrying out activities to meet its goals according to the principles of modernisation and effectiveness by operating essentially in two business areas:

- **Infrastructure Management,** includes managing the railway infrastructure's capacity, conservation and maintenance and managing the respective circulation command and control systems, including signalling, regulation and promptness in order to ensure the indispensable safety and quality conditions of a public railway transport system.
- **Investment,** consists of building, installing and renewing the infrastructure, an activity carried out on behalf of the state (the assets are part of the public railway domain).

REFER thus plays a key role in the railway sector's value chain. It must ensure the railway network's availability, capacity, reliable operating conditions, quality and safety whilst also fulfilling the state's network modernisation objectives.



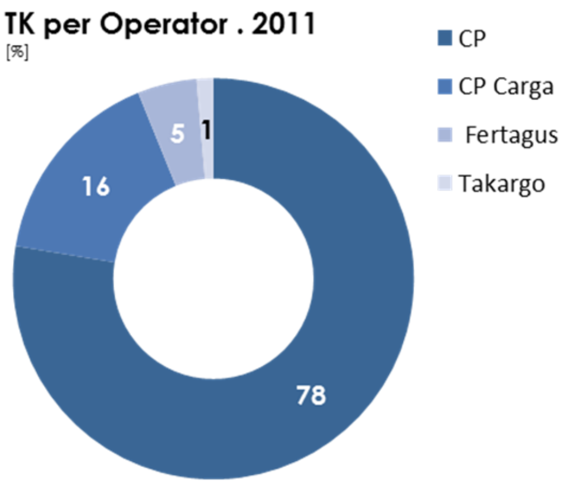
Railway Sector Value Chain

Infrastructure Management and Operation

As the service provider that manages Portugal's railway network infrastructure, REFER is responsible for performing tasks to fulfil its objective according to the principles of modernisation, safety and effectiveness, with particular emphasis on infrastructure management.

In 2011, REFER had 3,619 km of track, of which only 2,794 km, about 77%, was in operation at the end of the year. In 2011 track open for operation fell by 49 km when compared with 2010 due to the shutdown of the section of the Évora Line, from KP 126.800 to Estremoz.

As in previous years, the national railway network has been subject to continuous modernisation operations to offer train transports users the necessary minimum safety. Consequently, the company has commissioned new facilities and renovated and converted the technology of many others to make today's railway operation safer, more reliable, more flexible and better suited to demands and to provide greater and better mobility among the various means of transport. This information is available in greater detail in the Management Report for 2011, in the section "Evolution of Activities."



In 2011, the safety systems housed at the national railway network were expanded, whereby the Convel system is now installed at 58.6% of its length, for an increase of 141 km compared with 2010. The Convel system is shared among REFER operators, which allows them to provide very high circulation safety levels, thus guaranteeing compliance with signalling and with the authorized train circulation speed. The Ground-Train Radio is another safety system installed at 54% of the track length, and was installed in a further 10 km of track in 2011. The Ground-Train Radio (system shared by train drivers of the operators and REFER) is used for voice and data communications between the train drivers of operators and REFER personnel in charge of traffic control.

The number of TK recorded in 2011 fell 6% compared with 2010, and the user fee rate also fell 5% when comparing the same periods. In 2011 37.2 million TK were travelled when compared with 39.7 million in 2010. The user fee reached 58 million euros in 2011 compared with 61 million euros in 2010.

The CP operator continues to travel the most kilometres for passenger transport, whereas CP Carga is the freight company with the most travelled km in our country. This information is available in greater detail in the Management Report for 2011, in the section “Evolution of Activities.

REFER aims to provide operators with a highly safe, reliable and flexible infrastructure through its network modernisation measures. For this purpose, it has commissioned a substantial number of new facilities, many of which did not exist previously, and other technologically advanced facilities that replaced very rudimentary systems. Accordingly, in recent years REFER has made large investments to expand and modernise the railway network.

Railway infrastructure management costs include two items that must be noted, “External Supplies and Services,” with emphasis on “Subcontracts,” and the “Personnel Costs” item.

In 2011, there was a 24% decrease in the Subcontracts item, representing about 20 million euros. This amount included the renegotiation of valid track, catenary and signalling maintenance contracts and the internalisation of some maintenance actions. When contracts were renewed the company applied the 10% price reduction clause pursuant to no. 1 of art. 22 of Law 55-A/2010, of December 31, which approved the 2011 State Budget.

Personnel Expenses increased 12%, about 10.7 million euros, in 2011 when compared with 2010. In light of the high number of work contract terminations in 2011, if we deducted expenses of indemnities for work contract terminations (3 M€ in 2010 and 23 M€ in 2011), the personnel expenses item would have decreased 10%.

Investment

Investment in construction, installation and renewal of railway infrastructures is carried out by REFER on behalf and at the expense of the state.

REFER’s investment in 2011 reached (total costs) 295 million euros, a 94% realisation rate compared with what was forecast (372.6 million euros). Of this amount, 294 million euros was assigned to investments in long duration infrastructures (nearly 100% of total investment) and 1 million euros was spent on management support structures (less than 1% of the total investment).

According to the Plan to Eliminate and Reclassify Level Crossings to which REFER is committed in compliance with art. 2 of Decree-Law 568/99, of December 23, and which assigned this task to REFER, to town councils and to the company Estradas de Portugal, 64 actions were carried out in 2011, three of these performed by third parties.

Of these 64 actions, 35 were to eliminate level crossings and 29 to reclassify level crossings. Total investment for this project reached about 20.7 million euros, of which 18.1 million euros, were paid by REFER,

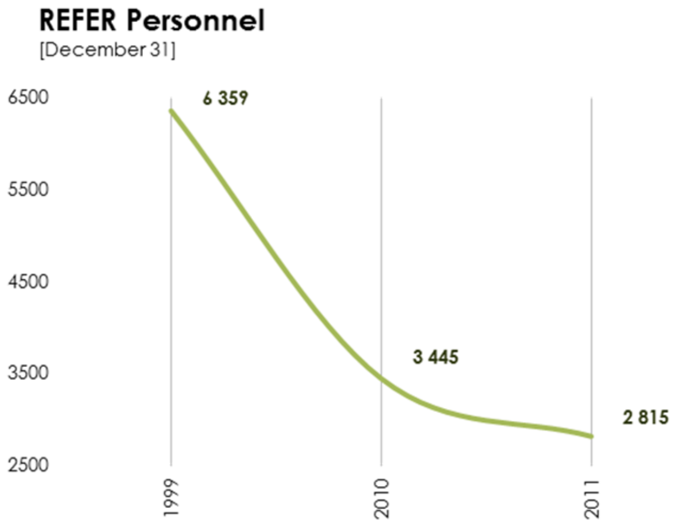
In 2011, there were 25 accidents at level crossings, of which 21 were collisions and 4 involved persons hit by trains, which resulted in four deaths, three serious injuries and eight minor injuries.

This information is available in greater detail in the Management Report for 2011, in the section "Evolution of Activities."

Organization Size

In 2011 REFER experienced a sharp drop in personnel numbers due to the application of various railway operation modernization and automation programs implemented throughout the previous years. In the year in question, 630 employees left the company such that on the last day of the year the company had 2,815 employees.

At the end of 1999 Refer had 6,359 employees, which implies a reduction of 3,544 employees until 2011, about 56%.



REFER's Role in the Transport Infrastructure Management Sector

Rail transport policy in the different countries has traditionally been drawn up individually by each country, which led to a situation of a lack of interconnection and interoperability, thus holding back the development of the European railway market and encouraging growth in road transport, which in turn has resulted in negative impacts on energy consumption, the environment, traffic congestion and accident rates.

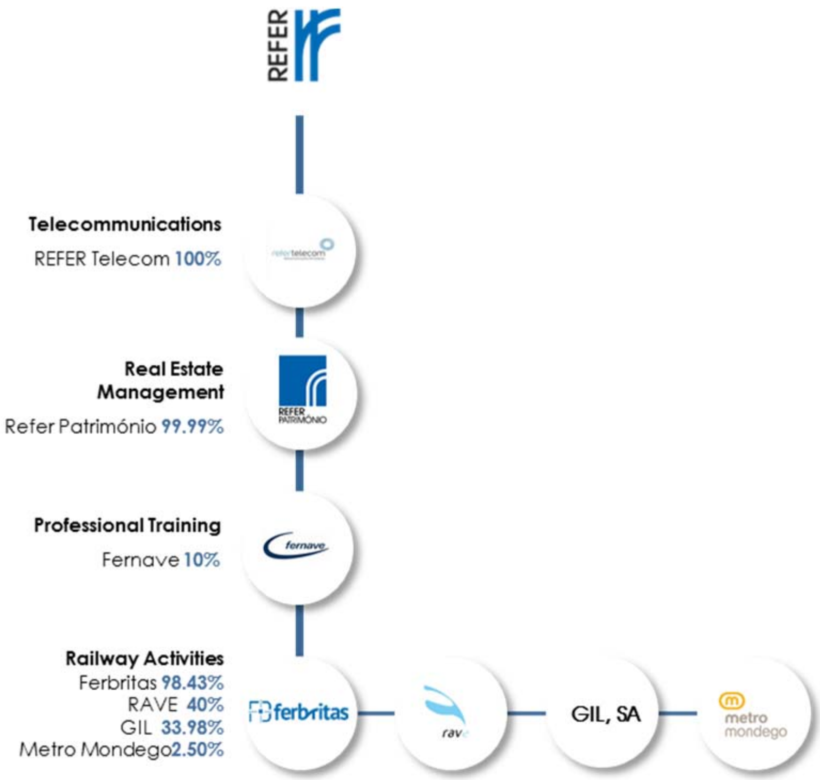
This situation led to the application of a European policy of sustainable mobility which has clearly boosted the development of railways. Its aim is to progressively create an integrated European effort with guaranteed access to all operators.

Within this scenario, the process to liberalise the railway market began through Directive 91/440/EC, which led to distinct accounts for infrastructure management activities and railway system operation. This policy makes infrastructure user fees as transparent as possible and opens access to international services.

The consolidation of the Portuguese rail model, inspired by the reform of the railway sector recommended by the European Union (EU) is a firm step towards developing and improving the rail system.

REFER Group

REFER has shareholdings in a number of companies that were created to restructure the railway sector, even before REFER was founded, and that, due to their activities, complement railway infrastructure management activities.



REFER TELECOM – Serviços de Telecomunicações, S.A.

REFER Telecom is a Telecommunications Operator licensed by ANACOM. Refer Telecom manages, supervises and maintains railway telecommunications networks and systems. It is also responsible for installing and managing telecommunications, which are essential for rail transport. It has a national coverage network and uses an optical fibre backbone extending over more than 2,800 kilometres, allowing it operate in the country's main district capitals and urban centres. Various connectivity services are supported on this network.

The company's mission is to "effectively manage the telecommunications infrastructure yielded by the shareholder, guaranteeing excellent services and optimising all resources through a specialised offer to the rest of the market."

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

REFER PATRIMÓNIO has the strategic mission of ensuring the efficient utilisation, enhancement and return according to the objectives of the railroad infrastructure management objectives.

Its strategic vision implies a policy of integrated management under the sole command of the Board of Directors of REFER Património for the whole real estate activity.

It abides by the following values:

- Oriented toward results – plans, by defining objectives, to attain results that meet expectations and that are sustainable on the long term;
- Added value for the client – knows and understands REFER's needs, innovates and applies all possible means to create value for the shareholder;
- Leadership with vision and strategy – is led by persons with a vision of the future, who act as examples through their values and ethics;
- Process-based management – its management is based on a number of identified processes which are characterised and aligned;
- Supported by individual expertise – values its personnel and holds them accountable for their performance in achieving the organisation's results.

FERBRITAS - Empreendimentos Industriais e Comerciais, S.A

Ferbritas S.A. is a service rendering company specialised in transport engineering and is focussed in particular on all segments and specialisations in the light and heavy railway sector.

The company was founded in 1976, and for many years has been the only Portuguese service rendering company that, in the areas in which it operates, places its own specialised and proven personnel at the service of its clients acting in all required railway engineering fields, including the design, management and inspection of undertakings, among other tasks.

RAVE, Rede Ferroviária de Alta Velocidade, SA

RAVE, Rede Ferroviária de Alta Velocidade, SA, is a Portuguese company that develops and coordinates works and studies necessary for decisions to plan, build, finance, supply and operate a high-speed rail network to be installed in mainland Portugal and the link to its counterpart Spanish network.

Governance Structure

Areas Supervised by Members of the Board of Directors

The government defines REFER’s general goals and the framework in which the respective activities must be carried out to ensure that these activities are in harmony with the country’s policies as a whole and in each sector.

The Board of Directors has five members: the Chairman, the Vice-Chairman and three board members are appointed by the government, are in office for a three-year period, may be re-appointed for equal periods within the limits stipulated in the Public Management Statute and remain in office until they are replaced or their duties are declared as having ceased.

The Board of Directors generally performs all acts necessary to manage and develop the company and to manage its assets without undermining the powers of the respective supervising ministries. Naturally, members of the Board of Directors must abide by the duties and obligations legally established for public managers, particularly the absence of conflicts of interest.

REFER's current Board of Directors was appointed at the end of 2005 and was reappointed on 21 January 2009. In June 2010, the vice president left his position, whereby on 31 December 2011 the REFER Board of Directors consisted of the Chairman and three members.

Members of the REFER Board of Directors are identified in the Corporate Governance report in the “Governing Bodies” section.

The number and summary of meetings by REFER's Board of Directors is indicated in the Corporate Governance report in the “Governing Bodies” section.

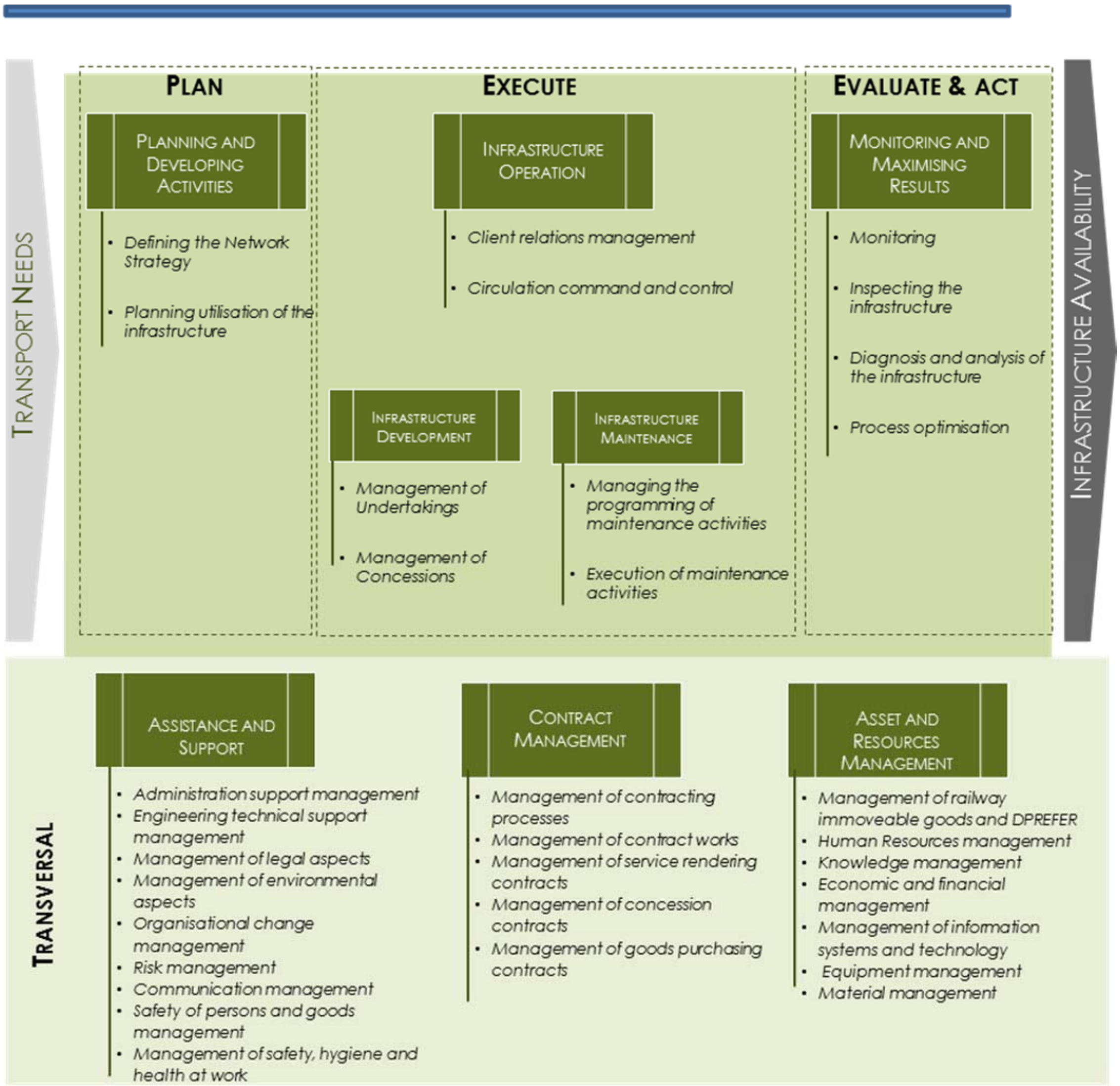
Participation by the Board of Directors in REFER group companies is specified in the Corporate Governance report in the “Governing Bodies” section.

Sustainability

QUALITY	Implement and maintain the Quality Systems and performance monitoring in compliance with the strategy and goals.
SAFETY	Implement the necessary safety requirements to eliminate accidents, material damages and personal injuries, thereby enhancing the values of the community, of the state, of the company and of its employees.
ENVIRONMENT	Comply with environmental protection requirements in the planning, design and implementation of new projects and in the network operation and conservation, according to the Environmental Management System and as part of an implicit ongoing improvement process.
SOCIAL	Harmonise Human Resources Management Activities with the company's overall strategy. Define Human Resources guidelines and management tools to attain good personnel satisfaction/motivation and productivity levels. Support initiatives promoting the development of the surrounding community.

Quality

During 2011, REFER implemented the previous year's proposal for a new approach to Quality control. It launched the first stage of a structured and complementary task called "survey of REFER processes" based on an internally created method for this purpose. As a result, the following REFER processes Chart was created:



Objectives: With the expected approval of the strategy for Quality Management at Refer based on a process-based approach, the plan calls for characterizing the company's processes in light of the main priorities arising from the management context.

Safety

Safety at REFER is viewed as the responsibility of each and every individual, requiring the company's cooperation along with committed and responsible participation by all personnel.

The Safety policy covers essentially three aspects:

- **Safety at Work**, applicable to personnel and construction undertakings.
- **Safety of Installations**, in terms of emergencies and their surveillance.
- **Operation Safety** to support the entities that carry out these activities.

Objective 2011: Maintain the commitment to reinforce safety skills: (1. professional railway safety training to attain compliance with Technical Operation Instruction 77 (IET 77); 2. Training on Regulations; 3. Personal and asset safety training; 4. Training in Safety, Health and Working Conditions).

Objective 2012: To promote improved safety and health conditions at work: to increase the capacity to react to emergency situations; to increase the coverage and improve the management of personal and asset safety systems.

Environment

Maintaining the objectives of the Environment Policy of August 2007, in 2011 the company continued the inevitable adjustment started in 2010, due to the company's management context, with an impact on the dynamics of implementing the main environmental strategies. In that sense, the goals proposed for 2011 were fulfilled.

Objectives 2011: Adapt the human support structure to this area at the company by performing, to the extent possible, tasks that were previously performed by external entities. Complete the Plan to Reduce Noise Created by the Major Railway Transport Infrastructures with over 60,000 trains per year, in order to sustain the various scenarios and lines of actions to be carried out, which include those that may be performed by REFER and by obtaining authorisation from the supervising ministries for the purpose. Maintain the B&B commitment whilst taking into account the reprogramming performed and conveyed to the Plan of Activities.

Objectives 2012: Maintain the effort to adjust the human resources and the organization model to the transformations that have been implemented at the company in view of its management context. Consolidate its task internalization process whilst making it more comprehensive, particularly in regard to the acquisition of noise data. Foster an analysis of the noise strategy based on the Noise Reduction Plans in order to instigate a strategic alteration at this level, thereby fulfilling a commitment covering the whole railway sector and with realistically sustainable goals from an economic perspective. It is also worth starting and developing the Ecological Continuum Project.

Social

REFER's social policy initiatives may be analysed according to two aspects:

1. Internal social responsibility – the human resources and safety and health policies implemented until now demonstrate a strict and ongoing commitment to personnel needs. This commitment has, in particular, resulted in a number of assistance measures for education and professional development incentives for the company's personnel and their family members (railway care home, holiday camps, support to railway sports and social associations, etc.); Disability support program, particularly regarding problems of mobility and/or work means adapted to the various disabilities; Qualitative improvement of work processes by increasing digitisation and of electronic means for filing and transmitting information (gradual phasing out of traditional hard copy filing).

2. External social responsibility – in this aspect, REFER has focussed on relations with National Railway Network users and neighbouring populations. In this aspect, the following, in particular, took place:

    a) Support to the urban rehabilitation of stations and surrounding areas in collaboration with town councils;

    b) Campaigns to promote public transport (and, in particular, railway transport) in urban zones and raising awareness for complying with safety rules at level crossings;

    c) Support to periodic personnel blood donation campaigns, whereby the blood is delivered to healthcare services;

    d) Disclosure of activities performed by the company and its associated companies through the portal;

    e) Maintained a program of academic internships through protocols with various colleges and universities;

    f) Support to social institutions such as Associations of Volunteer Fire Brigades of various towns and non-governmental organisations such as Doctors of the World.

    g) Code of Ethics document. This document proposes a number of general conduct principles, essential for the quality of rendered services, whilst also endeavouring to stimulate a culture of good corporate practices.

Objective 2011: Implementing the psychosocial support program for workers – REFER Employee Support Program. The company continued to promote the safety of persons and assets.

Objective 2012: adapting human resources to the real needs of each company body, in line with operation criteria under safe conditions and striving to achieve suitable mobility and placing personnel within a suitable framework according to an analysis of the respective expertise profile and in compliance with applicable conditions.

Ethics – A REFER Commitment

This topic is detailed in the Corporate Governance Report in the “Code of Ethics and Conduct” section.

Economic Performance

REFER's main goal is to render a public service by managing the national railway infrastructure. It strives to play an essential role in inverting the growing trend favouring individual transport. It aims to do so by improving train transport services and by offering a safe, comfortable, fast and punctual service that is perceived and appreciated by customers.

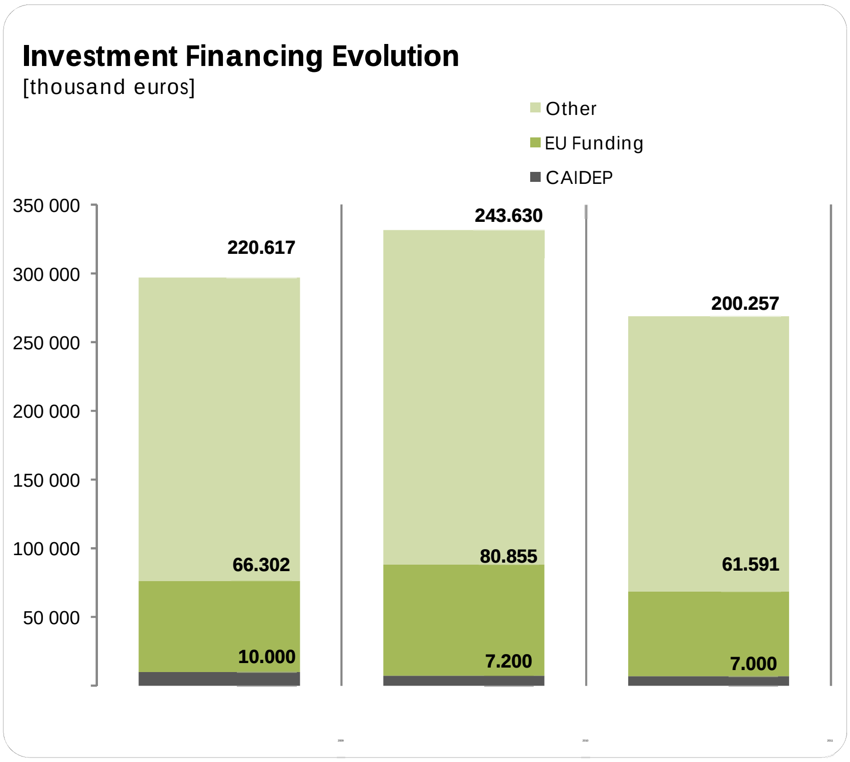
In its activities and on behalf of the state, REFER has implemented large investment projects to modernise and develop the National Railway Network. **Modernisation** is the only means of enabling operators to offer a quality service to end customers. **Development** because the National Railway Network boosts development by contributing to cohesion and economic and social development of all the country's regions. In summary, to meet the population's growing mobility needs and maintaining pace with the European market, REFER implements a strategy oriented toward revitalising and promoting the use of trains as the preferred means of reliable and safe transport in harmony with environmental policies.

Main Indicators

Since it was founded, REFER has invested in the network's modernisation. Since 2002, investment in railway infrastructures has reached 3.488 million euros. In 2011, the investment reached 349.7 million euros, 14% less than in 2010.

Modernisation Investment
[thousand euros]

In the last three years, REFER's investments have been financed as follows:



Approximately 30% of the financing obtained by REFER in 2011 was applied for Links to Logistics Centres and Ports, 28% for Inter-Regional links, 12% at Metropolitan Areas and the remaining amount for Renewing and Rehabilitating the infrastructure, for High Speed, for network Safety and Efficiency and for the Mondego Mobility System. A significant part of this investment corresponds to carrying out the project to build a Railway Link between the Port of Sines and Spain, for the continuation/completion of the works, among others, of the Civil Construction Contract Works, Track and catenary and the signalling and telecommunications of the Bombel / Casa Branca / Évora section as well as for installing the Convel system at the Vendas Novas station and in the sections of Vendas Novas (excl.) / Casa Branca and Casa Branca (incl.) / Évora.

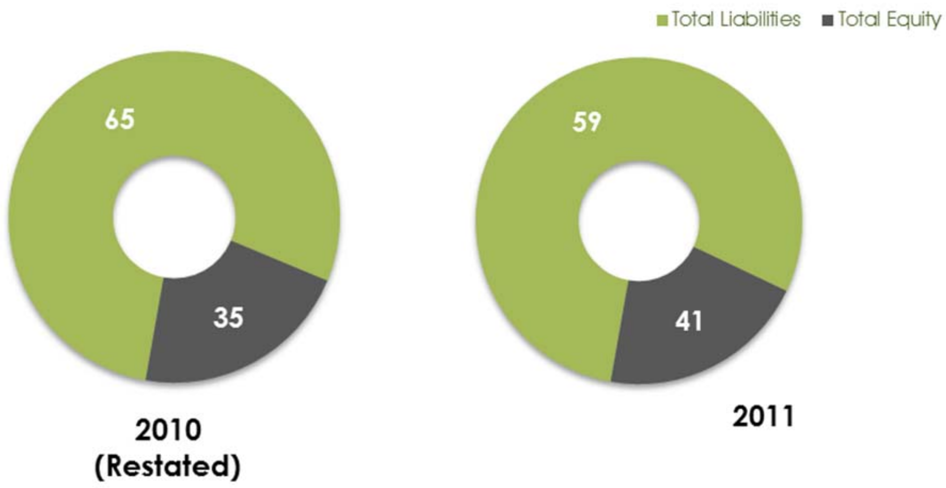
Diminished state financing in recent years has led to a higher dependence on external financing which undermined the company's economic and financial situation. However, it is expected that this situation will be reversed in the near future.

Financial Position Structure

[thousand euros]

	2010 (Re-expressed)	2011
Total Liabilities	6 409 125	6 860 131
Equity	-1 755 071	-1 792 144
Total Assets	4 654 054	5 067 987

The Total Liabilities in 2011 increased by 7% compared with 2010.



In 29 December 2011, the Secretary of State of the Treasury and of Finance and the Secretary of State of the Public Works, Communications and Transports signed a Joint Order to increase the share capital of REFER by 125 million euros. The statutory capital increased from 305,200,000 euros to 430,200,000 euros.

Total Assets increased 9%, about 414 million euros compared with 2010.

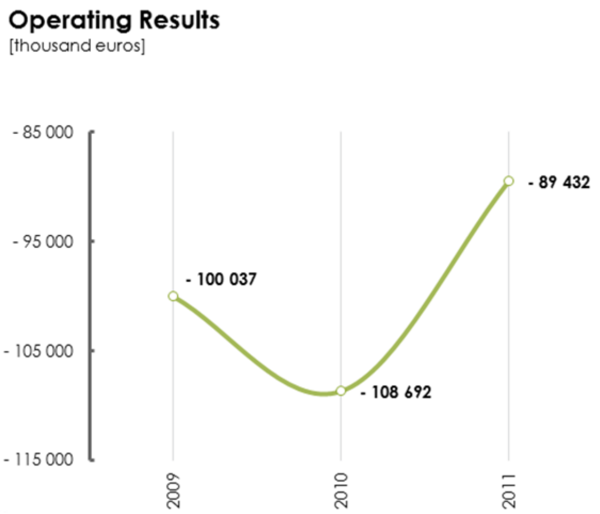
Results

[thousand euros]

	2010 (Re-expressed)	2011
Turnover	136 969	130 731
Operating Result	- 108 692	- 89 432
Net Result	- 150 418	- 162 073

Operating Results

For 2011, REFER declared that economic and financial sustainability would be one of its objectives, particularly by improving efficiency and containing costs. In 2011 REFER's operating results improved by 19 million euros, since its loss fell 18% compared with 2010.

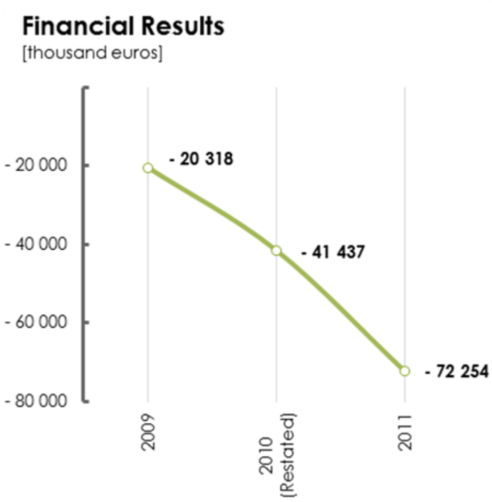


One of the items with the greatest impact on operating results was External Supplies and Services, which fell 25.6 million euros (2010: 124 million euros; 2011: 98 million euros), due to various factors, particularly the renegotiation of contracts for track, catenary and signalling maintenance and by performing some maintenance tasks through the company's own personnel. Renewed contracts were subject to a 10% price reduction pursuant to no. 1 of art. 22 of Law 55-A/2010, of December 31 which approved the State Budget for 2011.

Financial Results

Financial results in 2011 reached a negative amount of 72.3 million euros.

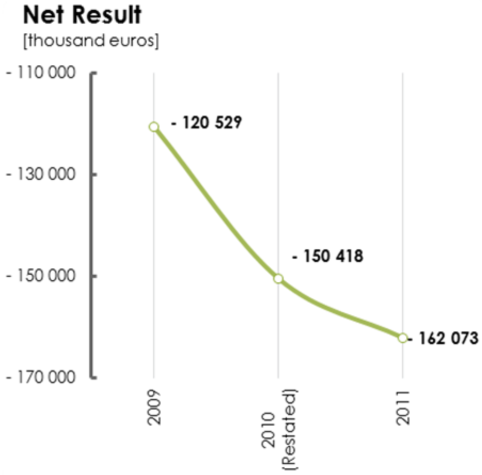
A comparative analysis with results in 2010 reveals that the Financial Result fell by 31 million euros. This deterioration was caused essentially by turbulence in the financial markets during the year which pushed up interest rates.



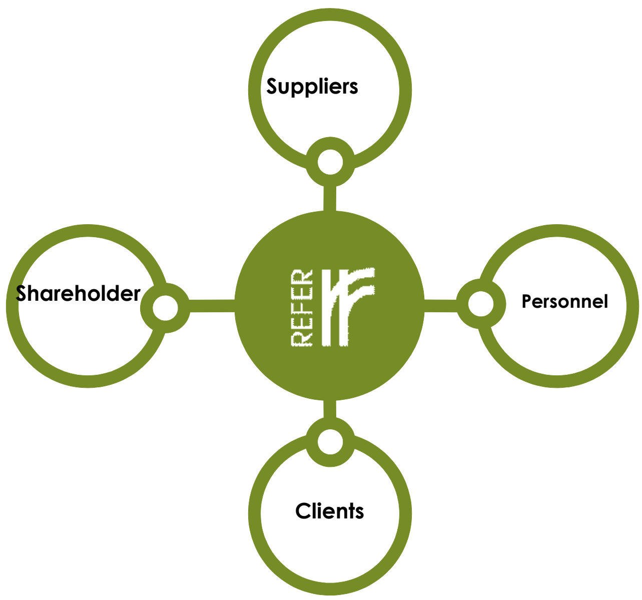
Net Result

In 2011 Refer had a net loss of 162.1 million euros, an 8% deterioration compared with 2010, caused by bigger losses in Financial Results.

The percentage of Total Gains in Total Expenses, increased from 63% in 2010 to 67% in 2011. In 2011, Total Expenses fell 270.8 million euros and Total Gains reached 181.4 million euros.



Stakeholders



Stakeholders

List of Stakeholders		Expectations and Needs	Means of Communication
Shareholder/Superv. Min.	State (Ministry of the Economy and Labour and Ministry of Finance) Supervising Entities (CMVM, IGOPTC, IGF, ..)	Results obtained Social stability Compliance with public service obligations Responsible social and environmental practices	Manag. Reports Manag. Contract Clear and Transp. Reporting
Clients	Railway Operators Railway Transport User	Network available under safe conditions Service offer generating trust and satisfaction	
Suppliers		Transparency Compliance with payment deadlines Increase in the company's investments, generating new supplies	
Media		Access to reliable and relevant information	
General Public		Access to reliable and relevant information	
Regulator	IMT (Institute of Mob. and Public Transport	Product and service quality standards	Regular reporting
Personnel		Appropriate remuneration Stability (job, salary and social protection security) Opportunity for career advancement Good working conditions	Regular information Personalised communication
Unions and Employee Committees		Respect for their opinions Transparent negotiations Participation in labour negotiation processes	Frequent meetings

Shareholder

The state, REFER's sole shareholder, plays a crucial role in the company's sustainable development and is committed to providing financial support to REFER through annual financial allocations, and to hedge both investments and public infrastructure service management costs.

In the last 3 years, the state has made the following financial allocations:

State Financial Contributions

[thousand euros]

	2009	2010	2011
Chapter 50 of the State Budget	10 000	7 200	7 000
Compensation Indemnities	36 149	35 851	36 000
TOTAL	**46 149**	**43 051**	**43 000**

In the above table emphasis goes to the state's financial contribution in 2011, compared with 2009 and 2010. Of this amount we highlight a 0.4% increase in Compensation Indemnities, about 49,000 euros when compared with 2010, although the same reduction of 0.4% took place when compared with 2009.

On the other hand, in the year under review, the amount allocated through Chapter 50 of the State Budget fell 28%, about 2.8 million euros, when compared with the previous year.

It is worth noting, however, the state's importance as the shareholder also includes loans to the company which in 2011 reached 2.164 billion euros. Of this total, 125 million euros were converted into statutory capital which increased to 430.2 million euros. The remaining amount was converted into a medium-long term loan maturing in 2016 and repayable in 8 half-year instalments starting in 2013.

Personnel

At the end of the year in question, the company had 2,815 employees, thus revealing a higher number of contract terminations in the past years, as 630 employees left the company.

REFER Employees

[31December 2010]

	2009	2010	2011
Number of employees in December	3 497	3 445	2 815

From a financial perspective, Personnel Costs is one of the highest cost items, reaching 49%, equivalent to 104.2 million euros in 2011. However, in 2011 the company experienced an exponential increase in employees leaving the company. Therefore, if indemnities for employees leaving the company were subtracted from personnel expenses, personnel expense would decrease to 38% of total expenses.

Personnel Cost Structure for Infrastructure Management Activities

[thousand euros]

	2009	2010	2011
Personnel Costs	96 861	95 264	104 192
Indemnities		2 491	23 659
Personnel costs without indemnities		92 773	80 533
Total Infrastructure Management Costs	222 729	232 032	212 346
Weight of Personnel Costs	**43%**	**41%**	**49%**
Weight of Personnel Costs without Indemnities		**40%**	**38%**

Investment Activity

[thousand euros]

	2010	2011
Consumption of Materials	33 215	31 153
External Supplies and Services (ESS)	7 241	5 140
Total Internal Investment Costs	63 436	58 489
Weight of Costs on ESS and Materials in Total Costs	**64%**	**62%**

In Infrastructure Management, the percentage of Personnel Expenses compared with Total Expenses increased in the year, reaching 49% in 2011 compared with 41% in the previous year. However, in 2011 the high number of employees leaving the company far exceeded numbers in previous years, which caused indemnity expenses to also be much higher. When the value of indemnities is subtracted from Personnel expenses, it can be seen that Personnel Expenses reached 38% of the Total Expenses for the activity in question.

In Investment Activities, the values maintained the same levels as in previous years, whereby Personnel Expenses reached 35% of Total Expenses.

Suppliers

REFER's importance for the suppliers may be analysed from two perspectives:

- Investment;
- Railway infrastructure conservation and maintenance.

Infrastructure Management Activities

[thousand euros]

	2010	2011
Material Consumption	5 620	3 795
External Supplies and Services (ESS)	116 680	93 110
Total Infrastructure Management Costs	232 032	212 346
Weight of Costs on ESS and Materials in Total Costs	**53%**	**46%**

Investment Activity

[thousand euros]

	2010	2011
Consumption of Materials	33 215	31 153
External Supplies and Services (ESS)	7 241	5 140
Total Internal Investment Costs	63 436	58 489
Weight of Costs on ESS and Materials in Total Costs	**64%**	**62%**

The weight of External Supplies and Services regarding the Consumption of Materials in the company's total expenses incurred in Infrastructure Management Activities reached 46% in 2011, compared with 53% in 2010. An analysis of the value of External Supplies and Services in 2011 reveals a significant decrease in the value of subcontracts and a drop in the value of Other External Supplies and Services. The value of Material Consumption fell 32% compared with 2010, maintaining the falling trend of previous years.

In 2011, investment activities based on External Supplies and Services decreased 29% compared with 2010. Consumption of materials decreased 6% in 2011 compared with 2010. The weight of these items in total internal activity expenses in 2011 reached 62%, 2% less than in 2010.

Clients

Through Decree-Law 104/97, of April 29, REFER was assigned the duty to render the public service of managing the overall national railway network and also granted the right to charge railway infrastructure user fees.

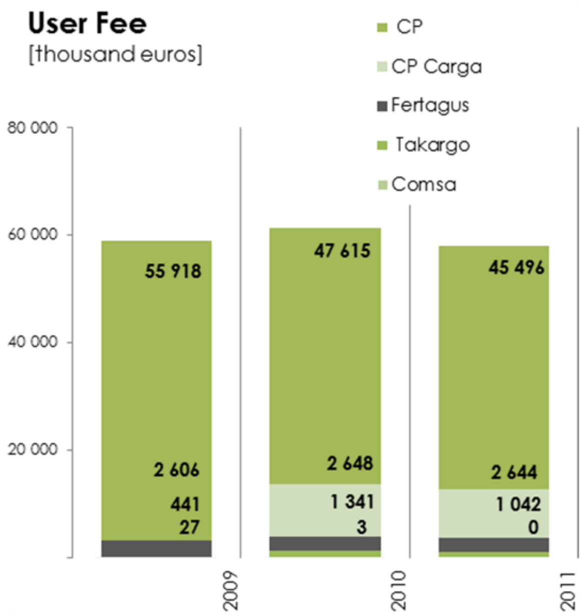
REFER's major clients consist of:

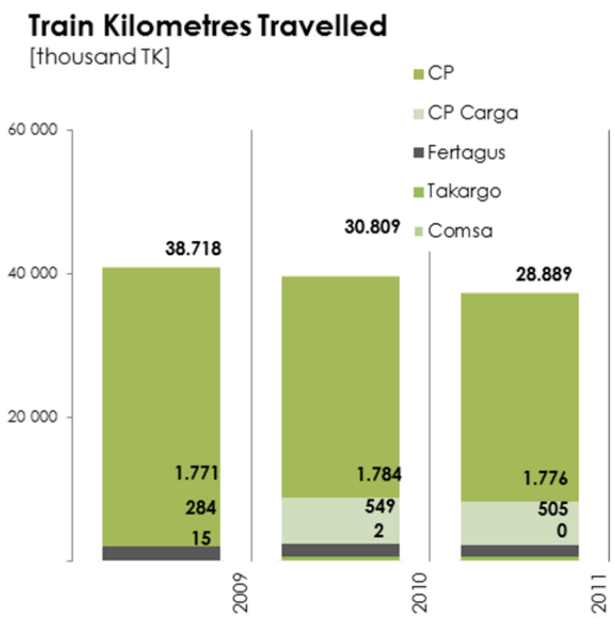
- CP – Comboios de Portugal
- CP Carga
- FERTAGUS
- TAKARGO
- COMSA

In 2011 the CP operator travelled 29 million Train Kilometres (TK), corresponding to 45.5 million euros, and the CP Carga operator travelled 6 million TK in the value of 9 million euros. CP and CP Carga are the operators that use the most TK on the national railway network, particularly for passenger and freight transport, respectively.

The FERTAGUS operator offers exclusively passenger transport. In 2011 it travelled 1.8 million TK, corresponding to 2.6 million euros. TAKARGO operates solely in freight transport and, in 2001 travelled 505,000 TK, equivalent to one million euros.

The relative importance of operators and of changes in invoiced User Fees is clearly illustrated in the following graphs. Note that in 2009 the User Fee invoiced to the CP included passenger and cargo transport which, as of 2010, was invoiced to CP Carga.





Revenue growth from user fees charged to the railway operators is illustrated in the following chart:

User Fee

[thousand euros]

	2008	2009	2010	2011
CP (User Fee)	57 983	55 918	47 615	45 496
CP Carga (User Fee)			9 764	8 955
Fertagus (User Fee)	2 604	2 606	2 648	2 644
Takargo (User Fee)	53	441	1341	1042
Comsa (User Fee)		21	3	
Total User Fee Invoicing	**60 641**	**58 986**	**61 370**	**58 137**
Total Income	**296 786**	**122 692**	**123 324**	**119 813**
Weight of CP User Fee/Total Income	**20%**	**46%**	**39%**	**38%**

TK Travelled

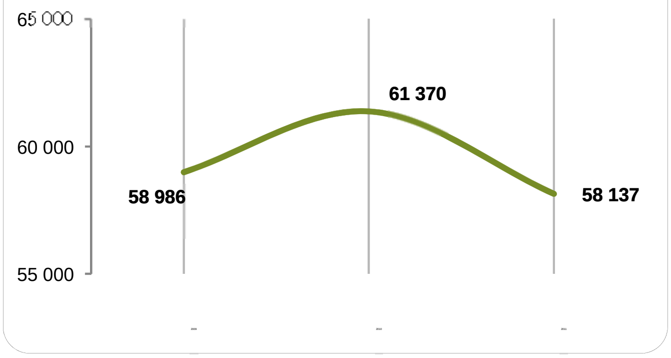
[thousand TK]

	2008	2009	2010	2011
CP	39 464	37 839	30 809	28 889
CP Carga			6 527	6 052
Fertagus	1783	1771	1784	1776
Takargo	37	284	549	505
Comsa		15	2	
Total TK	**41 284**	**39 909**	**39 672**	**37 222**

The user fee revenue item comprises a large portion of total income, of about 49%. Note that the amount charged to the CP operator comprises 39% of total revenue.

Income growth from Essential Services provided to all the operators is illustrated in this chart:

Evolution in the Utilization of Essential Services
[thousand euros]



The services rendered to the operators also involve:

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

Only part of costs for infrastructure management activities, about 27%, is paid by fees charged to passenger and freight railway operators. The other part, safeguarding the operation's efficiency, should include a public contribution, which is still not the case. Moreover, construction and maintenance of infrastructures have been financed through loans, a practice which has been progressively altered. For a sustained and efficient future, in which the management is responsible for results, we believe that it is essential to search for an economic and financial sustainability framework for the company.

With a defined operational context and the support that we have always received from the supervising ministries, the dedication and commitment of our employees and assistance from other control and regulatory entities, we believe that the foundations are in place to build a sustainable future for REFER.

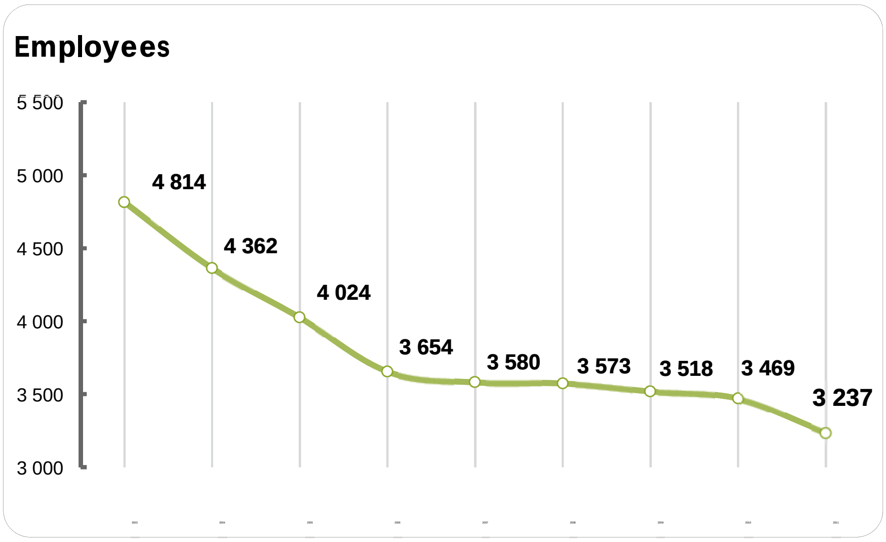
Social Performance

Although 2011 marks REFER's 14th year in operation, its origins date back to the day when the railway was first built in Portugal. The company's personnel possess unique know-how in the country acquired over a century of operations, thus making the company's human capital one of its strategic assets. As such, the Human Resources Policy aims to maximise personnel enhancement, development and motivation in line with the organisation's strategic objectives.

Employment

Employee Numbers

During 2011, REFER's average personnel numbers confirmed the trend in the company's shrinking workforce and reflected the company's implementation of various railway activity modernisation and automation programs during the previous years.



Graph 1 – Changes in REFER Personnel

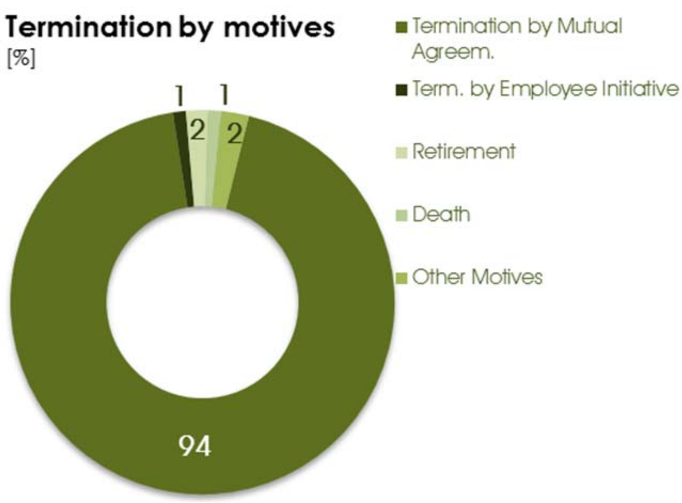
Since 1999 REFER has reduced its personnel by 3,790 workers, equivalent to 57% of personnel since the company was founded. In 2011, on average the company had 3,237 employees, 232 less than 2010. In December the company had 2,815 workers, the lowest number of personnel since the company was created.

Employees who left in 2011

A significantly higher number of employees left the company last year, from 76 in 2010 to 645 in 2011. Most employees left through Contract Termination by Mutual Agreement (RMA - 94%), revealing REFER's effort to adjust personnel to the operation and financial needs of the business. The 561 employees who left by Mutual Agreement in 2011 will enable REFER to save 15.8 million euros annually and will have an average return period of 26 months.

The personnel reduction strategy is based essentially on taking advantage of a unique combination of external and internal factors, of which the following are highlighted:

- The deterioration of the country's economic and financial situation which forced the company to accelerate the Personnel Expenses reduction strategy on the long term;
- Possible alterations to unemployment benefit rules, to the retirement age and to limits of exemption from payment of taxes on compensations paid for contract terminations by mutual agreement.
- Execution of projects to modernise railway operations, which allow operation departments to employ less workers;
- Sharp decrease in Railway Infrastructure investments and the consequent impact on REFER's work volume.



The year of 2012 is expected to be a period for consolidating REFER's new personnel structure, and the number of employees leaving the company is expected to decrease. During the year, the Human Resources Department will make a new evaluation of the human resources necessary to carry out normal railway activities, a study that will enable the company to decide on new means of adjusting the company's human capital to its current situation.

Personnel Turnover in 2011

The higher number of employees leaving the company had a very significant impact on REFER's personnel turnover, which reached the highest level ever. In 2011 contract terminations represented nearly 20% of average personnel and the job rotation rate exceeded 10%.

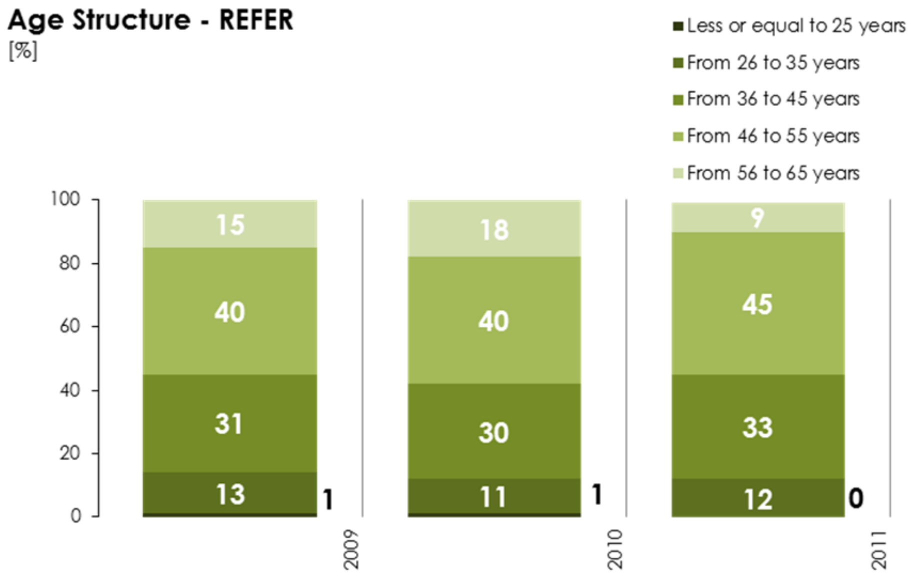
Personnel Turnover

[%]

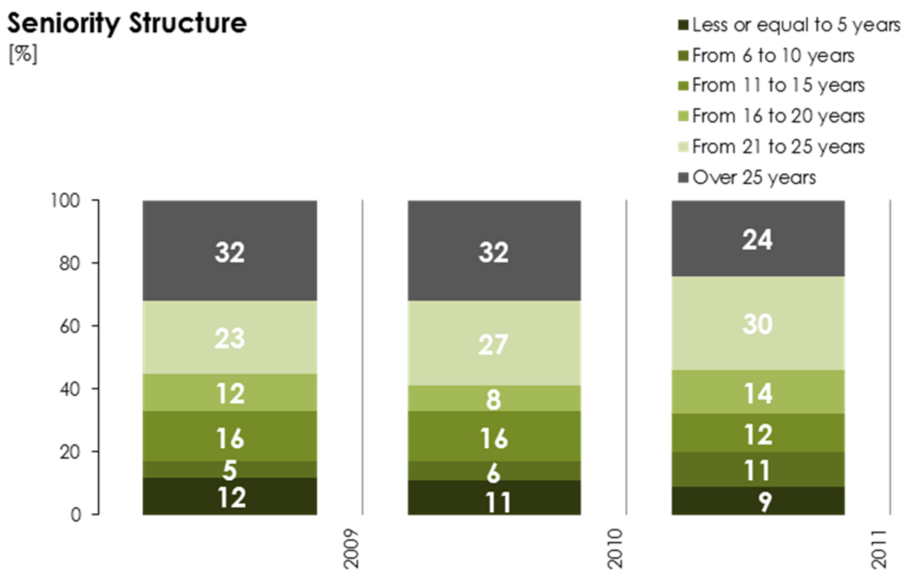
	2009	2010	2011
$\frac{\text{Personnel Leaving}}{\text{Aver. Employees}}$	3,5	2,2	19,9
$\frac{\frac{\text{Leaving + Hired}}{2}}{\text{Average Employees}}$	2,6	1,3	10,4

Age Groups and Seniority

An analysis of REFER's personnel age groups reveals a clear predominance of employees between 46 and 55 years of age. In comparison with the previous year, the average age decreased from 46.7 to 45.4.

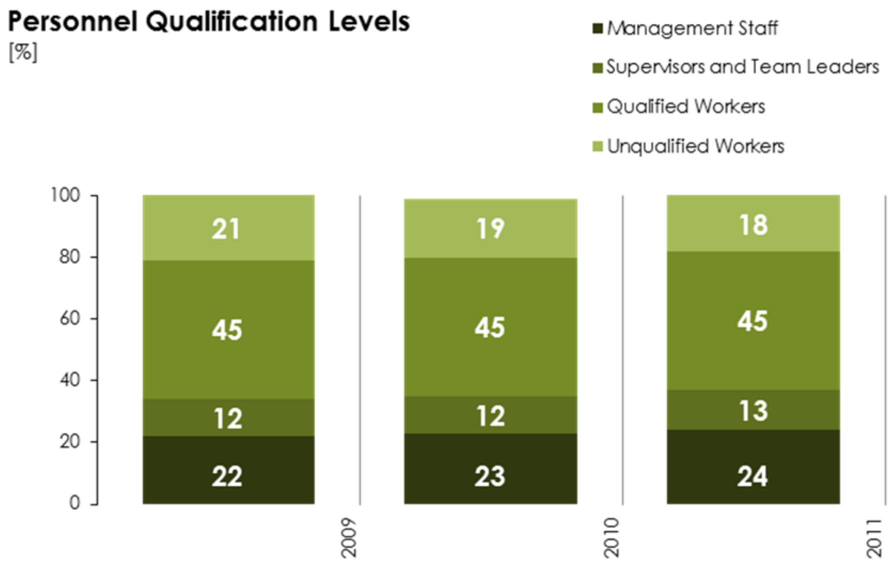


Because of the high number of exiting employees the average seniority also decreased from 21.2 to 19.7 years. It is worth noting that the group of workers who have been at the company for 21 to 25 years continue to represent the largest group, thus reinforcing the importance of the effort to decrease personnel in 2011.



Professional Qualifications

The group of "Qualified Professionals" is still, as in the first years, the group with the largest number of employees. However, since 1999, there has been a significant loss in "Unskilled Workers" (from 40% to 18%), compensated by an increase in the number of "Management Personnel" (from 7% to 24%). This trend emerged due to the implementation of the already mentioned railway modernisation and automation policies which created a need for highly qualified technicians and which allowed personnel with significantly lower qualification levels to leave the company.



Recruitment and Mobility in 2011

The year of 2011 was affected by the economic crisis, particularly the impact on mobility and recruitment, the limitations imposed by the State Budget, insofar as they placed restrictions on performing acts susceptible of increasing wages, which raised serious obstacles for internal mobility processes and of opening positions requiring specific expertise.

The high decrease in personnel affected in particular employees of higher seniority belonging to middle management and persons with relevant experience and skills. It is fundamental to have these positions filled with qualified workers. Within this context, an effort was made to adapt the human resources to business needs, with emphasis on reinforcing the areas linked to railway infrastructure maintenance.

The following processes carried out during the year are highlighted:

- REFER was assigned tasks related with high speed rail (RAVE) and the consequent processes to integrate the respective personnel (approximately 20 employees);
- The mobilisation of internal resource and expertise to REFER Património (38 employees);
- The processes to switch duties (without altering the respective category) of 60 employees (from various professional categories and with very distinct profiles) in the Coordination and Construction Department whose positions were affected by the lower investments.

The analysis to assign personnel new duties and to redistribute them geographically, in addition to other personnel in operational areas, who were also subject to restructuring and/or reduction of activities, was an ongoing concern for the Human Resources Department. As such, a significant number of processes were carried out to change the duties of persons in positions of lower qualifications (reception, cleaning, etc.) that made it possible to usefully apply internal resources and capacities, even of workers with impairments.

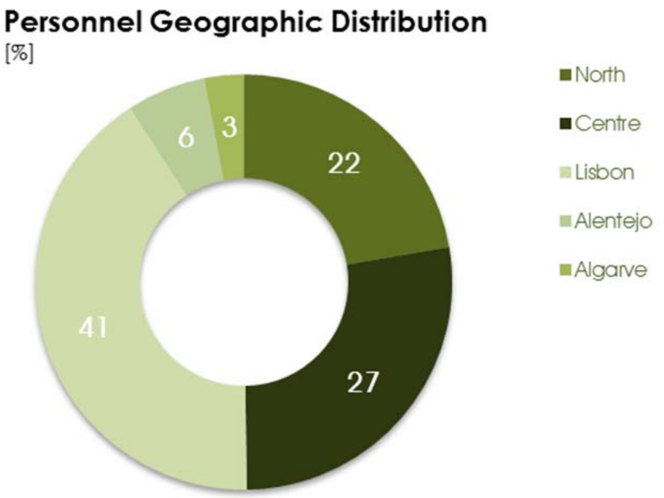
A commitment was also made to reconvert specialisations, which required substantial training on an individual basis to re-orientate their technical expertise from one area to another, but without losing their broader knowledge useful for both situations (6 processes).

The company faced steep obstacles in meeting Human Resources needs in the country's south zone (maintenance and circulation operation region which covers an area from Setúbal to Tunes). This zone had a particular lack of personnel, especially in Tunes, with technical degrees and skills in infrastructure maintenance. Despite the difficulties associated to mobilising workers to such a distant area (most company employees are concentrated in Lisbon, the centre and north), good results were obtained in identifying employees that could be transferred. Five processes were carried out in which employees from other professions were assigned to technical tasks, and three professional job vacancy contests were opened for the categories of Infrastructure Specialists and an Infrastructure Supervisor.

For 2012 the company maintained its objectives of adapting its human resources to each department's real needs, taking into account operation criteria under safe conditions, whilst endeavouring to adapt mobility and assigning of personnel based on an analysis of their respective expertise profile and in compliance with conditions in force.

Territorial Distribution

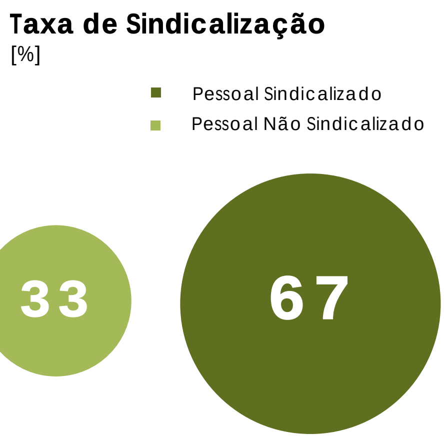
The Lisbon region has the highest concentration of personnel (41%), since this district is the head office for most corporate bodies and also has the highest volume of train traffic. As previously indicated, only 9% of personnel are assigned to areas south of Lisbon, whereas 50% of REFER's personnel work in the centre and north of the country.



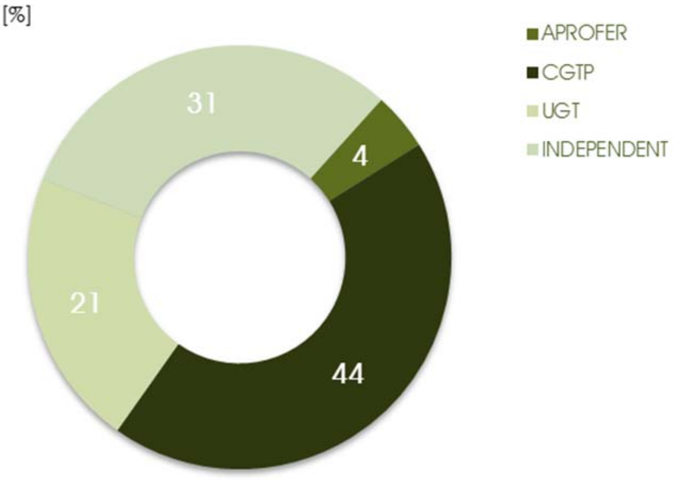
Labour and Labour Relations

Union Membership

Most of the company's employees (66%) are represented by 22 unions.



Breakdown of Unionised Personnel
[%]



Social Peace

Although a high percentage of workers belong to a labour union and despite the high number of labour unions representing them, the company has maintained good relations with all worker representation entities and also with the Workers Committee. During 2011, there were no labour relations conflicts or problems worth noting. Emphasis goes to the fact that in the beginning of 2011 REFER was able to maintain the clauses of the corporate agreement signed with the railway sector applicable to overtime work, based on the fact that overtime will imply less costs to the company than what is specified in Work Contracts for Public Servants.

Work Safety and Health

Regarding work safety and health in 2011, the company focussed its efforts on fostering compliance with the applicable legal requirements and with the principles of social responsibility, with emphasis on activities in the following areas:

- **Maintenance and construction safety** – to determine the safety conditions of works and the effectiveness of training provided in 2010, the company increased the number of work-front inspections and visits to about two hundred. The company also continued to improve the Safety Procedures Manuals for Specialised Areas (Catenary, Signalling, Track, Bridges and Tunnels) for which one hundred and fifty

Risk Analysis Forms (FAR) were prepared. As for the Rendering of Services and Contract Works, the company prepared and validated one hundred safety and health plans (PSS), safety procedure forms (FPS), technical compilations (CT), occupational risk prevention plans (PPRP) and other technical-regulatory documentation. Lastly, the company assigned project safety coordination duties and participated in about 60 contracting meetings.

- **Occupational Railway Safety Training and Certification** - The company maintained its railway safety courses for occupational railway safety training and certification according to IET77. It also carried out other occupational work safety training and awareness raising actions.

  In all, about 55,000 hours of training were held in Work, Personal and Asset Safety, which corresponded to 18 different training courses that covered a total of 1,560 company employees, representing 50% of the personnel. These measures mobilised 60 in-house instructors.

- **Medical monitoring and health** – work was carried out to schedule and manage health monitoring activities, for which about 2,800 work medicine examinations were performed. Continuity was given to monitoring blood alcohol levels by performing over 4,100 alcohol tests and by carrying out measures to rehabilitate and recover workers with medical restrictions. An external service was launched for psychological assistance to employees – Employee Support Program – in May 2011. In the 6 months during which the program was disclosed and launched, 50 employees were enrolled in this service. The health promotion program was conceived and implemented, which includes awareness raising actions for healthy habits and the screening of gynaecological and prostate diseases.

- **Safety and health conditions at work sites** – the company fulfilled its preventative and extraordinary disinfestation campaigns according to the stipulated plan of activities. An Ergonomics and Psychosocial study was started at the Lisbon Operation Command Centres in partnership with technicians from the Faculty of Human Motricity which is now in the completion stage.

Personal and Asset Safety

Personal and Asset Safety actions carried out in 2011 significantly increased knowledge about risk and vulnerability situations at railway infrastructures. These actions also substantially improved the processes and mechanisms for surveillance and for responding to risk and emergency situations. More specifically, measures focussed essentially on the following aspects:

- **Risk analysis and identification of vulnerabilities** – over one hundred and fifty risk and vulnerability studies and analyses were carried out covering an extensive geographical area of the railway infrastructure, with greater focus on stations and stops. Additionally, the company participated in about two dozen situations involving illegal occupation of the railway public domain.

- **Promotion of Personal and Asset Safety** – Within this scope, the company maintained a joint campaign with the Public Security Police called "Do not place your safety at risk" targeting rail transport users, in addition to another campaign targeting students to raise awareness on safety and the preservation of railway assets. Both campaigns were very well received by the various entities and railway users and are expected to be continued in 2012.

  Internally, the company prepared regulations applicable to the activities of sworn in agents, with the specific duty of preparing Citation Records. After approval by the Board of Directors, training was prepared and given to agents of the various Operation Regions and of the SR.

  It is also worth pointing out the signing of a protocol with the Ministry of Internal Affairs that created the Association for Promoting the Safety of Technical Assets (PSAT) and that will cover actions against theft of equipment in the railway public domain.

- **Human Surveillance** – The company prepared and approved a new model for rendering security surveillance (human and technical) for the next contract (2012-2015), based on the Security Centre's project. In addition to guaranteeing the coordination and supervision of human surveillance on the field and the operation of video surveillance, this project will also make it possible to supervise the access control system, to centralise the alarm system of the National Railway Network and to centralise coordination of responses to emergency situations. In order to reduce costs of rendered services, various gate control and reception services previously provided by an external private security company were taken over by company personnel.

- **Emergency Management** – Various activities were carried out in partnership with the District Emergency Operation Centres (CDOS), ranging from training/awareness raising actions to simulated emergencies carried out in partnership with rail transport companies to establish procedures for coordinated action in emergency situations. Internally, evacuation exercises at REFER buildings were also performed to test internal emergency plans, and work was carried out in partnership with the company's various technical bodies, to analyse safety conditions regarding Fire Safety at Buildings and to analyse conditions to maintain safety equipment installed on the national railway network.

Human Resources Development

The year of 2011 was noted for the implementation and operationalization of initiatives and projects to promote and develop REFER personnel in a structured manner aligned with the challenges and objectives currently faced by the company.

Various actions were carried out to develop personnel management focussed on the consolidation and practical application of tools built and developed in previous years, thereby enabling the company to obtain the gains expected at the start of each project.

Within this context, the survey of training needs for 2012 for infrastructure and circulation areas was carried out based on the functional expertise profiles prepared for these areas. The application of these tools has various functional advantages to achieve the following:

- Greater alignment of the personnel development policy with the company's operational bodies;
- Define a structured approach for designing multi-year training programs;
- Prepare individual development plans to eliminate gaps and/or to promote/increase the specific expertise of an individual employee;
- Promote expertise regarded as having an impact on the business;
- Implement modular training actions that make training processes more dynamic;
- Integrate and synchronise different human resources processes.

A computer application was also created to support all activities related with the development of personnel expertise. Using this application, the company may automatically and systematically collect information about personnel, supplying outputs that will be the basis for building individual training plans for REFER personnel.

Implementing these Human Resources Management Instruments is a response to requirements for the Expertise Management System – which is part of the Safety

Management System – whose completion and importance is deemed a priority by Refer.

Training

The nature of REFER's activities implies serious concerns in terms of transmitting and maintaining specific know-how, both in core areas of maintenance (track, catenary and signalling) and in matters regarding railway operation regulations and safety.

Without overlooking all transversal areas that currently represent an essential support to any business activity (environment, quality, safety, among others), in 2011 REFER made a commitment to defining a management model for technical-railway know-how focussed on internalising its training activities:

- **For employees/trainees**: development and consolidation of internal expertise critical for the business, thereby increasing the level of qualifications and the quality of training. In particular, special emphasis was placed on maintenance operation categories, ranging from execution works to framework analysis, inspections and auditing.

- **For employees/instructors**: the development of instructor's capacities, including the preparation of teaching materials, which contributed decisively to the systematisation, preservation and disclosure of know-how at REFER.

Combined with these objectives, the Technical-Railway Training Strategy for the 2011-2013 three-year period defines the following main action aspects:

- Survey of training needs on a person-by-person basis;

- Regular refresher training programs;

- Rationalisation of the training volume;

- Planning, development and monitoring of the training processes;

- Emphasis placed on internal instructors.

The deepening economic crisis in 2011 had a direct impact on training, particularly in relation to the respective training budget which was slashed by about 50% compared with the previous year (from 950,000 euros to 492,000 euros), and the approved training plan which obtained only 47% of the available amount (about 230,000 euros).

Within this scenario, the internalisation of training also came about aligned with financial cutback measures and the reduction in contracted training services, which also affected areas traditionally contracted from third parties – behavioural training – which came to be taught by REFER instructors (from Human Resources) who taught nearly all the training sessions associated to job opening opportunities.

In 2011, the company found it necessary to maintain specific training programs to support career changes brought about by the reduction in train traffic and because of the need to strengthen the maintenance area. These programs are demanding, since they are not meant to merely update know-how but also to provide a group of personnel with a broad range of fundamental know-how for carrying out new duties.

In 2011, personnel participated in 90,952 hours of training consisting of 1,349 actions attended by 5,098 trainees, broken down as follows:

- **Internal training** – 71,585 hours, focussing on technical-railway areas (track, catenary and signalling), job openings, selection and reconversion (category/career changes), safety regulations (IET 77 and project client function) and IT;

- **External training** – 19,367 hours, focussing on the HR development areas and teaching expertise, security and safety, management, IT and quality.

In 2012, the company plans to maintain the same approach as in the previous year regarding the following aspects:

- Setting up a formal pool of instructors;

- Implementing a model to evaluate the effectiveness of training at the work station (pilot experience);

- Standardisation of teaching content – standard manuals and other supports for training actions;

- Expansion of the internal training offer for behavioural training aspects;

- More information for train traffic careers, responsible for railway traffic command and control, which was less involved in training processes in 2011 due to the lack of resources to ensure the normal operation of that activity.

The plan submitted and approved by the management has an estimated overall cost of about 212,000 euros, representing 74% of the budget available for training, whereby internal training will continue to represent the greatest percentage (75.5% of the forecast training volume).

External training will maintain its minor role. External training services will be contracted only when internal expertise is insufficient for specific subjects when actions requiring certification are required.

Employee Benefits

In 2011, REFER maintained its social benefits plan which has been in force at the company in previous years. This plan provides its personnel with various types of assistance to supplement wages in important aspects such as health, education, culture and sports.

Health

It is worth noting that REFER is a company whose personnel cover a wide geographic area and whose activities require intense physical exertion. As such, a benefit such as health insurance plays a key role by providing access to health care in any part of the country.

- **Health Insurance** - Applicable to all company employees and covering 90% of health expenses in any medical specialty and incurred through the approved “Advance Care" network. Furthermore, all health-care appointments outside the approved network (any physician, clinic or hospital) also benefit from a 70% subsidy. It should be noted that this insurance may also be extended to the employee’s family members, in which case the family group premium is paid by the employee;

- **Personal Accident Insurance** - Covers any type of risks at the workplace or outside of it resulting in permanent disability or death, with an indemnity of 15,000 euros for these cases.

Education

Within this scope, the company wishes to support its personnel regarding their children’s pre-school stage to overcome an insufficient offer of by the public network in these matters, and also to motivate good grades during secondary and higher education.

Consequently the company offers:

- Pre-school Subsidy - Awarded to employees' children, or equivalent family members, from 4 months to 6 years of age, who are in day-care, kindergarten or a babysitter recognised by Social Security. The amount/child of these subsidies varies from 50€ to 89€ (and have not been updated since 2008). In 2011 the overall annual value reached 229,000 euros;

- Scholarships - Paid to employees' children, or equivalent family members, whose grade average is equal to or higher than 14 from the 9th grade to the last year in higher education. The value of this social benefit reached 132,000 euros in 2011.

Culture and Leisure

In this area, the company promotes regular initiatives to bring their personnel (or children) closer together, maintaining a group spirit (Christmas and anniversary party), and also easy access to useful services free of cost to the company.

- Anniversary and Christmas party – despite the company's tradition of celebrating these two events, it was decided, in order to cut back on costs, not to hold them in 2011. However, an effort was made to continue offering a small toy to the children of personnel, since it was normal practice with an important emotional significance. The respective costs reached 6,500 euros.

- REFER Holiday Camps – For some years REFER has offered (through shared costs) for employee's children (6 to 16 years of age) the possibility of attending holiday camps during Easter and summer holidays which is very useful during the school holidays. The year of 2011 was not an exception, and the selected locations complied with the applicable public contracting rules. This measure gives preference to children of employees who earn lower wages insofar as the company pays a larger share of their expense.

- Discounts and partnerships – Protocols signed with various entities, free of cost to the company, applicable to products and services subject to discounts and/or facilities. This program covers fuel, telecommunications, hotel stays, banking products, gyms and culture (theatre, books, tourism, trips, etc.).

Travel concessions

Employees who were transferred from CP to REFER and their respective family members maintained the right to travel on trains free of cost. REFER employees also acquired that right, but not their family members. This benefit is very relevant for the professional activities of REFER employees since, in most situations, they must make frequent trips throughout the railway network. This is the component with the greatest impact on the organisation's social costs, reaching about 3.3 million euros in 2010.

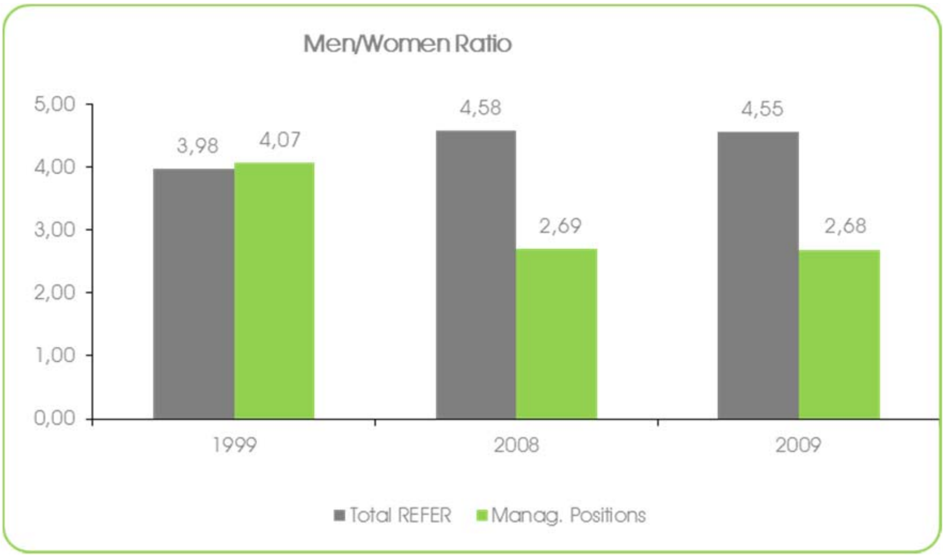
Diversity and Opportunity

Gender Equality

Historically, the railway sector has always had a high percentage of men in its workforce. This fact is mainly due to the nature of the operational activities, to which most REFER employees are assigned, activities that imply a high level of physical exertion and greater exposure to risks.

In the last decade, the men/women ratio has become even more unbalanced due to the number of contract terminations by mutual agreement in the category that employs the most women – Level Crossing Guards.

Nevertheless, REFER has maintained a policy of equal treatment of employees of both sexes. From 1999 to 2011, the men/women supervisor ratio decreased from 4.07 to 2.47.



Additionally, it was found that there are no significant differences in Base Wages (BW) earned by men and women. In the two professional categories in which women have more representation, their average base wage is higher than those of their men colleagues (Management Assistants and Technicians).

M/W Ratio - Base Wage per Professional Category*

	M/W
General Assistant	1,03
Management Assistant	0,92
Junior Technician	1,01
Technician	0,99
Specialised Technician	1,02

*Professional categories with 10 or more men and women

Environmental Performance

Directives issued by the Strategic Transport Plan (PET), stipulate a reduction in the National Railway Network, but still without much of an impact on the company's activities in 2011. The Corgo and Tâmega lines, which were closed as stipulated in the PET, were already not operating in 2011.

The PET also stipulates the new REFER investment framework that, in a first stage, must comply with actions meant to safeguard the safety conditions of persons and assets.

It must thus be highlighted that the effect of reducing investments essentially exempts the completion of contract works in progress.

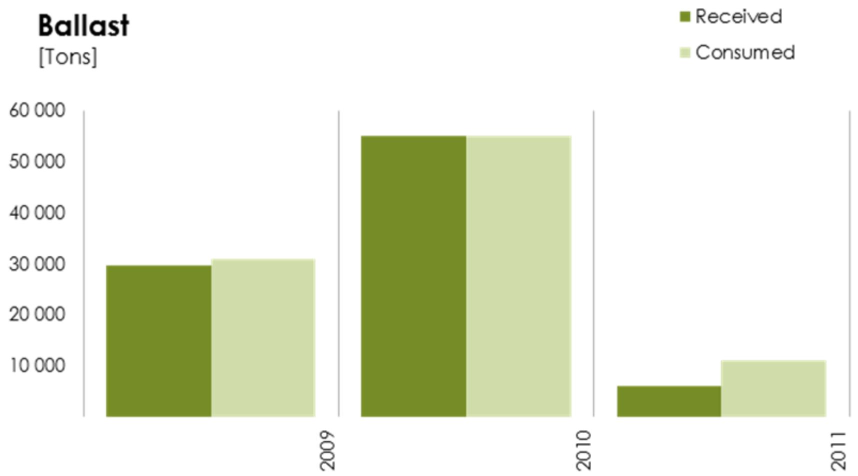
As for maintenance activities, the year of 2011 marked the start of the new service rendering contracts for maintenance, particularly those referring to civil construction and low voltage activities. This is a new generation of contracts that already includes, from the start, the necessary environmental requirements. In 2012 the same process will be applicable to track and catenary contracts.

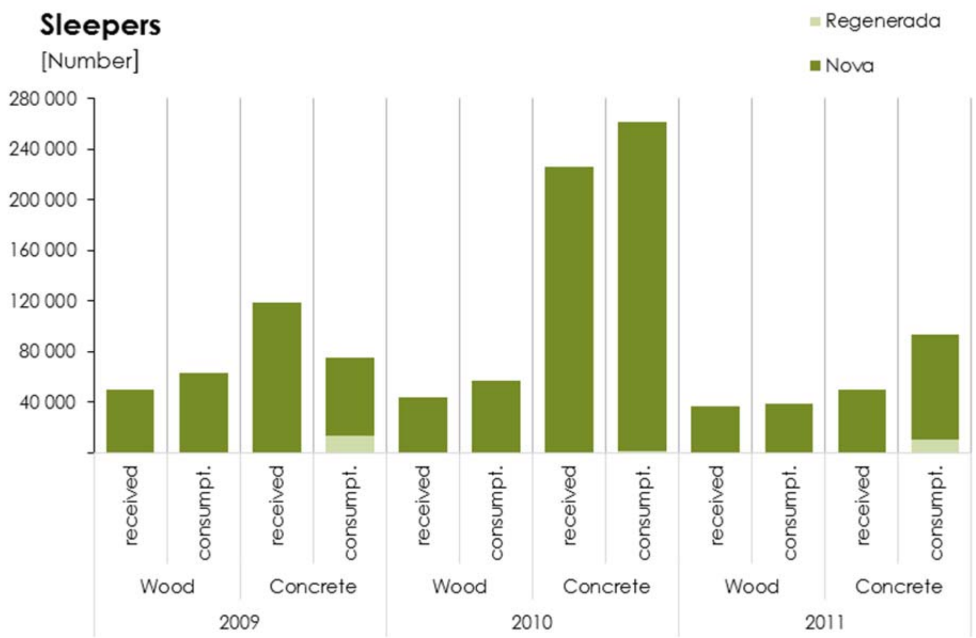
Lastly, we highlight a decrease in the number of train kilometres on the railway network particularly in regard to freight transport.

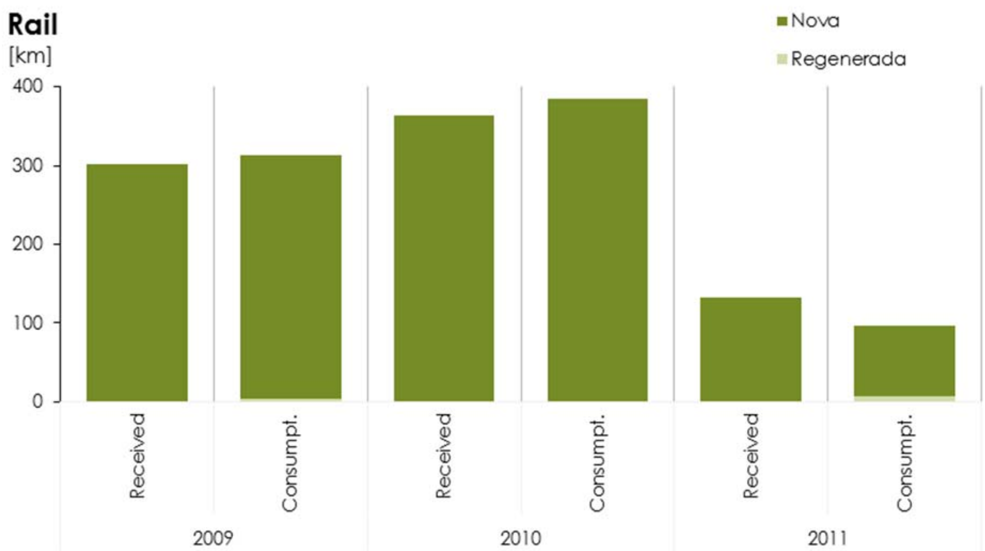
Materials

In 2011, consumption of the main materials reflects the decrease in the various interventions which led to a considerable drop in the consumption of ballast, sleepers and rail when compared with 2010.

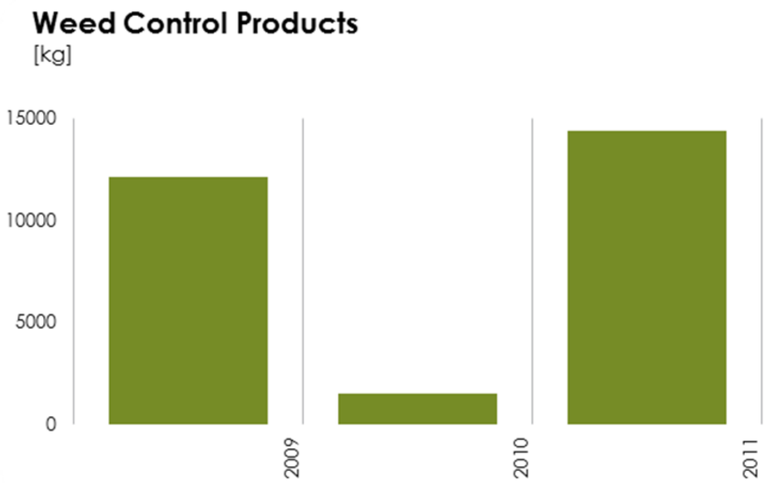
Reutilisation of concrete sleepers increased about 87% compared with 2010 for a reutilisation percentage of 11%.


Ballast
[Tons]
Received
Consumed
60 000
50 000
40 000
30 000
20 000
10 000
2009
2010
2011


Sleepers
[Number]
Regenerada
Nova
280 000
240 000
200 000
160 000
120 000
80 000
40 000
received
consumpt.
Wood
Concrete
2009
2010
2011

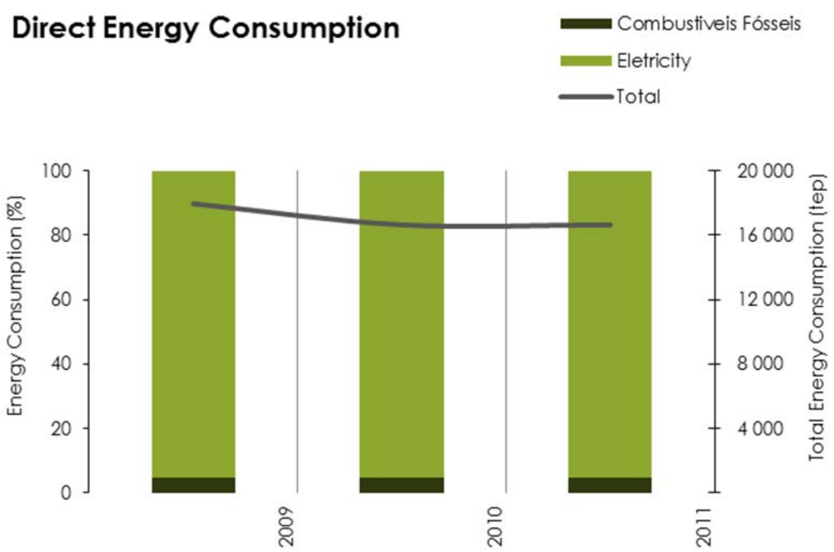


The herbicide weed control contract began in 2011, and the first campaign was held in the period between October and November. According to records, 9,804 litres of herbicide products were applied, adjusted to the type of vegetation along each track section. Another 3,200 litres were applied not covered by the said contract.



Energy

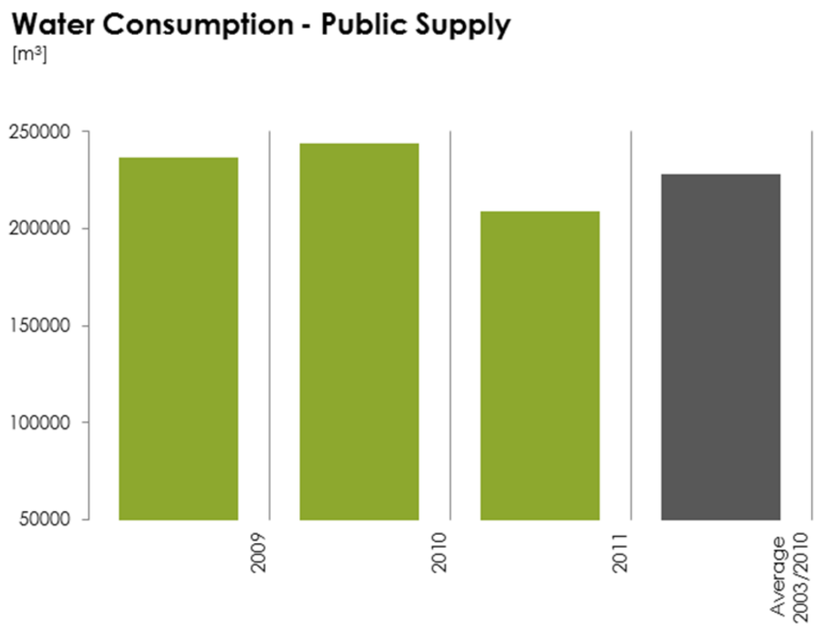
In 2011, fossil fuel and electricity consumption fell 21% and 6%, respectively. The lower energy consumption was due mainly to energy management measures which have been implemented.



Energy consumed by passenger and freight rail transport in 2011 decreased 5.4% compared with consumption in 2010. In 2011, energy returned to the grid through the braking process reached about 13%, similar to 2010.

Water

In 2011 a document was prepared stipulating measures for the efficient use of water in a clear commitment to reducing consumption, in particular through behavioural changes. The measures included reducing wasted water by eliminating leaks, reducing debits (through technological flow management) and practices and utilisation of alternative water sources, particularly the use of rain water. The measures have been implemented according to their feasibility.



Estimated water consumption in 2011 fell compared with the previous years. Compared with the average consumption from 2003 to 2010, the decrease reached 8%.

Biodiversity

The percentage of sensitive areas, protected areas and Natura Network Areas, occupied by the national railway network in 2011 remained the same as in 2010.

Consequent to the B&B commitment signed by REFER in 2007, the company implemented the Native Forest Promotion project and consolidated the framework for carrying out the "Ecological Continuum" project.

Promoting Native Forest

This project was carried out for the 3rd consecutive year, as part of the Quercus project called Create Forests, although a decision was made to end this participation due to the company's demanding financial situation.

In this last year, REFER was responsible for the planting of 7,500 native trees, raising the number of trees that it directly supported to 39,780.

As in previous years, a planting event was organised and carried out by volunteers from among REFER personnel. The trees were planted at the National Forest of Quinta das Virtudes.

Planting trees at Mata Nacional das Virtudes - Azambuja

Ecological Continuum

This project is based on a partnership between REFER and the University of Porto (UP) through the Centre for Investigation in Biodiversity and Genetic Resources (CIBIO) to create a Chair belonging to the Science program, promoted by the Foundation for Science and Technology (FCT).

The objective is to support research about ecological continuity, particularly in regard to the railway infrastructure.

An international public tender was launched, led by the University of Porto that selected the researcher who will coordinate the team to be set up at CIBIO for the work to be structured and launched in 2012.

Environmental Impact

In 2011 the company submitted Technical Environmental Summaries to the Portuguese Environment Agency (APA) for the projects to modernise the Covilhã/Guarda section, of the Beira Baixa line, and to modernise the Cascais line. These summaries will be issued an opinion on the projects' relevancy in light of the legislation for the Environmental Impact Evaluation (AIA). The APA issued a favourable opinion on the interpretation that there would be no significant negative impacts arising from the implementation of the projects and, consequently, they will not be subject to the legal policy of the AIA. Three preceding processes subject to the AIA were monitored in relation to the information requested in the post-evaluation stage (opinions on the RECAPE of the projects “Alfarelos and Adjacent Sections” and “km88/Entroncamento” both on the North line) as well as in the DIA (project to Modernise the Ovar/Vila Nova de Gaia Section). Another 2 RECAPE were also developed referring to detailed design for a grade separation link from the line of Cascais to the port of Lisbon leading to the Cintura line and the detailed design to quadruple the Contumil/Ermesinde section, for which detailed information will be compiled in 2012.

Similarly, the company continued to monitor the studies and projects for High Speed trains, particularly in the following axes: Aveiro/Salamanca (Technical Note to select corridors and to evaluate strategic scenarios; Faro/Huelva and Lisbon/Porto (Preliminary Study and Environmental Impact Study for the link between Vila Nova de Gaia and the Porto Airport). In the Lisbon/Madrid axis the company continued to monitor the management of the contract for Public Private Partnership no. 1.

Additionally, in 2011 REFER launched 71 environmental licensing processes to settle the occupation of restricted areas by interventions both in relation to investments and maintenance/operation activities.

Environmental Monitoring

As part of REFER’s Environmental Impact Assessment (EIA) procedures, and as part of the Environmental Monitoring recommended by REFER for its projects, in 2011 the company monitored the various environmental aspects at a number of projects during the construction and operation stages.

Construction Stage	
Contract works to rehabilitate infrastructures on the Miranda do Corvo and Serpins section.	Monitoring of superficial and subterranean water resources.
	Noise Monitoring.
Contract works to rehabilitate the infrastructures on the Alto de São João and Miranda do Corvo section.	Monitoring of superficial and subterranean water resources.
	Noise Monitoring.
Castelo Branco/Vale Prazeres section - track, civil construction, electrification RCT+TP, construction of the bypass at curves 226/227, renovation of stations, grade separation crossings at Alcains, Lardosa and Castelo Novo.	Noise monitoring.
	Waste water monitoring.
Renovation of the São João do Estoril station.	Noise monitoring.
Autonomous works contract 1 for modernising the North line and to quadruple the Cintura line between the Areeiro and Oriente stations, for compatibility with the new high speed network infrastructures.	Noise monitoring.
	Vibration monitoring.
	Waste water monitoring.
Autonomous works contract 2 for modernising the North line and to quadruple the Cintura line between the Areeiro and Oriente stations, for compatibility with the new high speed network infrastructures.	Noise monitoring.
	Waste water monitoring.
North line subsection 1.2/1.3 – Azambuja / Vale de Santarém improvement of the Ribeira de Aveiras stream.	Superficial water monitoring.
Construction of the Agualva tunnel.	Noise monitoring.
Quadrupling of the railway track between KP 13.750 and 18.250 of the Sintra line and renovation of the Barcarena and Cacém stations.	Noise monitoring.
	Vibration monitoring.
4 Tunnels: improvement and reinforcement of the tunnels of S. Miguel da Carreira, of Tamel, of Sta. Lucrécia and of Caminha.	Noise monitoring.

Operation Stage	
Braço de Prata/Alhandra section, North line.	Noise Monitoring.
Entroncamento/Albergaria-dos-Doze section, North line.	Noise Monitoring.
Quintans/Ovar link, North line.	Noise Monitoring.
Rail link to the port of Aveiro	Fauna monitoring.

Environmental Recovery

Rehabilitation of Decommission Assets

The year of 2011 saw the inauguration of 51 km of greenways between the Tâmega and Dão lines, for a 47% increase in greenways compared with 2010, which had maintained the same length of greenways as in 2009.

Tâmega Greenway

Dão Greenway

Projects of Compensation Measures

As part of the investment projects carried out in previous years and as compensation measures for cutting down cork-oak and holm-oak trees, in 2011 REFER completed planting a net area of 81 ha between Sines (Herdade da Bêbada e do Pinheiro Manso) and Penamacor (Mata Nacional da Quinta da Nogueira). The aforementioned investment projects include the Alcácer Bypass on the South Line, Modernisation between Bombel and Casa Branca on the Alentejo line, Modernisation of the Castelo Branco/Covilhã section on the Beira Baixa line, Trofa Bypass on the Minho line and some projects to reclassify or eliminate level crossings.

Prior to the planting, preparation work was carried out, including the cutting the natural regeneration of wild pine trees (*pinus pinaster*), splintering and harrowing (January 2011) in the area of Sines and the marking out and natural regeneration of strawberry trees and other species of ecological interest in the protection strips as well as the levelling and construction of the roadway (February 2011) in the area of Penamacor.

In the area of Sines, 27,690 trees were planted (February 2011) with individual protectors in which, in the 1st replacement (November 2011) 5,400 plants were replaced (19.5%).

End of Planting - February 2011 - Sines

Monitoring visit - June 2011 - Sines

In the area of Penamaco, 16,000 seedlings were planted (March 2011), and the replacement (November 2011) involved a 10% replacement (1,600 seedlings).

Land preparation - February 2011 - Penamacor

End of the 1st Replacement – January 2012 - Penamacor

The difference in efficiency between the plantation in Sines and Penamacor was essentially due to the type of climate and soil prior to the planting work in Sines.

Landscape

Landscape guidelines were included in Contract Works to stabilise embankments/building of retaining structures, in compliance with landscape principles (ecological, functional and aesthetic) to ensure landscape integration, as revealed by the photographs depicting the completion of embankment stabilisation works at km 237+400, 250+800 and 286+800 on the South Line. Precautions were taken to safeguard the application of landscape guidelines during these works and to monitor the respective compliance during the completion stage.

Maintenance/operation environmental monitoring

Consequent to the strategy started in 2009, in 2011 the company began monitoring maintenance contracts, thus guaranteeing compliance with stipulated environmental requirements in the respective statements of work. Systematic monitoring was performed for 17 maintenance rendering contracts, 3 of a national nature and 14 with local management in terms of Operation Zones.

As for Contract Works, in 2011 the company monitored 64 contract works in investment and maintenance activities, the latter essentially in relation to track, geotechnical work and special structures (bridges).

In 2011 there were 11 days of environmental audits covering maintenance contracts in progress, which led to improved performance and contractual compliance.

The goal is to have Contract Works terminate with the respective technical compilation and confirmation of the correct implementation of the Prevention Plan and of the Construction and Demolition Management. As for Rendered Services, the contractual closing also includes a technical compilation, which is an extensive process, according to each contract's duration.

Environment Audits Performed in 2011

Designation of the Rendered Services / Contract Works	Service Provider	REFER body assigned to the contract
Services rendered for controlling vegetation and cleaning drainage devices	Maranhão / Fernandes & Remelhe	ROC
Maintenance of the track, catenary, geotechnical works, civil construction and low voltage - Contract 15	Ferrovias / Mota-Engil / Visabeira	ROC
Track maintenance on the Oeste (west) line track and Beira Alta line	Somafel	ROC
Maintenance of track, catenary, geotechnical works, civil construction and low voltage – Contract 29	Somague/Neopul/EIP	ROS
Comprehensive maintenance of the SSI signalling systems	Dimetronic	RON/ ROC/ ROS

In 2011, the Contract Works and Rendered Services listed in the following tables were subject to environmental inspections.

Rendered Services with Environmental Inspection in 2011

Designation of Rendered Services	Service Provider	REFER body assigned to the contract
Comprehensive signalling maintenance on the sections for SSI technology.	Dimetronic	GM
		RON/ ROC/ ROS
Comprehensive signalling maintenance in the sections for ESTW and PIPC technology.	Thales	GM
		RON/ ROC/ ROS
Maintenance of electric traction installations – Lot 2 – 2nd Additional	Ensulmeci	GM
		ROC/ROS
Maintenance and repair of failures at automated level crossings and mechanical signalling at	EFACEC	GM
		RON/ ROC/ ROS
Maintenance of lifts and escalators	Schmitt	GM
		RON/ ROC/ ROS
Maintenance of th track, catenary, civil	Ferrovias / Mota-Engil /	ROC/ ROS
Maintenance of th track, catenary, civil construction and low voltage – Contract 29.	Somague/Neopul/EIP	ROS
General track maintenance on the Oeste and Beira Alta lines.	Somafel	ROC
Maintenance of low voltage installations (9 lots)	According to the lot	RON/ ROC/ ROS
Civil construction maintenance (9 lots)	According to the lot	RON/ ROC/ ROS
Traction energy maintenance (2 lots)	Efacec/ Siemens	GM
		RON/ ROC/ ROS
Maintenance of th track, catenary, civil construction and low voltage – Contract 15 - Additional.	Ferrovias / Mota-Engil / Visabeira	ROC/ ROS
Maintenance of th track, catenary, civil construction and low voltage – Contract 29 - Additional.	Somague/Neopul/EIP	ROS
General track maintenance on the Oeste and Beira Alta lines - Additional.	Somafel	ROC
Vegetation control and cleaning of water conveyance devices and watercourses.	Fernandes e Remelhe & Maranhão	ROC
Chemical weed control on the national railway network - wide track.	Ferrovias/ Tecnocarril	GM

Contract Works with Environmental Inspection in 2010

Line	Designation of Contract Works	Contractor
East	Comprehensive renovation of the Leste (east) line - Crato/Assumar	Fergrupo
	Improvement of bridges and watercourses	Fergrupo
Oeste (West)	Rehabilitation of metallic bridges on the Oeste line	Conduril
South	Stabilisation of excavation embankments from km 237, km 250 and km 286, on the South line	Tecnovia
	Stabilisation of the backfill embankment between km 236+450 and km 236+720	Tecnasol
Alentejo	Modernisation of the section of Bombel and Vidigal to Évora	Somague/ Tomás Oliveira/ Neopul
Évora	Building of grade separation crossing and restoring structures between KP 115+654 - 117+699 at the Évora station	Tecnovia
	Construction of the passenger building and interface of the Évora station	Tecnovia
	Modernisation of the infrastructure between km 115+654 and km 117+699 at the Évora station	Somague/ Tomás Oliveira/ Neopul
Algarve	Faro station: Extension of the G3 line and effluent discharge network on lines IV and V	Neopul
	Section from Faro to Vila Real de Santo António – replacement of wood sleepers with concrete sleepers and short bar rail with continuous welded rail	Promorail
	Section from Tunes to Lagos – replacement of wood sleepers with concrete sleepers and short bar rail with continuous welded rail	Neopul
	Rehabilitation, protection of foundations and reconstruction of an approach wall of the water conduit at KP 396,269	Soproel
Beira Baixa	Rehabilitation and Reinforcement of the Sabugal tunnel	Monte Adriano/ Spie
	Electrification work for the tunnels of Gardunha and Fatela/Penamacor	Ferrovias
	Castelo Branco/Vale Prazeres section - track civil construction, electrification RCT+TP, bypass to curves 226/227, renovation of stations, grade separation crossing of Alcains, Lardosa and Castelo Novo	Ramalho Rosa Cobetar / Conduril / EIP
	Vale Prazeres/Covilhã section - civil construction, track, grade separation crossings and RCT+TP	OPWAY
	Reinforcement, protection and rehabilitation of foundations of the Ponte da Praia bridge, at kp 118+860	Obrecol
Cascais	Renovation of the São João do Estoril station	Obrecol

Contract Works with Environmental Inspection in 2010

Line	Designation of Contract Works	Contractor
Douro	Mesquinhata - repair of road at km 67+581 of the Douro line	Maranhão
	Improvement of a road in Silveira - Ribadouro, Baião - km 72+597, Douro line	Maranhão
	LC 81+464 and 81+685 (Mirão)	Nortejuvil
Minho	Trofa bypass - civil construction, track and catenary	OPWAY
	Improvement and reinforcement of the tunnels of S. Miguel da Carreira, of Tamel, of St.ª Lucrécia and of Caminha	Ferrovias / Mota-Engil
	Elimination of LC at km 43+433 and 45+244 and reconversion of pedestrian traffic from the LC at km 43+806	A.M.S.
	Anti-corrosion protection of the Lima river Bridge	Conduril
Sines	Modernisation of the Raquete station	Neopul
Sintra	Track quadrupling, km 13+750/18+250, renovation of the stations of Barcarena and Cacém	Edifer
	Construction of the Agualva tunnel	Obrecol
Lousã branch line	Mobility system of Metro de Mondego - Miranda do Corvo-Serpins section	DST / Isolux / Córsan / Dorsalve
	Rehabilitation of infrastructures between Coimbra B and Serpins	Vias Y Construcciones / Gabriel Couto / Electren
Vouga	Sernada/Espinho section. Elimination of LC at km 14+461- construction of a paralel road	Teodoro Valente
	Elimination of LC at km 18+015	António F. Soares
	Espinho/Sernada section. Elimination of LC km 34+112 and 44+988	Teodoro Valente
	Sernada/Aveiro section - reconversion of LC at km 12+557 and elimination of LC at km 12+936	Maranhão
	Sernada/Aveiro section - Elimination of LC at km 14+668 - widening of existing road	Nortejuvil
	Automation of 52 LC with halft lifting gates	Alstom
	Segment of Águeda/Aveiro and Espinho/Oliveira de Azeméis – corr. maintenance of track superstructure	Ferrovias
North	Execution of signalling and telecommunications installations in the Alfarelos subsection - Coimbra B	Thales
	ST 1.2 - Improvement of Ribeira de Aveiras stream	Construções Pragosa
	North line - S.T. 2.3 - installation of JIC in Taveiro, Amial and Coimbra B	Somafel
	North line - S.T. 3.3 - Ovar - Gaia - horizontal drilling at km 318+018	Sondagens do Oeste
	Autonomous contract works 1 and 2 of the North line and quadrupling of the Cintura line Areeiro/Oriente, for compatibility with the high speed network	Obrecol

Based on this scenario, the target result is to systematically implement environmental monitoring supporting the contract management acting as an inspection team.

Maintenance/Operation Environmental Diagnosis

In 2011 the company continued to develop methods of coordination with the Operational Regions for environmental monitoring by preparing documents for tenders below 250,000 euros, by closing Contract Works and Rendered Services and by performing diagnosis.

Emissions, Effluents and Waste

Emissions

CO2 emissions associated to the direct consumption of electricity, based on the emission factor characterising the National Electrical System, was of 24,000 equivalent tons of CO2 in 2011, about 6% less than in 2010.

In 2011, the operation start-up of the Castelo Branco/Covilhã sections of the Beira Baixa and Bombel/Casa Branca line, of the Alentejo line, led to environmental gains through the availability of a larger electrified network where it is possible to replace diesel with electric traction.

Effluents

The production of effluents of a domestic origin in 2011 decreased compared with 2010 from about 52,000 to 49,000 m3 directly related with lower personnel numbers.

Waste

Due to work carried out in previous years to implement the strategy proposed in the Waste Management Plan (WMP), in 2011 the company completed the following valorisation/reutilisation projects:

- Material valorisation of double-block concrete sleeper materials - during 2011 REFER sent to material valorisation about 255 tons of concrete sleeper waste from the Sines line.

Applying this solution, which involves the mechanical separation of material parts (concrete and steel), instead of sending the waste to an inert material dump site made it possible to recover of about 25 tons of steel for posterior recycling and 230 tons of crushed inert material that, due to its mechanical characteristics, has a strong potential for reutilisation in civil construction.

- Reutilisation of monoblock concrete sleepers – similar to previous years, REFER internally re-applied used concrete monoblock sleepers not suitable for railroad use, to build road pavements providing internal access to the Entroncamento Logistics Centre.

As a result of the screening and sorting of waste, in 2011 the company launched various consultation processes to dispose of recyclable waste to licensed operators. These sales covered, in particular, ferrous metallic waste and end-of-life vehicles and resulted in an economic gain for REFER of 454,376.90 €. Special emphasis also goes to the sale of used wood sleepers not suitable for railway utilisation and which reached a value of about 142,000 euros.

By implementing selective collection networks, both for maintenance activities (used oil, lubricating grease, batteries) and at social facilities (administrative zones where REFER's services operate), it was possible to route this waste correctly.

Waste comprising computer consumables was handled through a protocol signed with AMI – Assistência Médica Internacional, which guaranteed a suitable destination for these materials and promoted their recycling. This protocol provided financial support to the AMI Foundation and complemented its fund-raising and humanitarian aid campaigns.

Noise

Noise produced by railway activities is one of the greatest environmental challenges faced by REFER. This situation has become increasingly more evident through the work carried out by the company’s environmental department.

In 2011, 20 new complaints and 7 recurring complaints were submitted regarding noise generated by activities for which REFER is responsible.

Number of Complaints

	2010	2011
New Complaints	26	20
Recurrent Complaints	6	7
Total Complaints	32	27

Directive 2002/49/EC, of June 25, transposed to national law, through Decree-Law 146/2006, of July 31, stipulates that strategic noise charts for Major Railway Transport Infrastructures are to be prepared in two stages. The first stage covers rail track sections with over 60,000 train runs per year, and the second stage covers rail track sections with over 30,000 train runs per year.

REFER drafted all the Strategic Noise Charts corresponding to the first stage, which were submitted to the Portuguese Environment Agency until August 2008 and were consequently approved. Besides these charts, REFER is preparing strategic noise charts for the second stage and has already completed the charts covering the Entroncamento - Albergaria-dos-Doze and Quintans – Ovar sections, both on the North Line.

REFER was the first transport infrastructure management entity in Portugal to complete and obtain approval for its Strategic Noise Chart according to Decree-Law 146/2006, of July 17, specifically the chart for the Cascais Line in 2006.

The Noise Reduction Plan for the National Railway Network (Evaluation of Scenarios of Lines with over 60,000 trains per year) was completed in 2011 to be submitted to the supervising ministry. The strategy proposed in that document will allow REFER to:

1. Understand the effort necessary to meet the legal noise requirements;
2. Foster coordinated action based on a strategy to address this issue which requires intervention by other entities responsible for this matter along with the associated resources;
3. Structure an implementation guideline based on carefully selected actions.

MIR (Maj. Rail Infrast.) 60k (line)	3D Cartography	Noise Chart
Cascais	Completed	Completed
Sintra	Completed	Completed
Cintura	Completed	Completed
North (until Azambuja)	Completed	Completed
Minho (until Ermesinde)	Completed	Completed

MIR 30k (line)	3D Cartography	Noise Chart
North (Entroncamento – Albergaria-dos-Doze)	Completed	Completed
North (Quintans – Ovar)	Completed	Completed
South (Santana Bridge – Setúbal)	2011	2012
Oeste (west) (Bifurcation of Meleças – Meleças)	2011	2012

Analysing and discussing the said plan is, in a first stage, the essential basis to ensure the feasibility of consolidating, at an opportune time, action plans per line.

REFER's track modernisation work is a key factor for the effectiveness of other measures. Noise reduction at the source on infrastructures, matched by steps taken for rolling stock, is the ideal solution.

In addition to the known, and at times controversial, acoustic barriers, REFER is researching other noise reduction measures that may be applied once their effectiveness has been proven and their application approved. The most significant of those measures include:

- Installation of Noise Absorbers on the track (Rail Dampers);
- Fixed Track Lubricating Devices;
- Acoustic Grinding;
- Absorbent Coatings for concrete walls;
- Acoustic Barriers (tilted or curved), with a larger transparent surface.

Lastly but not less important, since the publication of the first General Noise Regulations (in 1987), it became clearly necessary to promote a new management outlook within Portugal regarding vital infrastructures, such as the main transport routes in the metropolitan areas and main cities. Since then, it has become evident that the goal is to stop occupying areas adjacent to main transport routes with noise-sensitive facilities, contrary to common practice for over one hundred years. These combined tactics are the only means of resolving this problem.

Noise Reduction Measures

[Measures implemented by REFER until 31.12.2011]

	Performed	Under study/ proposal
Network electrification	62% of the network with traffic	
	100% of the major railway transport infrastructures (MRI)	
Track with continuous welded rail (CWR)	72% of the network with traffic	
	83% of the MIR	
Utilisation of low-noise rolling stock	Partially in 121 km	111 km
(This measure is the exclusive responsibility of railway operators)	24% of the MRI	111 km in MRI
Rail dampers	0 km	19.8 km
	0 km in MRI	19.8 km in MRI
Fixed track lubricators at low radius curves	1 unit	23 units
Acoustic Grinding	0 km	23.6 km
Acoustic Barriers	61 km	(*)
	46 km in MIR	

(*) A study is currently being performed to apply noise reduction measures on 123 km of railway track (123 km MRI). These measures include any of the solutions indicated in this table and not merely acoustic barriers.

Cost of Environmental Actions

We will now present some costs associated to REFER's environmental policy measures.

Area	Action	Year	Cost (€)
Noise	Noise Reduction Measures	(*)	(*)
	Protocol with the Centre for Signal Analysis and Processing of Instituto Superior Técnico (Higher Technical Institute) (Various)	2009	11 000
		2010	11 000
		2011	8 500
	Digital cartography of the North line (Entroncamento/Albergaria-dos-Doze)	2009	45 200
	Digital cartography of the North line (Quintans/Ovar)	2009	35 462
	Digital cartography of the South line (Lisbon/Setúbal) and Oeste (west) line (Bifurcation of Meleças/Meleças)	2011	32 500
	Noise monitoring in a post-assessment stage	2009	1 499
	Noise Chart of the North line (Quintans/Ovar)	2010	48 0000
	Noise Chart of the North line (Entroncamento/Albergaria-dos-Doze)	2010	48 000
	Noise reduction plan for the Cascais line	2010	6 700
	Noise reduction plan for the North line (Quintans/Ovar)	2010	48 500
	Noise reduction plan for the North line (Entroncamento/Albergaria-dos-Doze)	2010	49 000

(*) Currently an overall assessment is being performed regarding the total cost of noise reduction measures, and thus the cost indicator for acoustic barriers, installed and to be installed, was provisionally discontinued.

Area	Action	Year	Cost (€)
Waste	Waste management	2009	313 275
		2010	198 014
		2011	11 436
	Waste analyses to determine suitability for deposit at a landfill and their contamination level	2009	3 655
	Implementation of the selective collection of paper/cardboard waste	2009	1 278
		2010	980
		2011	218
	Protocol with the Waste Recycling Centre (CVR) of Universidade do Minho	2009	2 000

Area	Action	Year	Cost (€)
Environmental Evaluation	Environmental impact studies and environmental compliance reports for the detailed design	2009	343 402
		2010	389 117
		2011	383 280
	Environmental monitoring on the Évora line	2008	980
	Environmental monitoring on the lines of Minho, Beira Baixa Sul and Évora and the Braga branch line	2009	9 990
	Environmental monitoring in the railway link to the Port of Aveiro	2009	5 000
		2010	6 456
		2011	4 842

Area	Action	Year	Cost (€)
Heritage	Protocol with the University of Évora	2009	30 000
		2010	20 000
		2011	10 000

Area	Action	Year	Cost (€)
Biodiversity	Assistance	2009	20 000
		2010	8 000
		2009	104 100
	Installation of stork dissuaders and platforms for stork nests	2010	18 528
		2009	51575
		2010	38 500
	Native forest project	2011	15 000

List of All Indicators

MRI Code	REFER Economic Performance	Page
	Economic Indicators	
	Total Assets	IV35
	Operating Results	IV5; IV35; IV36
	Net Results	IV34; IV35;IV37
EC1	Turnover	IV35
	Investment Volume	IV5; IV34
	Shareholders	
	Investment Coverage by the various subsidies	IV34
	Personnel	
	Personnel costs structure, particularly remunerations, social expenses	IV5; IV46 until IV62
	Suppliers	
	Structure of costs account 62, particularly the weight of subcontracts	IV42
	Clients	
	Rendered Services (User Fee)	IV5; IV41; IV43 until IV45
	Available network capacity	IV43; IV44
	Value of investments and conservation for stations and interfaces	n.a.

MRI Code	REFER Social Performance	Page
	Employment	
LA 1	Number of employees per qualification	IV50
LA 1	Number of employees per region NUT II	IV52
LA 12	Benefits to employees beyond those legally stipulated	IV59 until IV61
	Work and Labour Relations	
LA 3	Union Membership Rate	IV52; IV53
	Health and Safety	
LA 9	Average Annual Training Hours	IV57 until IV59
LA 9	Number of Trainees	IV58
LA 9	Training costs / Personnel costs	IV58
	Staff with complementary management training	IV58
	Community	
	Accident rate at Level Crossings	IV22; IV23
	Investments for eliminating and reconverting level crossings	IV22; IV23
	Number of eliminated level crossings	IV22
	Costs of donations and sponsorships	IV7
	Diversity and Opportunity	
LA 11	Men/Women ratio at the company	IV61; IV62
LA 11	Men/Women ratio in management positions	IV61; IV62
	Age Structure	IV5; IV49
	Seniority Graph	IV49

MRI Code	REFER Environmental Performance	Page
	Materials	
EN1	tons of ballast; km and tons of rail; no. and tons of sleepers (wood, double-block and concrete); kg of weed control products and their characteristics; Origin of materials.	IV63 - IV65
	Energy	
EN3	Joule of purchased electricity; Joule of fossil fuels, diesel, consumed.	IV66
	Water	
EN5	Cost for the total water consumption	IV66; IV67
	Biodiversity	
EN6	Quantification of the railway domain within protected areas; Indication of minimisation measures.	IV67
EN7	Indication of impacts: On protected areas; Quantification, if possible in %, of impermeable areas.	IV67 - IV77
EN27	Indication of measures implemented to: Collect abandoned waste; Rehabilitation of sections without traffic; Reforestation of areas subject to works (Landscape Integration Project).	IV67 - IV77
	Emissions, Effluents and Waste	
EN11 EN30 EN31	Tons of waste per type and origin; Percentage of recyclable waste; Indication of destinations. tons of subst. and toneq CO2 from operators, relation with electrification of lines. Quantification of hazardous waste.	IV77 - IV78
	Suppliers	
EN33	Indication of implemented measures.	IV73
	Noise	
AM1	Indication of measures implemented at the work site (investment/conservation) to minimise noise; Indication of trains and measures implemented by REFER, EP to minimise impacts; Total number of persons potentially affected by noise levels of > 55dB (A); No. of linear metres of track with continuous welded rail; No. of linear metres of acoustic barriers installed and in the project stage; No. of linear metres of electrified track.	IV78 - IV81
	Total	
EN35	Cost of acoustic barriers;	IV80

Table of Commitments to Medium / Long Term Goals

	Objectives	Targets for 2012
Social	Increase the organisation's productivity	Encourage the work ethic factor
	Promote the Qualification and Valorisation of the Company's Human Resources	• Strengthen in-house policies and initiatives for personnel professional development to ensure the availability and suitability of in-house expertise to meet the company's operation and development needs; • Maintain the already defined target to improve training quality and suitability, thus promoting compliance with legal requirements regarding the number of hours/employee;
	Adapt personnel to business needs	Create conditions to retrain excess workers; Negotiate work contract terminations by mutual agreement.

	Objectives	Targets for 2012
Environment	Develop and Implement the REFER Environmental Management System	Continue adjusting the internal network of environmental expertise and the convergence to an organisation model suitable to the company's context. Implement the audits plan.
	Implement the Environmental Monitoring Plans arising from REFER investment projects.	Implementation of the following monitoring plans: Lines of Minho, Beira Baixa, South, branch lines of Braga and Évora, bypass of Trofa – Noise Descriptor (through internal work) Link to the Port of Aveiro, Alcácer bypass – Fauna/Flora.
	Ensure acoustic protection* of receptors significantly affected** by train traffic noise. * Acoustic protection of receptors is regarded as guaranteed if the legal thresholds are met or, if those thresholds are not met, if measures agreed with local population entities are implemented. ** Receptors are regarded as significantly affected when subject to noise levels exceeding the legal thresholds for mixed areas (criterion that may reviewed according to legislative amendments).	Present the overall evaluation of the effort needed to mitigate noise impacts along railway tracks with over 60,000 train runs per year, within a cost-benefit perspective, and consolidate measures within this context. Study the feasibility of developing a method of determining train traffic noise levels, suitable to REFER's case, based on modelling tools and on acoustic data collected during the monitoring campaigns. Launch the preparation of the strategic noise chart for the South line between Ponte de Santana and Setúbal and on the Oeste (west) line between the Meleças bifurcation and Meleças. Perform preparatory studies to carry out tests to determine the feasibility of applying Rail Dampers, Acoustic Grinding and Acoustic Barriers integrated within the social and environmental context.
	Eliminate waste dispersal outside the network of specific concentration locations.	Maintain the supervision of REFER's waste management processes (particularly the management of wood sleepers) by directly managing the lead batteries.
	Foster the implementation of projects for environmental impact minimisation or compensation measures.	Continue identifying potential partnerships to implement the ecological rehabilitation project for the Sado River Saltworks (enrolled in the B&B initiative); Monitor the Ecologic Continuum project.

	Objectives	Targets for 2012
Safety	Increase the network's safety levels	Carry out the Investment Plan; Carry out the Maintenance Plan; Implement the Detection System for falling blocks; Implement the Safety Management System; Carry out the Level Crossing Elimination and Reclassification Plan.
	Railway Safety	Prepare the Multi-year Plan for eliminations and reclassifications; Monitor compliance with the Annual Plan; Establish partnerships with external entities formed through protocols, and also monitor and follow up these partnerships; Identify risk factors and promote the development of the respective mitigation actions; Manage the Level Crossing cadastre and adjust contracts applicable to private LC; Promote education and awareness campaigns.

	Objectives	Targets for 2012
Economic	Reduce Expenses on Shared Services	Develop the actions proposed through the Energy Efficiency Plan at REFER; Develop awareness and warning campaigns to reduce costs on the automobile fleet and fixed communications; ...
	Maintain the average stock immobilisation period	Efficiently manage stocks through integrated planning, taking into account the programming of works and the respective materials
	Reduce the number of days in the average payment period	Reduce the average payment period to suppliers to 36 days
	Reduce the number of days of the average receipt period	Reduce the average period of receipts from clients to 60 days
	Adapt the financial debt's term profile to the maturity of assets	

Glossary

"1st Railway Package"	A set of E.U. directives defining the conditions for rendering railway transport services and managing the railway infrastructure, which promotes a uniform means of issuing licences to railway operators, providing access to railway infrastructures and issuing safety certificates.
Rail pad	Padding made of rubber or synthetic material placed between the sole plate and the rail foot to decrease the noise propagated through the air and the track's structure.
Acoustic barrier	Panels placed in a row along both sides of the rail track in zones where the surrounding area must be protected from the harsh noise of passing trains.
BAC (CAE)	Business Activity Code
Ballast	Material of a selected particle size on which sleepers are placed and embedded. Ballast distributes the loads transmitted by the sleepers to the platform, provides elasticity to the track and facilitates drainage. Ballast may consist of coarse sand, limestone gravel and hard-rock gravel, in two particle sizes – normal (from 25 to 50 mm) and fine (from 16 to 31.5 mm) used for levelling.
Broad track	The so-called broad or normal track is has a gauge of 1668 mm, which is used in the Iberian Peninsula. The European broad track has a gauge of 1435 mm.
CH4	Methane
CO2	Carbon dioxide
Complementary network	The national railway's complementary network, which includes the lines and branch lines of public interest not included in the main network. DL 10/90 of March 17
CONVEL	Abbreviation for Automatic Speed Control. A train protection system that, through inductive resonance circuits placed on the track and through corresponding onboard equipment, periodically checks whether the speed limit is being met, braking is applied and stop signs are being complied with. In the event of an anomaly, the system activates automatic braking, thus assisting the drivers in carrying out their duties and preventing trains from exceeding the speed limits imposed by safety conditions.
Core business	A company's main business.
Credit rating	Entities classified according to their credit worthiness.

CWR	Abbreviation for continuous welded rail: rail sections welded together to form an indefinite length, with a central zone, and whose sleeper fastenings allow the rail to reach its maximum internal stress whilst impeding movements.
dB(A)	Weighted decibels A
Double track	Railway transport infrastructure whose transversal profile has two tracks where, normally, there is only one circulation direction on each track.
Dual-block sleeper	Sleeper consisting of two reinforced concrete blocks (not pre-stressed), with base plates for the rails, and are connected by a metallic bar (crossbeam) to ensure the track has the right gauge.
E.U. Funds	E.U. support financial instruments.
Electrified lines	Railway transport infrastructure whose tracks are equipped for electric traction, including installations for signalling, CONVEL and telecommunications.
Empty run	An empty train run for material management or other reasons.
Environmental Management System (EMS)	The Environmental Management System (EMS) is an integral part of the company's overall management system and includes a functional structure, planning activities, responsibilities, practices, procedures, processes and resources to develop, implement, review and maintain the Environmental Policy.
Freight	Trains used essentially for freight traffic.
GFCF	Gross Fixed Capital Formation that indicates the value of durable goods acquired each year meant to increase the country's production capacity.
Greenway	A non-motorised trail for leisure and nature walks along decommissioned railway corridors.
Ground-train radio w/ data transmission	Communication system for circulation control and command, with sound and data transmission connected to the CONVEL system, between drivers and ground or vice-versa.
Ground-train radio w/o data transmission	Sound communication system for circulation control and command between drivers and ground or vice-versa.
GVA	Gross Value Added corresponding to the production value of a company, sector or country, minus the value of intermediate consumption; the sum of all GVA corresponds to the GDP.
IFRS	International Financial Reporting Standards.
INE	Instituto Nacional de Estatística (National Statistics Institute).

Insulator	Ceramic insulation device placed on the power lines to isolate the zone in tension and which has a rupture resistance, by traction, of 9 tons.
Intercity	The passenger train family that regularly connect two cities.
kCO2e	Kilogram of carbon dioxide equivalent.
koe	Kilogram of oil equivalent.
LC	Abbreviation for Level Crossing: where the track crosses a national or municipal road at ground level.
Long distance	Padding made of rubber or synthetic material placed between the sole plate and the rail foot to decrease the noise propagated through the air and the track's structure.
Main network	The main railway network consists of the lines used to render national and international, long distance, high speed and high quality passenger transport services and of the lines used basically to transport large numbers of passengers commuting to work. DL 10/90 of March 17.
Monoblock sleeper	Track sleeper of only one part made of pre-stressed concrete. The pre-stressing compression is sufficiently high to ensure that the sleeper will never be subject to traction caused by the loads for which it was designed. It weighs 50% more than the dual-block sleeper.
Multiple track	Train transport infrastructure whose transversal track profile has more than two tracks where, normally, there is only one-way traffic on each track.
N2O	Nitrous oxide
Narrow track	Track in which the gauge, distance between the inner sides of the rail heads, is of 1 metre. This is why it is also called the Metric Track.
Narrow track sleeper	Wood sleeper 240 cm wide for metric track (where the distance between the inner sides of the rail head is of 1 m), also called narrow track.
Notch	Different levels between credit ratings.
NP EN ISO 9001:2000	Guideline standard for implementing quality management system.

NUT	Territorial Unit nomenclature for statistical purposes.
Outsourcing	Contracting of external specialists to perform specific tasks more effectively and at a lower cost.
PCBs	Polychlorinated biphenyls.
Pendular	Pendular motion train, also known as the “tilting train” or simply “pendular” and whose technology allows it to travel a faster speed than conventional trains on curves without compromising on safety and whilst providing greater passenger comfort.
GDP	Gross Domestic Product, the value of goods produced and services rendered in a country during one year.
PIDDAC (CAIDEP)	Central Administration Investment and Development Expenditure Program.
Public Railway Domain	Public domain assets assigned to the functioning and operation of the public railway service.
Public Service	Service of a public interest to meet a public need rather than for profit.
Rail pad	Padding made of rubber or synthetic material placed between the sole plate and the rail foot to decrease the noise propagated through the air and the track’s structure.
Railway infrastructure	All fixed facilities related with the main and service tracks and the stations necessary for train circulation, including buildings assigned to infrastructure services, and the elements indicated in part A of Annex I of Regulation 1108/70/EC. DL 270/2003 of October 28.
Regional	Current abbreviated means to indicate regional trains that meet a specific region’s needs, particularly an autonomous region. DL 10/90 of March 17 and DL 270/2003 of October 28.
Single track	Train transport infrastructure whose transversal profile has only one track that may have traffic in both directions.
Sleeper	A part placed perpendicular to the track connecting the rail to the ballast. Train wheels run over the rail transmitting high stress, and the sleeper receives that stress and transmits it, now less intense, to the ballast bed such that it is compatible with their resistance and deformation capacity. The sleepers are fastened in a manner to guarantee a specific distance between the rails (track gauge).
Standard ISO 14001	Guideline standard for implementing and certifying environmental management systems.
Statutory capital	Capital amount specified in the company’s articles of association.
Suburban	Current abbreviated description of suburban trains that meet transport needs within a municipality or a metropolitan transport region. DL 10/90 of March 17.

TK	Abbreviation for train-kilometre, a railway operation rendering unit, corresponding to a train moving 1 km. Its cost depends on the characteristics of the track and train in question.
Train family	The group of trains with the same circulation itinerary or with identical route times.
Turnover	Net value of sales and rendered services, including compensation indemnities from normal activities by the entities and after deductions, not including value added tax or other taxes directly related with sales and rendered services.
Undersleeper pads	A rubber or synthetic pad placed under sleepers to decrease noise propagated through the air and the track structure.
User Fee	Amount paid by a railway operator for using a line or line section.
Value Chain	Management model to determine the value added to the product by the chain's individual parts or segments, whereby the value progressively evolves through that very chain.
Waste Management Plan	Document prepared by the Environment Department in collaboration with the Provisioning and Logistics Department, Conservation and Maintenance Department and the General Engineering Department that, after having evaluated the reference situation, drafted the action lines, orientations and strategic goals for developing REFER's waste management system.
Weed control	Periodic preventive treatment using suitable equipment to eliminate weeds growing along the track ballast and shoulders.
Wood Sleepers for Wide Track	Wood sleeper, 260 cm wide, for wide track (where the distance between the inner side of the rail heads is of 1.668 metres).

PART V
LEGAL CERTIFICATION OF ACCOUNTS

LEGAL CERTIFICATION OF ACCOUNTS AND AUDIT REPORT

» INTRODUCTION

1. Pursuant to the applicable legislation, we hereby present the Legal Certification and Audit Report on the financial information disclosed in the management report and in the financial statements for the year ending on 31 December 2011 for **Rede Ferroviária Nacional – REFER, E.P.E.** The statements include the Statement of the Financial Position (showing total of 5,067,987,033 euros and a total negative equity of 1,792,143,923 euros, including a negative net result of 162,072,948 euros), the Statements of the Comprehensive Profit and Loss Account, of Comprehensive Income, of the Equity Alterations and of the Cash Flows for the year ending on that date and the respective attached Notes.

» RESPONSIBILITIES

2. The Board of Directors is responsible for the following:

   a) Preparation of the financial statements showing the true and appropriate financial position of the company, the result of its operations and the cash flows;
   b) Preparation of the historic financial information according to the generally accepted accounting principles and in a manner that is complete, true, up-to-date, clear, objective and licit in compliance with the Securities Market Code;
   c) Application of appropriate accounting criteria and policies;
   d) Maintenance of an appropriate internal control system;
   e) Information about any relevant fact that has influenced its activities, financial position or results;
   f) The prospective financial information that is prepared and presented based on appropriate and coherent presuppositions and criteria based on an appropriate information system.

3. Our responsibility consists of checking the financial information in the aforementioned documents rendering the accounts, in particular to determine whether it is complete, true, up-to-date, clear objective and licit as demanded by the Securities Market Code, for which it is our duty to issue a professional and independent report based on our examination.

» SCOPE

4. Our examination was carried out according to the Technical Review/Audit Standards and Directives of the Chamber of Official Auditors, which require that the examination be planned and carried out to obtain an acceptable level of safety on whether the financial statements are free of materially relevant distortions. To this end, the said examination included:

- Checking, on a sample basis, the documents supporting the amounts and disclosures in the financial statements and an evaluation of the estimates, based on judgements and criteria defined by the Board of Directors, used in the respective preparation;
- Assessing whether the applied accounting policies and their disclosure were appropriate in view of the circumstances;
- Checking the applicability of the continuity of operations principle;
- Assessing whether the financial statements were overall presented appropriately;
- Assessing whether the financial information is complete, true, up-to-date, clear, objective and licit.

5. Our examination also included checking whether the financial information disclosed in the management report was in agreement with the other account rendering documents, in addition to the checks stipulated in numbers 4 and 5 of article 451 of the Companies Code.

6. We believe that our examination provides an acceptable basis for issuing our opinion.

» OPINION

7. In our opinion, the said financial statements truly and appropriately present all materially relevant aspects, the financial position of Rede Ferroviária Nacional - REFER, E.P.E, on 31 December 2011, the comprehensive operating earnings, the equity alterations and the cash flows for the year ending on that date in compliance with the International Financial Reporting Standards, as adopted by the European Union, and the information stipulated therein is, in accordance with the definitions included in the directives indicated in paragraph 4 above, complete, true, up-to-date, clear, objective and licit.

» REPORT ON OTHER LEGAL REQUIREMENTS

8. We are also of the opinion that the information disclosed in the Management Report is in agreement with the financial statements for the year and that the Governance Report includes the information as required by the applicable legislation.

» EMPHASIS

9. Without affecting our opinion in the previous paragraphs, we point out the following facts:

a) REFER altered its accounting policy for processing its investment operations in long duration public infrastructures (LDI), in accordance with the opinion issued by the Securities and Exchange Commission (CMVM) by request of the Tax Authorities consequent to the Request for Binding Information about the issue submitted to the said authorities by the company, consequent to which the company applied IFRIC 12 with retroactive effects. The said alteration's main impact is on the financial position, as disclosed by the attached notes: assets will now include the amount received from the state (concession grantor); and liabilities will include loans obtained for long duration infrastructure (LDI) investments which are not financially covered by public funds. This alteration requires greater clarification of the company's financial relations with the state, in its double role as a concession grantor in infrastructure and investment management activities and as a shareholder or capital holder, and the responsibilities of either party, thus contributing to the sustainability of the company and of the sector through the concession's financial balance and not the systematic generation of deficits in the activities carried out.

b) REFER has systematically accumulated high losses (2.2 billion euros until the end of 2011), which caused the company to reach a negative equity of approximately 1.8 billion euros on 31/12/2011, a date on which its liabilities reached about 6.9 billion euros. Consequently, the company's continuity will essentially depend on financial support by the capital holder (state), on suitable compensations for rendering a public service and on the effects of the management rationalisation measures. We must highlight, however, the positive effect in the results consequent to the application of the company's restructuring process and the reduction of wages stipulated in the Budget Law for 2011, which significantly reduced operating expenses by about 45 million euros, excluding indemnities for terminating individual work contracts by mutual agreement, thus making it possible to forecast a gradual improvement in operating results.

c) The associated company "GIL – Gare Intermodal de Lisboa, S.A.," in which REFER has a shareholding of approximately 34%, has an estimated negative equity of about 10 million euros, due to its excessive liabilities (about 87 million euros) when compared with its low revenue (of only 5 million euros). This situation has required financial assistance from the respective shareholders, whereby REFER has contributed with an accumulated amount of 9 million euros, as indicated to attached note 5.7;

Lisbon, 31 May 2012

Barbas, Martins, Mendonça & Associados, S.R.O.C., Lda.
Audit Firm no. 100
(Registered at C.M.V.M. under no. 8968)
Represented by:

Issuf Ahmad, ROC (chartered accountant) no.779