
# Report and Accounts 2013

Transportes de Lisboa

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**Translation disclaimer:**

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Transportes de Lisboa

# Índice

## Message from the Management Board

This report refers to the activity of Metropolitano de Lisboa ("ML") and the results obtained in the year 2013, having completed 54 years of service to the city of Lisbon.

Compared to 2013, which was the first year of full joint management of Metropolitano de Lisboa and CARRIS, the progressive integration of the two companies must be considered in the current assessment of ML's activity.

Consequently, ML continued to ensure as its main objective a more sustainable mobility in the metropolitan area of Lisbon, but now focusing on the pursuit of a more integrated mobility of two modes of public transport's excellence, within the city. Thus, it aimed at ensuring more rational, more efficient and hence more economical mobility.

Bearing this in mind, several steps described in this Report were taken by the Management Board, which materialized in the good results obtained, clearly indicated by the increase in EBITDA to €24.6 million, €3.8 million more than in 2012.

To these results contributed, firstly, the significant downsizing of ML's staff members, a process still ongoing, which resulted in a reduction of 76 employees, with the consequent decrease of 1.9% of payroll. However, the reinstatement of the Christmas bonus, increased allowances for contract terminations and the adoption of different criteria of cost accounting of the pension plan, justify the book increase by 14.7% in this item.

Spending on "Supplies and external services" decreased by 10%, reflecting the rationalisation of costs by the Company, the effort of joint and aggregated procurement of services by ML and CARRIS, and also the provision of services between the two companies. Compensation from the State remained at the same level.

Indeed, the Management Board has developed common efforts towards joint and aggregated procurement of services by ML and CARRIS, seeking wherever possible to benefit from the economies of scale generated for best commercial and contractual conditions. It was the case of energy, communications, printing equipment, diesel, among others.

In order to take advantage of the vast knowledge in maintenance of railway rolling stock, part of the maintenance of CARRIS fleet of articulated tramways is now executed by ML with great efficiency.

Joint ticket inspection actions were developed, and the Customer Care Spaces and Contact Centre are now common to both companies, which allows ML and CARRIS customers to obtain, in a more straightforward manner, the information and clarifications they need, in the commercial, operational and institutional aspects, in addition to the optimisation of the technical means and human resources allocated to this activity in the two companies.

In 2013, at the level of internal communication, the means available in each company were replaced by a single magazine ("VIA LX") and a single newsletter, of particular importance for disseminating the new culture ML / CARRIS in phase construction and consolidation.

Also at the level of human capital management, it was sought to encourage integration with the adoption of common processes of selection and assessment of employees, as well as the promotion of joint initiatives in the Training context, the most significant of which is the Academy.

Although the overall results achieved are encouraging, we know that there is still much work to be done towards the progressive integration of the two business groups.

Therefore, we must continue to optimise the use of resources, whether external or internal, with a view to eliminate some remaining inefficiencies. However, we are aware that all measures taken cannot postpone that is ML's primary mission: To ensure the mobility of our customers according to requirements of environmental and economic sustainability.

It should also be noted that, in 2013, the Company was awarded the Environmental Certification SGQA (NP EN ISO 14001 Environmental management systems. Requirements).
For the year 2014, the Management Board and the Company remain strongly committed to the budget reduction process, attracting new customers and combating fraud to improve demand.

In order to simplify the fare system, with bases that will allow fairer remuneration for public transport operators, and a possible redesign of networks to better serve current and new customers, the review of the revenue split model among the operators in the Lisbon metropolitan area will continue.

This is a complex and demanding process, for which the Management Board and the Company's management structure are strongly committed and motivated, supported in this intention by many staff members available to participate in this change.

Lisbon, May 23, 2014

**The Management Board**

Dr. Pedro Gonçalo de Brito Aleixo Bogas

Dr. Luís Carlos Antunes Barroso

Dr.ª Maria Manuela Bruno de Figueiredo

## Review of the year 2013

The year 2013 was marked by a process of correction of macroeconomic imbalances accumulated over the past decades.

Portugal's return to stable market financing, which is expected to happen from May 2014 onwards, is a demanding process which requires strict pursuance of the commitments made by the country. This is a key prerequisite for a strong credibility of the economic adjustment in the medium and long-term. This adjustment is reinforced under the current framework of European integration deepening, with emphasis on the creation of a true banking union and the implementation of new budgetary rules in the European Union. Internally, it is essential to establish credible broad scope commitments, in order to strengthen social cohesion and institutional consensus around these national goals.

A process to which the ML could not, and cannot, be oblivious.

On August 23, 2012, the Government appointed a joint Management Board for Metropolitano de Lisboa and Carris, exclusively composed by four Board members, common to both companies, a change which encompassed a reduction from 10 Board members (5 in each company) to only four.

On June 7, 2013, the Management Board was further reduced to three members in the wake of the dismissal of the Board's Chairman, Mr. José Manuel Silva Rodrigues, pursuant the Council of Ministers Resolution 40/2013 published in the Official Journal no. 115 of June 18, 2013.

It should be reminded that this joint Board was entrusted primarily with the task of achieving the goals defined in the Strategic Plan for Transport (PET), approved by the Council of Ministers Resolution 45/2011, of November 10, for the urban transport in the Lisbon Metropolitan Area, which broadly aims at developing and implementing the operational integration of Metropolitano de Lisboa and Carris, as well as to study and prepare the model for opening the transport service provision currently carried out by these companies, to private entities.

From the beginning of its mandate, the new joint Board has promoted, in a logic of integrated management of CARRIS|METROPOLITANO DE LISBOA, the consolidation and development of the quality of the public transport service provided in Lisbon in its different modes (tram, bus and metro), as a means of enhancing intermodality and modal integration to obtain significant gains in efficiency and productivity. In this regard, it should be added that the State Budget laws for 2012 and 2013 established several measures for the State-Owned Enterprise Sector, aimed at cutting costs and increasing economic efficiency, which are being fulfilled by the Company.

This report clearly shows the ML's evolution throughout 2013.

In the transport sector, 2013 was the first full year of joint management of Metropolitano de Lisboa and CARRIS.

In terms of fare policy in 2013, additional restructuring measures were carried out, continuing the Government's policy defined in 2011 and 2012, which allowed for the increase of the average base fares, with the consequent positive impact on the Company's fare revenue.

Thus, since January 1, 2013, in compliance with the strategic objective of enhancing intermodality, the Navegante pass and the CARRIS|Metro Single Ticket were created, as well as better coordination of transport supply by CARRIS|Metro.

During 2013, the ML and CARRIS operational integration process was reinforced and resulted in the following actions:

- "Customer Care Space" with a common image and focused on the business of each company;
- In terms of internal communication, the newsletter "VIA LX", common to both companies, was created;
- Provision of internal services between both companies, leveraging the gains of each one;
- Shared procurement of supplies of goods and services, maximizing the effect of scale economies;
- Optimization of the Company's management by resizing the staff, resulting in an overall reduction of 76 employees in ML;
- The reorganization of the production process in the maintenance department, transferring employees from rolling stock maintenance to infrastructure maintenance, improving the Company's performance and making it more competitive; The Company has developed a set of measures and actions aimed at leveraging synergies through the provision of maintenance services by the METROPOLITANO DE LISBOA workshops to CARRIS tramway cars, and closer collaboration between the two companies in maintenance area is being analysed.

In terms of results, there was a great improvement in ML's operating income, which stood positive at €22.6 million. EBITDA increased in 2013, reaching €24.6 million.

Compensatory allowances remained the same as the previous year, at €44 million.

It is also noteworthy the large decrease of the Average Payment Period from 113 to 34 days due to a new company's financial policy, which allowed greater bargaining power with suppliers.

Considering the overall drop of 11.9% in demand as a result of reduced mobility and fraud, various short, medium and long-term measures were carried out, such as:

- Investigation of scenarios linking CARRIS and ML as the structuring transport operators of the AML;
- At the marketing level, innovative and integrated actions for enhancement of public transport were developed;
- At the level of anti-fraud measures new legislation was prepared, aimed at making collection of fines and penalties more effective in 2014.

In 2013, ML and Carris devised a program towards sharing the existing human and material resources in central areas of both companies, namely in the marketing and logistics areas, which also enabled shared procurement of goods and services, maximizing the effect of economies of scale by aggregation of procured entities, resulting in significant gains for both companies, with emphasis on the procurement of waste management services; high voltage electricity (AT), as well as medium (MT) and special low voltage electricity (BTE) for both companies' premises; diesel supply services, and, printer/multifunction equipment leases and procurement of the respective maintenance/technical support services.

Also as part of cost reduction, it should be highlighted the significant downsizing of staff in 2013. In fact, there was an overall reduction of 76 employees from different functional and hierarchical levels, thus the Company was close to the target reduction set by the State Budget.

It is also expected that the operational integration process itself, as it continues and is strengthened during 2014, will increase the staff reduction, especially in the corporate areas of both companies, which will result in increased efficiency and productivity, with positive impacts in the decrease of operating costs and improved performance which, in the end, will ultimately benefit public transport customers.

From an holistic point of view in 2013, ML continued its adjustment to the needs of the market, optimising its business and making it more competitive.

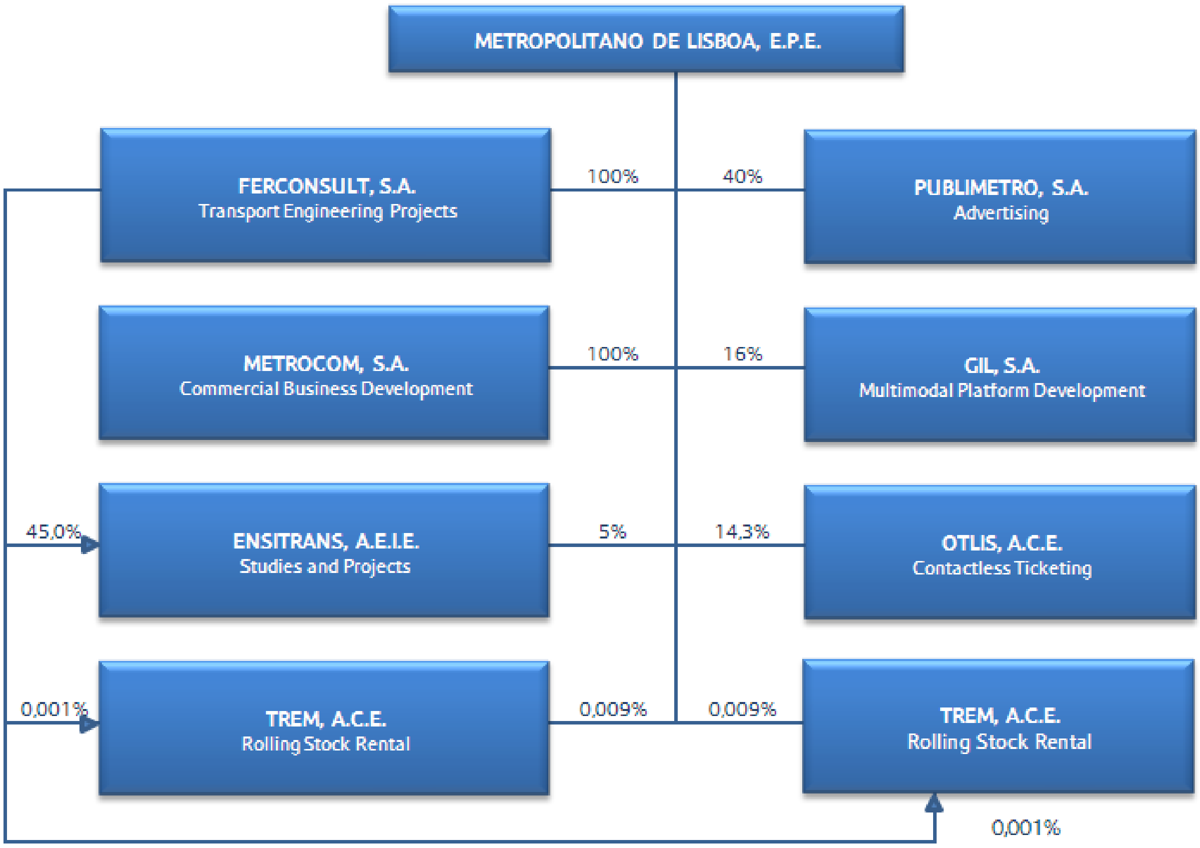
Also noteworthy, in terms of expansion projects, the national accreditation in 2013 by the Cohesion Fund, concerning a financial contribution of €59 million for the extension of the Blue line between Amadora Este and Reboleira, still awaiting approval by the European Commission.

In short, it is possible to conclude that ML has consistently pursued its responsibility as an economic and social agent in the field of urban mobility, thus contributing to the development and sustainability of Lisbon city and its metropolitan area, in a context of integrated adjustment of its activity to the market needs, always guided by the principle of resource optimisation, in order to increase business efficiency and continuously improve its service quality.

The 2013 fiscal year allowed the continuation of measures towards consolidating the operational improvement that ML has clearly and consistently revealed in various fields in recent years, which again was recognized and valued by several Company stakeholders, specifically its customers.

## ML Group Subsidiary Companies

ML Group subsidiary companies on December 31, 2013:



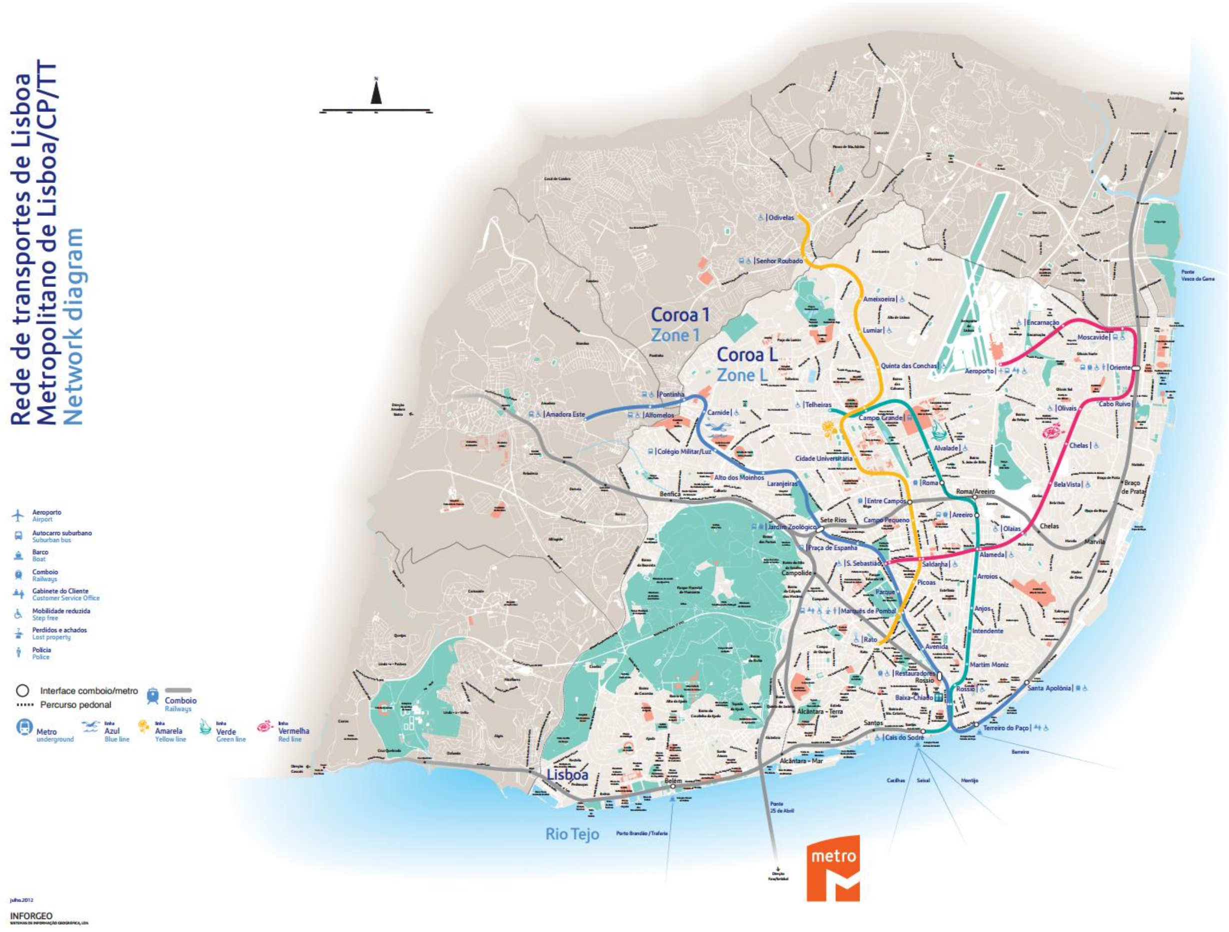
## Key Performance Indicators

| Indicators | | 2009 | 2010 | 2011 | 2012 | 2013 | Var. % 2013/2012 |
|---|---|---|---|---|---|---|---|
| **Demand** | | | | | | | |
| Passengers with paid tickets | $10^3$ | 165 191 | 170 858 | 164 845 | 141 382 | 125 153 | -11,48 |
| Passengers | $10^3$ | 176 726 | 182 642 | 178 774 | 154 005 | 135 712 | -11,88 |
| Passengers x km | $10^3$ | 829 068 | 865 521 | 857 101 | 745 589 | 655 705 | -12,06 |
| **Supply** | | | | | | | |
| Cars x km | $10^3$ | 25 274 | 27 649 | 26 467 | 21 339 | 21 498 | 0,75 |
| Seats x km | $10^6$ | 4 271 | 3 511 | 3 361 | 2 730 | 2 752 | 0,81 |
| **Service quality** | | | | | | | |
| Service regularity | % | 90,1 | 92,3 | 89,4 | 84,9 | 87,8 | 3,42 |
| Incidents causing delays ≥ 10 min. | no | 141 | 147 | 202 | 245 | 185 | -24,49 |
| MKBF | km | 12 982 | 13 932 | 14 373 | 12 639 | 13 616 | 7,73 |
| Infrastructure availability | % | n.d. | n.d. | 99,90 | 99,88 | 98,61 | -1,27 |
| **Fleet** | | | | | | | |
| ML 90 | no | 57 | 57 | 57 | 57 | 57 | 0,00 |
| ML 95 | no | 114 | 114 | 114 | 114 | 114 | 0,00 |
| ML 97 | no | 54 | 54 | 54 | 54 | 54 | 0,00 |
| ML 99 | no | 113 | 113 | 113 | 113 | 113 | 0,00 |
| **Total** | **no** | **338** | **338** | **338** | **338** | **338** | **0,00** |
| **Human resources** | | | | | | | |
| Operational areas | no | 1 415 | 1 437 | 1 365 | 1 289 | 1 230 | -4,58 |
| Corporate services | no | 221 | 235 | 225 | 236 | 221 | -6,36 |
| **Total staff** | **no** | **1 636** | **1 672** | **1 590** | **1 525** | **1 451** | **-4,85** |
| **Income and costs** | | SNC | | | | | |
| Fare revenue | $10^3$ € | 59 947 | 62 530 | 66 794 | 80 341 | 78 546 | -2,23 |
| Compensatory allowances | $10^3$ € | 26 755 | 26 503 | 42 000 | 44 000 | 44 000 | 0,00 |
| Operating income | $10^3$ € | 114 799 | 114 645 | 136 069 | 148 298 | 183 657 | 23,84 |
| Total income | $10^3$ € | 110 477 | 114 380 | 136 056 | 148 298 | 183 633 | 23,83 |
| Operating costs | $10^3$ € | 226 332 | 210 752 | 206 674 | 150 417 | 161 033 | 7,06 |
| Total costs | $10^3$ € | 266 040 | 263 030 | 281 851 | 225 533 | 198 902 | -11,81 |
| Operating results | $10^3$ € | (111 534) | (96 107) | (70 605) | (2 118) | 22 624 | 1.168,00 |
| Net results | $10^3$ € | (146 977) | (148 337) | (146 052) | (77 332) | (15 308) | 80,21 |
| EBITDA | $10^3$ € | (38 410) | (31 833) | 4 638 | 20 878 | 24 635 | 17,99 |

**Key:** n.a. - not available.

[1] "Fare revenue" includes revenue from sales of "Lisboa viva" and "7 Colinas" cards and compensation from the State Budget for the discounts applied to "4_18@escola.tp"; "sub23@superior.tp" and "Social+" passes.
[2] Values net of VAT.

At the end of 2013, ML's network comprised 55 stations and 43.2 km, as shown in the diagram below:



# 1. Economic and financial management

The following factors marked the Metropolitano de Lisboa's economic and financial management in 2013:

- Consolidation of the budget management policy as a reclassified public entity, benefiting from financial support from the State to meet the debt service commitments.
- Continuation of the operating results improvement process by implementing measures aimed at efficiency enhancement and cost reduction. This process, which began in previous years, was streamlined and boosted with the operational integration between the Metro and CARRIS in the 4$^{th}$ quarter of 2012.
- As per the contract to manage the Financial Risk Management Instruments (IGRF) concluded with the Portuguese Treasury and Debt Management Agency (IGCP), this entity negotiated the early cancellation of 45 contracts which represented approximately half the Metro's portfolio value.
- The shareholder financed the early settlement of IGRF contracts through an increase of the share capital, fully paid.

## 1.1. Economic analysis

In 2013, the net result amounted to €-15.3 million, an 80% improvement compared to the previous year's results.

**Table 1 – Results**

Unit €uros

| Results | Period | | Var. % |
|---|---|---|---|
| | 2013 | 2012 | |
| EBITDA | 24 635 377 | 20 878 454 | 18,0% |
| Operating results | 22 623 909 | (2 118 348) | 1168,0% |
| Net results for the fiscal year | (15 307 839) | (77 332 060) | 80,2% |

This evolution was determined by a combination of factors:

- An 18% growth in the EBITDA, as a consequence of the cost containment measures implemented in the Company;
- Positive operating results, with an increase of €24.7 million when compared to 2012. This increase resulted primarily from the positive variation of the IGRF portfolio value regarding ML financing;
- A 50% decrease (€37 million) in ML's interest charges. The early cancellation of the IGRF had a significant impact on these expenses, given that the shareholder financed this cancellation through capital injections.

Operating income grew by 24%, as shown below:

**Table 2 – Operating income**

Unit €uros

| Operating income | Period | | Var. % |
|---|---|---|---|
| | 2013 | 2012 | |
| Sales of tickets and passes | 77 487 718 | 78 381 310 | -1,1% |
| 4_18@escola.tp / sub23@superior.tp / Social + pass | 1 058 167 | 1 959 570 | -46,0% |
| PAII - Senior Citizens' Integrated Support | 305 482 | 142 623 | 114,2% |
| Compensatory allowance | 44 000 000 | 44 000 000 | 0,0% |
| **Public service revenue** | **122 851 367** | **124 483 503** | **-1,3%** |
| Non-fare revenue | 3 600 669 | 3 351 744 | 7,4% |
| Own work capitalised | 1 945 091 | 4 464 959 | -56,4% |
| Increases in fair value | 23 199 397 | - | - |
| Other income and gains | 29 336 492 | 4 611 385 | 536,2% |
| Provisions and reversals | 2 724 161 | 11 386 823 | -76,1% |
| **Other income** | **60 805 810** | **23 814 911** | **155,3%** |
| **Total** | **183 657 177** | **148 298 414** | **23,8%** |

Fare revenue decreased by 1% when compared to 2012. This was mainly due to the decrease in revenue from passes and, in particular, multimodal passes with sales down by 11%. The positive trend (+5.1%) of revenue from non-frequent tickets mitigated the decline of sales in monthly passes.

The compensation for student passes also decreased significantly as a consequence of changes in the rules for assigning reduced-rate passes, made at the beginning of the 2012/2013 school year, limiting the assignment only to certain income brackets.

Thus, as a whole, revenue from the provision of transport services decreased 1.3%. As for other types of revenue, the following should be noted:

- The positive evolution of non-fare revenue, reflecting the Company's commitment to develop new business segments;
- The drop in the "Own work capitalised", as a consequence of the stagnation in investment, determined by the current financial and budgetary constraints;
- The IGRF portfolio appreciation by €23 million as a result of the reversal in the downward trajectory of the reference interest rates;
- The significant increase in other income, in particular the anticipation of gains from the early cancellation of the IGRF (€24.5 million).

Due to changes in the accounting treatment of costs associated with the Company's pension plan arising from the actuarial study, operating costs showed a 7% increase.

### Table 3 – Operating costs

Unit: €uros

| Operating costs | Period | | Var. % |
|---|---|---|---|
| | 2013 | 2012 | |
| Staff costs | 86 397 818 | 75 297 790 | 14,7% |
| Supplies and external services | 31 879 718 | 35 345 628 | -9,8% |
| Cost of goods sold and materials consumed | 2 150 462 | 2 205 404 | -2,5% |
| Other costs and losses | 11 410 347 | 2 346 812 | 386,2% |
| Amortisation and provisions | 27 935 026 | 27 768 878 | 0,6% |
| Increases/decreases in fair value | - | 6 614 748 | -100,0% |
| Losses imputed from subsidiaries | 1 259 896 | 837 503 | 50,4% |
| **Total** | **161 033 267** | **150 416 763** | **7,1%** |

The reinstatement of the Christmas bonus, the increase in compensation for contract terminations and the adoption of different accounting criteria for costs associated with the pension plan, in compliance with the Auditors' recommendations, justified the increase in "Staff costs". However, payrolls fell by 1.9%.

The comparative analysis presented in the following table indicates that, by maintaining the conditions of 2012, staff costs would record a reduction of 8%:

### Table 4 – Staff costs

Unit: €uros

| Staff costs | Period | | Var. % |
|---|---|---|---|
| | 2013 | 2012 | |
| **Adjustments for 2013** | | | |
| Other staff costs | 2 340 265 | - | - |
| Costs assigned to the Pension Plan | 12 155 529 | - | - |
| Reinstatement of the Christmas Bonus | 2 742 532 | - | - |
| Staff costs | 69 159 492 | 75 297 790 | -8,2% |
| **Total** | **86 397 818** | **75 297 790** | **14,7%** |

Expenses with "Supplies and external services" decreased almost 10%, reflecting the cost containment measures implemented in the Company. The following factors are worthy of note:

- The streamlining of cleaning and surveillance services which, as a whole, decreased by 12%;

- A 22% reduction in the costs with conservation and repairs, which benefited from the decision to perform several repair jobs internally, thus maximizing the Company's existing resources;

- The 15% decrease in the "Rents and leases" component, caused by the reduction in the interest rates of the rolling stock's lease contracts;

- The increase in electricity costs is due to an average rise in the unit price of 5.9% during 2013.

### Table 5 – Supplies and external services

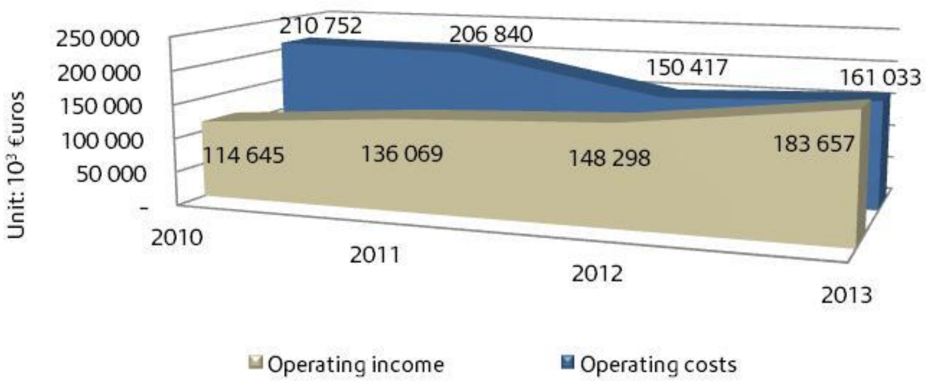
Unit: €uros

| Supplies and external services | Period 2013 | Period 2012 | Var. % |
|---|---|---|---|
| Electricity | 8 148 655 | 7 864 081 | 3,6% |
| Rents and leases | 7 918 025 | 9 342 423 | -15,2% |
| Conservation and repair | 4 018 437 | 5 131 344 | -21,7% |
| Cleaning, hygiene and comfort | 2 665 399 | 3 027 963 | -12,0% |
| Surveillance and security | 5 186 241 | 5 881 152 | -11,8% |
| Specialised works | 1 238 931 | 1 039 670 | 19,2% |
| Other | 2 704 030 | 3 058 995 | -11,6% |
| **Total** | **31 879 718** | **35 345 628** | **-9,8%** |

Also worthy of note is the increase in "Other costs and losses" resulting from recording anticipated losses associated with the cancellation of derivatives contracts (€ 9.1 million).

The following graph compares the evolution of operating income and costs over the last four years:

### Graph 1 – Evolution of Operating Income / Costs




The financial results showed a significant improvement as a result of the 50% decrease in financial expenses. The following factors contributed to this evolution:

- Accounting record of expenses associated with the pension plan ("Income ascribed to the actuarial study"), which in 2013 amounted to € 9.9 million in the item "Staff costs";
- The drop in the reference interest rates and, in particular, the rates on loans granted by the Treasury;
- Cancellation of the IGRF contracts.

### Table 6 – Financial results

Unit: €uros

| Financial results | Period | | Var. % |
|---|---|---|---|
| | 2013 | 2012 | |
| Financial investments | 24 405 | - | - |
| Financial operation costs | (33 649 264) | (50 784 148) | -33,7% |
| IGRF Financial costs - operating lease | (4 219 365) | (8 570 460) | -50,8% |
| Income attributed to actuarial study | - | (15 761 710) | -100,0% |
| Total | (37 844 224) | (75 116 318) | -49,6% |

## 1.2. Financial management

### 1.2.1. Total financing needs

In 2013, cash flows generated by investment activities and public transport service provision grew significantly. This evolution benefited from lower operating expenses and, with regard to investment, the increase in transfers from PIDDAC (€4.8 million) and the Cohesion Fund (€51.6 million), to finance the Blue line expansion to Reboleira.

### Table 7 – Variation in cash and cash equivalents

Unit: $10^3$ €uros

| Cash flow statement | Period | |
|---|---|---|
| | 2013 | 2012 |
| Flow of operating activities | 33 753 | 23 973 |
| Flow of investment activities | 41 556 | 13 181 |
| Flow of financing activities | (81 543) | (12 844) |
| Variations in cash and cash equivalents | (6 234) | 24 310 |
| Cash and cash equivalents at the beginning of the year | 24 420 | 111 |
| Cash and cash equivalents at the end of the year | 18 186 | 24 420 |

In regard to financing obtained, it must be emphasized the capital increase of €475 million carried by the shareholder, in order to enable the early cancellation of IGRF contracts as shown in the following table:

### Table 8 – Financing activity

Unit: $10^3$ €uros

| Financing activity | Period | |
|---|---|---|
| | 2013 | 2012 |
| Receivables from | | |
| Capital increases | 475 429 | - |
| Bank loans - IGCP/DGTF | 412 860 | 648 582 |
| Total loans | 888 289 | 648 582 |
| Payments regarding: | | |
| Bank loans | (274 986) | (406 391) |
| Operating lease transactions | (41 034) | (35 534) |
| Debenture loans | (7 731) | (7 731) |
| Early cancellation of IGRF | (475 429) | - |
| Interest and similar costs | (145 859) | (206 084) |
| Term deposits (escrow) | (19 701) | (634) |
| Loans granted | (5 093) | (5 052) |
| Total payments | (969 833) | (661 426) |
| Cash flows from financing activities | (81 544) | (12 844) |

The capital increase, fully paid in 2013, reflected a change in the shareholder's financing policy. During the 2014 fiscal year, ML's financing needs, including the debt service on Treasury loans, will be ensured through capital provisions, allowing a forecast that the Company will resume positive equity by year end.

### 1.2.2. Balance for the year

In 2013, following line Ministry guidelines, ML recorded in its balance sheet the values of durable infrastructure construction (ILD), clearly showing the impact of investment in infrastructure on behalf of the State and the corresponding liabilities.

The value of assets amounted to €4,804 million, with the following distribution:

**Table 9 – Total assets**

Unit $10^6$ €uros

| Assets | Period | | Var. % |
|---|---|---|---|
| | 2013 | 2012 | |
| Non-current | 4 362 | 4 414 | -1,2% |
| Current | 2 | - | - |
| ILD | 4 364 | 4 414 | -1,1% |
| Non-current | 336 | 386 | -13,0% |
| Current | 104 | 112 | -7,1% |
| ML | 440 | 498 | -11,6% |
| Total assets | 4 804 | 4 913 | -2,2% |

In 2013, the construction work in Reboleira remained halted, while the remodeling work in Areeiro station continued. Consequently, the investment in durable infrastructure kept a downward trend, amounting €4 million. The decrease of €50 million in the carrying amount of the corresponding assets derives from the accounting of investment subsidies (€56 million) received in 2013.

Total liabilities decreased approximately 10%, totalling €5,268 million.

**Table 10 – Total liabilities and equity**

Unit $10^6$ €uros

| Liabilities | Period | | Var. % |
|---|---|---|---|
| | 2013 | 2012 | |
| Non-current | 3 601 | 4 190 | -14,1% |
| Current | 299 | 242 | 23,8% |
| ILD | 3 900 | 4 431 | -12,0% |
| Non-current | 1 132 | 1 247 | -9,2% |
| Current | 226 | 150 | 50,9% |
| ML | 1 359 | 1 397 | -2,7% |
| Total liabilities | 5 258 | 5 828 | -9,8% |
| Equity | (454) | (915) | 50,4% |
| Total liabilities and equity | 4 804 | 4 913 | -2,2% |

The decrease of the Company's liabilities has a greater impact on liabilities linked to durable infrastructure investment (ILD). Current liabilities (ILD+ML) increased by 34% as a result of the repayment plan for 2014, which amounted to €453 million; 70% of this amount concern Treasury loans, credits that will be converted into capital increases in the 2014 fiscal year.

On the other hand, the early settlement of IGRF contracts, financed by the State through equity reinforcement, explains the significant reduction in the Company's non-current liabilities, particularly in liabilities assumed by ML linked to ILD investment.

### 1.2.3. Evolution of remunerated liabilities

As a Reclassified State-Owned Enterprise, ML benefits from Treasury loans to meet its financing needs. This fact has allowed the Company to repay its current liabilities through medium and long-term loans (6 to 7 years) with more favorable interest rates.

In 2013, the Company repaid debt in the amount of €313 million by taking out Treasury loans in the amount of €412.8 million.

Overall, remunerated liabilities increased by 2.3% and represent 81% of the Company's total liabilities.

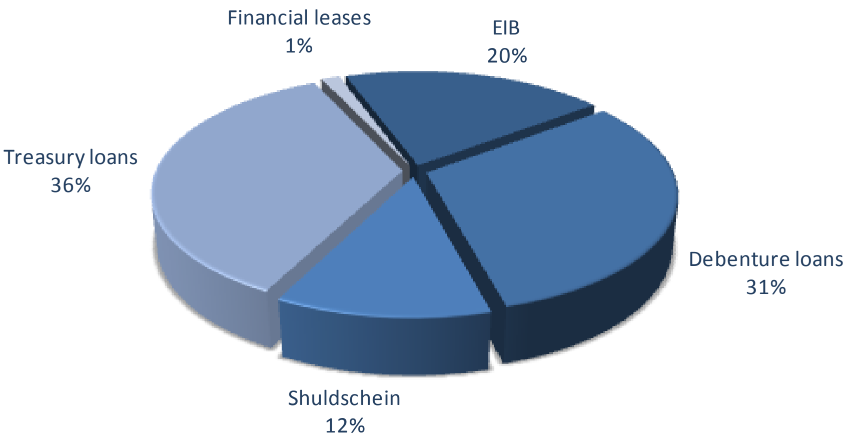
**Table 11 – Remunerated liabilities**

Unit $10^3$ €uros

| Remunerated liabilities | Period | | Absolute variation |
|---|---|---|---|
| | 2013 | 2012 | |
| Debenture loans | 1 333 194 | 1 340 925 | (7 731) |
| EIB | 866 357 | 937 859 | (71 503) |
| Treasury loans | 1 521 891 | 1 262 514 | 259 377 |
| Shuldschein | 500 000 | 500 000 | - |
| Financial leases | 59 382 | 89 810 | (30 428) |
| **Medium and long-term debt** | **4 280 823** | **4 131 108** | **149 715** |
| | **100,00%** | **98,80%** | |
| Short-term debt | - | 50 000 | (50 000) |
| | **0,00%** | **1,20%** | |
| **Total** | **4 280 823** | **4 181 108** | **99 715** |

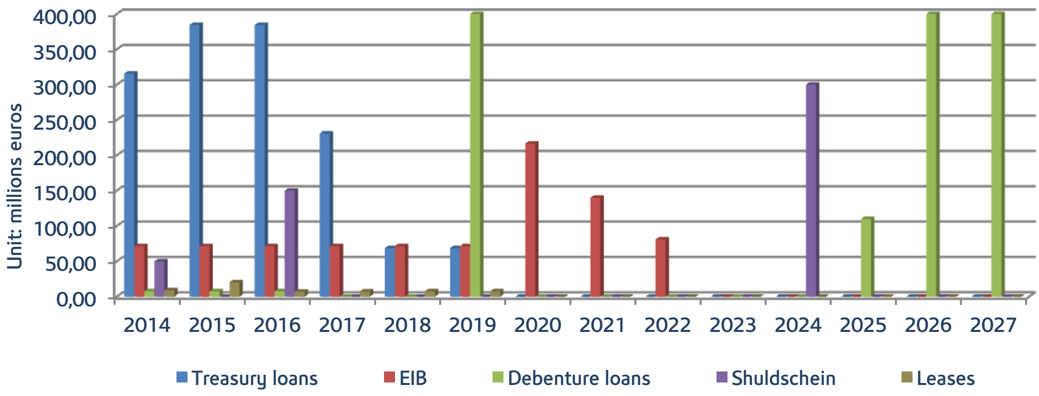
The total amount of loans granted by the State account for 36% of ML's debt stock.

**Graph 2 – Debt structure**




The loans granted by the Treasury have a significant impact on the average maturity of financing, which stood at 6.5 years.

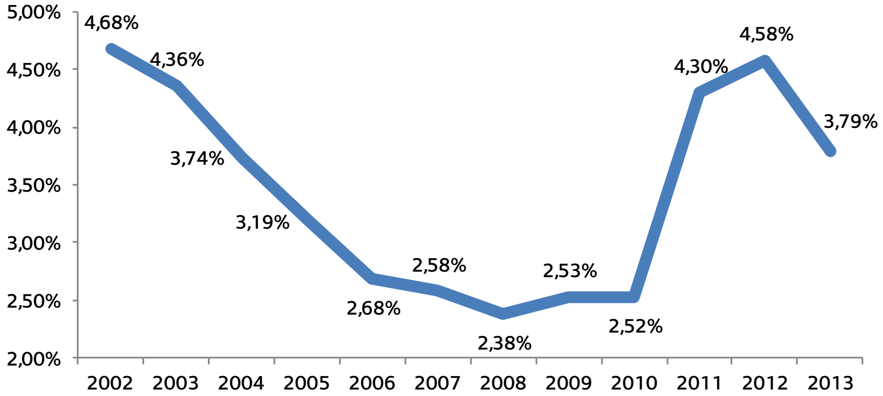
**Graph 3 – Financing maturity**




The following graph shows the evolution of the implicit interest rate on debt over the past 11 years. As shown, the implicit interest rate maintained a downward trend until 2008, when it initiated an accelerated growth linked to unfavourable cash flows generated by the IGRF.

In 2012, the growth rate slowed down and, in 2013, there was a sharp decrease in interest costs. The rate level (on average 2.4%) on Treasury loans was instrumental in this development.

**Graph 4 – Implicit interest rate**




The Portuguese State underwrites guarantees on loans amounting to €2,585 million. By adding this amount to the loans granted by the Treasury, the State underwrote and secured a financing volume of €4,108 million, which represents 96% of the Company's total remunerated liabilities.

### 1.2.4. Rating of Metropolitano de Lisboa

**Table 12 – ML rating**

| ML Rating | Standard & Poor's | |
|---|---|---|
| | Rating | Outlook |
| 07-12-2009 | A+ | Negative |
| 27-04-2010 | A- | Watch negative |
| 29-09-2010 | BBB+ | Negative |
| 03-12-2010 | BBB | Watch negative |
| 04-03-2011 | BB | Watch negative |
| 31-03-2011 | B + | Watch negative |
| 30-12-2011 | B - | Watch negative |
| 17-01-2012 | CCC + | Negative |
| 19-12-2012 | B | Negative |
| 08-03-2013 | B | Stable |
| 05-06-2013 | B | Negative |
| 19-09-2013 | B | Watch negative |
| 17-01-2014 | B | Negative |
| 28-02-2014 | BB | Negative |

In 2013, Standard & Poor's maintained the (B) rating assigned to ML, ending the year on negative credit watch.

In February 2014, Standard & Poor's revised upwards the Company's rating to BB, in line with the revision of the Portuguese Republic's rating.

The arguments for this upgrade were:

1. Continued financial support from the State, with the additional factor that most of the Company's debt is guaranteed by the Republic.

2. The support and effort demonstrated by the State, in honouring debt service commitments with funds provided for this purpose in the 2014 budget.

3. The "almost certain probability" of ML receiving extraordinary support from the State in case of need.

## 2. Prospects for 2014

In 2014, considering a moderate recovery in business activity, the process of budgetary consolidation will be maintained.

The ML will continue its activity taking into account the following aspects:

- Continued development of measures concerning customer loyalty and acquisition, as well as others aimed at fraud containment and demand recovery;
- Fare system simplification;
- Consolidation of the revision of the model for revenue split among the transport operators, in the Lisbon metropolitan area;
- Simultaneously, continued measures to contain costs, reduce staff and increase efficiency and productivity, in order to maintain the positive EBITDA levels;
- Pooling of the Company's corporate services, to maximise the use of the available facilities;
- Measures to improve the financial returns on the Company's property assets;
- Submission of proposals with European partners to procure funding for projects on the theme Societal Challenges, under the new "EU Framework Programme for Research and Innovation – Horizon 2020".

## 3. Proposed application of results

For the purposes of compliance with paragraph e) of no. 2 of article 7 of the By-laws of Metropolitano de Lisboa, E.P.E., the Management Board proposes that the losses reported for the fiscal year ended December 31, 2013, amounting to €15,307,839 be fully transferred to retained earnings.

**The Management Board**

Dr. Pedro Gonçalo de Brito Aleixo Bogas

Dr. Luís Carlos Antunes Barroso

Dr.ª Maria Manuela Bruno de Figueiredo

# 4. Financial statements

## Table 13 – Balance sheets as at December 31, 2013 and 2012

Unit €

| ASSETS | Notes | 2013 | 2012 |
|---|---|---|---|
| **Non-current assets** | | | |
| Durable infrastructure investments | 2.1 and 5 | 4 361 698 549 | 4 414 234 514 |
| Tangible fixed assets | 6 | 259 863 291 | 287 272 796 |
| Investment properties | 8 | 428 728 | 366 891 |
| Financial holdings - equity method | 9 | 25 683 810 | 20 144 909 |
| Other receivables | 13 | 10 502 602 | 12 433 723 |
| Derivatives | 10 | 3 271 187 | 48 535 668 |
| Other financial assets | 11 | 36 449 583 | 17 539 253 |
| **Total non-current assets** | | **4 697 897 750** | **4 800 527 754** |
| **Current Assets** | | | |
| Durable infrastructure investments | | 2 041 708 | - |
| Inventories | 12 | 1 569 041 | 1 222 618 |
| Clients | 13 | 4 342 615 | 8 007 952 |
| State and other public bodies | 21 | 4 394 694 | 4 173 639 |
| Other receivables | 13 | 18 055 213 | 18 400 998 |
| Deferrals | 14 | 57 691 347 | 55 968 913 |
| Cash and bank deposits | 4 | 18 186 353 | 24 420 301 |
| **Total current assets** | | **106 280 971** | **112 194 421** |
| **Total assets in durable infrastructure investments** | | **4 363 740 257** | **4 414 234 514** |
| **Total assets linked to operation (ML)** | | **440 438 464** | **498 487 661** |
| **Total Assets** | | **4 804 178 720** | **4 912 722 175** |

| EQUITY AND LIABILITIES | Notes | 2013 | 2012 |
|---|---|---|---|
| **Equity** | | | |
| Paid-up capital | 15 | 1 079 179 039 | 603 750 000 |
| Legal reserve | | 21 597 | 21 597 |
| Other reserves | | 1 501 878 | 1 501 878 |
| Retained earnings | | (1 539 560 250) | (1 466 173 836) |
| Other variations in equity | 16 | 19 918 353 | 22 824 584 |
| | | **(438 939 383)** | **(838 075 777)** |
| **Net result for the year** | | **(15 307 839)** | **(77 332 060)** |
| **Total equity** | | **(454 247 222)** | **(915 407 837)** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Durable infrastructure investments | 2.1 and 5 | 3 600 774 086 | 4 189 773 808 |
| Provisions | 17 | 13 212 202 | 522 537 |
| Borrowings | 18 | 691 360 435 | 753 124 597 |
| Derivatives | 10 | 210 714 948 | 230 338 909 |
| Obligations for post-employment benefits | 19 | 216 987 145 | 262 739 100 |
| **Total non-current liabilities in durable infrastructure investments** | | **3 600 774 086** | **4 189 773 808** |
| **Total non-current liabilities linked to operation (ML)** | | **1 132 274 729** | **1 246 725 143** |
| **Total non-current liabilities** | | **4 733 048 815** | **5 436 498 951** |
| **Current liabilities** | | | |
| Durable infrastructure investments | 2.1 and 5 | 298 900 953 | 241 501 175 |
| Suppliers | 20 | 1 616 266 | 1 444 281 |
| State and other public bodies | 21 | 2 597 692 | 4 106 305 |
| Borrowings | 18 | 176 977 441 | 102 295 038 |
| Other payables | 23 | 42 353 773 | 38 966 622 |
| Deferrals | 24 | 2 931 002 | 3 317 640 |
| **Total current liabilities in durable infrastructure investments** | | **298 900 953** | **241 501 175** |
| **Total current liabilities linked to operation (ML)** | | **226 476 174** | **150 129 886** |
| **Total current liabilities** | | **525 377 127** | **391 631 061** |
| **Total liabilities in durable infrastructure investments** | | **3 899 675 039** | **4 431 274 983** |
| **Total liabilities linked to operation (ML)** | | **1 358 750 903** | **1 396 855 029** |
| **Total liabilities** | | **5 258 425 942** | **5 828 130 012** |
| **Total equity and liabilities** | | **4 804 178 720** | **4 912 722 175** |

This annex is an integral part of the balance as at December 31, 2013.

**The Chief Accountant**

Dr. Carlos Emério Ferreira Mota

**The Management Board**

Dr. Pedro Gonçalo de Brito Aleixo Bogas

Dr. Luís Carlos Antunes Barroso

Dr.ª Maria Manuela Bruno de Figueiredo

## Table 14 – Income Statement by Nature for the fiscal years ended December 31, 2013 and 2012

Unit: €

| INCOME AND COSTS | Notes | 2013 | 2012 |
|---|---|---|---|
| Sales and services provided | 25 | 81 088 387 | 81 733 054 |
| Operating subsidies | 26 | 45 363 649 | 46 102 194 |
| Gains / losses imputed to subsidiaries, associates and joint ventures | 9 | (1 259 896) | ( 837 502) |
| Own work capitalised | | 1 945 091 | 4 464 959 |
| Cost of goods sold and materials consumed | 12 | (2 150 462) | (2 205 404) |
| Supplies and external services | 27 | (31 879 718) | (35 345 628) |
| Staff costs | 28 | (86 397 818) | (75 297 790) |
| Impairment of inventories (losses / reversals ) | 12 | ( 25 000) | ( 50 000) |
| Impairment of debt receivables (losses / reversals) | 13 | - | 73 712 |
| Provisions (increases / decreases) | 17 and 19 | 2 591 191 | 11 274 882 |
| Increases / decreases in fair value | 10 | 23 199 397 | (6 614 748) |
| Other income and gains | 29 | 29 336 492 | 4 611 384 |
| Other costs and losses | 30 | (11 410 347) | (2 346 811) |
| **Income before depreciation, financing costs and taxes** | | **50 400 965** | **25 562 301** |
| Costs / reversals of depreciation and amortisation | 6 and 8 | (27 910 026) | (27 718 878) |
| Impairment of depreciable / amortisable assets (losses / reversals) | 8 | 132 970 | 38 229 |
| **Operating results (before financing costs and taxes)** | | **22 623 909** | **(2 118 348)** |
| Interest and similar income received | 31 | 879 050 | - |
| Interest and similar costs borne | 31 | (38 723 273) | (75 116 318) |
| **Result before taxes** | | **(15 220 314)** | **(77 234 666)** |
| Income tax for the year | 22 | ( 87 525) | ( 97 394) |
| **Net profit / loss for the year** | | **(15 307 839)** | **(77 332 060)** |

The annex is an integral part of the income statements by nature for the year ended December 31, 2013.

**The Chief Accountant**

Dr. Carlos Emério Ferreira Mota

**The Management Board**

Dr. Pedro Gonçalo de Brito Aleixo Bogas

Dr. Luís Carlos Antunes Barroso

Dr.ª Maria Manuela Bruno de Figueiredo

## Table 1 – Cash Flow Statements for the fiscal years ended December 31, 2013 and 2012

Unit: €

| | Notes | 2013 | 2012 |
|---|---|---|---|
| **Operating activities** | | | |
| Sales of tickets and passes | | 85 826 671 | 84 864 044 |
| Operating subsidies | 3.18 | 47 882 886 | 46 480 470 |
| Clients receivables | | 9 049 365 | 12 363 933 |
| Payments to suppliers | | (30 910 102) | (53 405 680) |
| Payments to staff | | (61 237 094) | (56 247 350) |
| **Cash generated by operations** | | **50 611 726** | **34 055 417** |
| Tax payments / receivables | | (9 500 406) | (5 441 903) |
| Other payments / receivables from operating activities | | (7 358 310) | (4 640 590) |
| **Cash flows from operating activities** | | **33 753 010** | **23 972 924** |
| **Investment activities** | | | |
| **Receivables from:** | | | |
| Tangible fixed assets | | 1 534 630 | – |
| ILD investment activities – Financing subsidies | 5 | 56 447 910 | 56 357 289 |
| Interest, dividends and other similar income | | 223 302 | – |
| **Total received** | | **58 205 842** | **56 357 289** |
| **Payments relating to:** | | | |
| Tangible fixed assets | | (1 909 616) | (2 188 713) |
| ILD investment activities – Tangible fixed assets | | (14 739 745) | (40 987 506) |
| **Total payments** | | **(16 649 361)** | **(43 176 219)** |
| **Cash flow from investment activities** | | **41 556 481** | **13 181 070** |
| **Financing activities** | | | |
| **Receivables from:** | | | |
| Capital increases | | 475 429 039 | – |
| Bank loans – IGCP / DGTF | 18 | 129 885 756 | 410 833 969 |
| ILD investment activities – Bank loans – IGCP / DGTF | 5 | 282 974 244 | 237 747 877 |
| Early termination of SWAP contracts – ML | | 15 422 250 | – |
| **Total loans** | | **903 711 289** | **648 581 846** |
| **Payments relating to:** | | | |
| Bank loans | | (76 493 609) | (334 888 539) |
| ILD investment activities – Bank loans | | (198 491 967) | (71 502 576) |
| Operating lease transactions | | (10 610 120) | (12 924 985) |
| Finance lease transactions | | (30 423 708) | (22 608 703) |
| ILD investment activities – Debenture loans | | (7 731 367) | (7 731 367) |
| ILD investment activities – Interest and similar costs | | (91 216 934) | (153 477 168) |
| Early termination of SWAP contracts – ILD | 5.5 | (490 851 289) | – |
| Interest and similar costs | | (54 642 534) | (52 606 599) |
| Term deposits (escrow) | | (19 700 540) | ( 634 077) |
| Loans granted | 9 | (5 092 660) | (5 052 209) |
| **Total payments** | | **(985 254 728)** | **(661 426 223)** |
| **Cash flow from financing activities** | | **(81 543 439)** | **(12 844 377)** |
| **Variations in cash and cash equivalents (4)=(1)+(2)+(3)** | | **(6 233 948)** | **24 309 617** |
| **Cash and cash equivalents at beginning of period** | 4 | **24 420 301** | **110 684** |
| **Cash and cash equivalents at end of period** | 4 | **18 186 353** | **24 420 301** |
| **Cash** | | **15 369** | **24 634** |
| **Bank deposits** | | **18 170 984** | **24 395 667** |
| **Cash and cash equivalents at end of period** | | **18 186 353** | **24 420 301** |

The annex is an integral part of the cash flow statement for the year ended December 31, 2013.

**The Chief Accountant**

Dr. Carlos Emério Ferreira Mota

**The Management Board**

Dr. Pedro Gonçalo de Brito Aleixo Bogas

Dr. Luís Carlos Antunes Barroso

Dr.ª Maria Manuela Bruno de Figueiredo

## Table 16 – Statement of Variations in Equity for the fiscal years ended December 31, 2013 and 2012

Unit: euros

| | Notes | Paid-up capital | Legal reserve | Other reserves | Retained earnings | Other variations in equity | Net result for the year | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Position as at January 1, 2012** | | 603 750 000 | 21 597 | 1 501 878 | (1 325 608 309) | 25 730 815 | (146 052 279) | (840 656 298) |
| **Variations within the period:** | | | | | | | | – |
| Application of net result for the year ended December 31, 2010 | 15 | – | – | – | (146 052 279) | – | 146 052 279 | – |
| Recognition of subsidies | 16 | – | – | – | – | (2 906 231) | – | (2 906 231) |
| Defined benefits plan – actuarial gains and losses | 19 | – | – | – | 5 486 752 | – | – | 5 486 752 |
| Cancellation of expenses with financing set-up | | – | – | – | – | – | – | – |
| Other | | – | – | – | – | – | – | – |
| | | **603 750 000** | **21 597** | **1 501 878** | **(1 466 173 836)** | **22 824 584** | **–** | **(838 075 777)** |
| **Net result for the year** | | | | | | | (77 332 060) | (77 332 060) |
| **Overall result** | | | | | | | **(77 332 060)** | **(77 332 060)** |
| **Position as at December 31, 2012** | | **603 750 000** | **21 597** | **1 501 878** | **(1 466 173 836)** | **22 824 584** | **(77 332 060)** | **(915 407 837)** |
| **Position as at January 1, 2012** | | 603 750 000 | 21 597 | 1 501 878 | (1 466 173 836) | 22 824 584 | (77 332 060) | (915 407 837) |
| **Variations within the period:** | | | | | | | | |
| Application of net result for the year ended December 31, 2012 | 15 | – | – | – | (77 332 060) | – | 77 332 060 | – |
| Recognition of subsidies | 16 | – | – | – | – | (2 906 231) | – | (2 906 231) |
| Capital increases | | 475 429 039 | – | – | – | – | – | 475 429 039 |
| Defined benefits plan – actuarial gains and losses | 19 | – | – | – | 44 344 250 | – | – | 44 344 250 |
| Regularisation of the fair value of derivatives and loans interest | | – | – | – | ( 40 398 604) | – | – | (40 398 604) |
| | | **1 079 179 039** | **21 597** | **1 501 878** | **(1 539 560 250)** | **19 918 353** | **–** | **(438 939 383)** |
| **Net result for the year** | | | | | | | (15 307 839) | (15 307 839) |
| **Overall result** | | | | | | | **(15 307 839)** | **(15 307 839)** |
| **Position as at December 31, 2012** | | **1 079 179 039** | **21 597** | **1 501 878** | **(1 539 560 250)** | **19 918 353** | **(15 307 839)** | **(454 247 222)** |

The annex is an integral part of the statement of variations in equity for the year ended December 31, 2013.

**The Chief Accountant**

**The Management Board**

Dr. Carlos Emério Ferreira Mota

Dr. Pedro Gonçalo de Brito Aleixo Bogas

Dr. Luís Carlos Antunes Barroso

Dr.ª Maria Manuela Bruno de Figueiredo

## Notes to the financial statements as at December 31, 2013

*(Amounts expressed in Euros)*

## 1. INTRODUCTION

With the entry into force on June 26, 2009 of the relevant Decree-Law, the Metropolitano de Lisboa, E.P.E. (Corporate Public Enterprise) took on its current designation, hereafter referred to as "Company".

This change is in line with Decree-Law 148-A/2009, DR no. 122, Supplement, Series I of June 26, 2009, by the Ministry of Public Works, Transport and Communications, which approves the legal framework for Metropolitano de Lisboa, E.P.E., as well as its By-laws, thus revoking Decree-Law 439/78 of December 30.

The previous designation, Metropolitano de Lisboa, E.P., had resulted from the 1975 nationalisation of the limited liability Company Metropolitano de Lisboa, S.A.R.L., as per the Decree-Law 280-A/75, of June 5.

The Company's main purpose is the provision, on an exclusive basis, of public passenger transport services based on the use of Lisbon city's underground and that of its neighbouring municipalities, as well as the maintenance and development of the metro's network.

The Company operates within the legal framework created by general laws governing the existence and the activities of corporate public enterprises; by specific laws and by Government regulations concerning the transport sector, as well as the Company itself.

The provision of services abides by the fare policy set by the Line Ministries (Ministries of Finance and Economy), allowing the Company to benefit from the allocation of official funds, including statutory capital and investment funds, compensatory allowances and other subsidies.

These financial statements concern the Company in individual terms and were prepared in harmony with the legal framework for approval by the Management Board, the investments having been accounted for under the equity method, as stated in Note 9. The Company will present separate financial statements, including those of the companies where it holds management control or the majority of shares. Therefore, these individual financial statements were considered in equity on December 31, 2013 and net income ending at that date, the effect of consolidation of the equity and results of subsidiaries based on the corresponding financial statements, but not the effect of full consolidation of assets, liabilities, expenses and income.

The attached financial statements are expressed in Euros and were approved by the Management Board at the meeting on May 23, 2014. However, they are subject to approval by the Portuguese State, through the Line Ministries that oversee the Company's activity and hold the statutory capital, as per the specific Portuguese legal framework for public companies.

The Company's financial statements for the fiscal years ended between December 31, 2010 and 2012 have not yet been subject to formal approval by the Line Ministry. The Company's Management Board proceeded with the accounting records of the application of results for those years, in harmony with the proposals of the Company's management reports on those fiscal years, considering that such financial statements and proposed application of results will be approved without significant changes.

The Management Board considers that these financial statements accurately reflect the Company's operations, its financial position and performance, as well as its cash flows.

## 2. ACCOUNTING STANDARDS FOR FINANCIAL REPORTING

The consolidated financial statements have been recorded under the provisions in force in Portugal, as per Decree-Law 158/2009, of July 13, and in line with the conceptual framework, accounting and financial reporting standards (NCRF) and interpretive standards (NI) applicable to the fiscal year ended December 31, 2013.

### 2.1. Changes in accounting policies and restatements

For the fiscal year ended December 31, 2013, the Management Board decided to recognise all derivative financial instruments based on marked-to-market status determined by the financial institutions with which they were traded, rather than using the value determined by an independent valuer, as done in the past.

The impacts of this change in measurement reported on December 31, 2012, were recorded under "Retained earnings" and "Durable Infrastructure Investments" in assets as at December 31, 2013, in the amounts of €137,778,890 (Note 5.7) and €40,398,604 (Note 15), respectively, given the Management Board's conviction that the effect of the restatement of the financial statements as at December 31, 2012 would not be materially relevant for comparison purposes.

## 3. MAIN ACCOUNTING POLICIES

The main accounting policies used in these financial statements are as follows:

### 3.1. Basis of presentation

The financial statements have been prepared on the assumption of the ongoing operations and in line with the accrual basis of accounting, from the Company's books and records maintained in accordance with the Accounting and Financial Reporting Standards (NCRF).

### 3.2. Durable infrastructure investment activities (ILD)

Over the years, the Company assumed the responsibility of building and renovating durable infrastructures for the regular operation of the public passenger transport service, based on the use of Lisbon's underground and that of its neighbouring surroundings. This activity abides by State directives and is primarily funded through grants and loans, mainly backed by the State.

Until the 2009 fiscal year, the Company recognised on its balance sheet the assets and liabilities related to the ILD in harmony with Decree-Law 196/1980 of June 20, where the Portuguese State undertook to financially and economically restructure the Company, namely bearing the burden of ILD investments performed until December 31, 1978. The Decree-Law also states that for investments made after January 1, 1979, the State would set the outstanding amounts which it would assume, a provision which was never issued. In the 2010 and 2011 fiscal years, the Board decided to cancel the assets and liabilities related to ILD, and consequently the Company's total balance in those years decreased significantly. In the 2012 fiscal year, following the Treasury and Finance Secretary of State's Order no. 1491/12, the Board decided to resume the recording of ILD related assets and liabilities in the Company's balance sheet.

Therefore, all resulting flows from this activity are disclosed in the balance sheet under "Durable infrastructure investments", which include:

**In assets:**

- The durable infrastructures (ILD) under public domain built by the Company and over which it has the right of access in order to provide "Passenger Transport" services and "Infrastructure management", including the revaluations made in previous years;
- Materials purchased for ILD construction / repair, recorded in inventories;
- The subsidies received to co-finance ILD construction, to be deducted from investments in ILD;
- Financial charges directly incurred by loans to fund the ILD construction and repair activity, namely corresponding interest, endorsement fees and stamp duty arising from activity on behalf of the State, which were not been capitalised in ILD cost during the construction phase;
- Derivative financial instruments contracted by the Company to hedge the risk of variations in interest rates on loans obtained to finance the ILD activity, which are recognised at fair value under assets where their fair value is negative.

It should be noted that the fixed tangible and intangible assets, net of allowances and impairments under the item ILD in assets, are not being amortised (Notes 3.3 and 3.4).

**In liabilities:**

- The amounts payable to suppliers of ILD construction services;
- Loans taken out to finance ILD construction and repair activities, particularly those endorsed by the State;
- Derivative financial instruments contracted by the Company to hedge the risk of variations in interest rates on loans obtained to finance the ILD activity, which are recognised at fair value under liabilities, where their fair value is positive.

Expenditures for maintenance and repairs that do not extend the useful life of these assets are recorded as expenses in the period in which they occur, as these arise from infrastructure management activity carried out by the Company.

Under Decree-Law 196/80 of June 20, the Government settled the Portuguese State's responsibility to finance the construction of durable infrastructures carried out by the Company, defining the following types of investments:

- Studies concerning the network development;
- Galleries, stations and other ancillary or complementary buildings;
- Railway track;
- High and low voltage networks;
- Telecommunications and control systems;
- Ventilation and pumping;
- Mechanical accesses.

This commitment was fulfilled by non-refundable subsidies granted by the Portuguese State, for investments carried out until December 31, 1980 and for the corresponding finance charges incurred with these investments. At that date, the amount of investments made and the value of the subsidies granted coincided and were recorded in assets financed by the State and investment reserves, respectively.

The abovementioned Decree-Law contained a clause calling for its revision before its expiry date on December 31, 1980. However, this revision was never carried out. Hence, and from that date, funds have been allocated based on *ad hoc* legislation incorporated in the Investment Plans of the State-Owned Enterprise Sector, and in the form of share capital provisions and generic subsidies for investments and financial restructuring and, as a result, there is no correspondence between the investments made and subsidies granted.

As a consequence of the change in the recognition policy during the transition to the Accounting Standards System, the Company proceeded to quantify the interest, stamp duty, endorsement fees and financing set-up costs incurred in previous years, not borne by the State, recording them under "Durable infrastructure investments".

## 3.3. Tangible fixed assets

### Related to infrastructure management (non-durable infrastructure assets)

Tangible fixed assets are recorded at acquisition or production cost, which includes the purchasing cost, finance expenses and any costs directly attributable to the activities required to place the asset at the location and the necessary conditions for it to be operated as intended and, when applicable, the initial cost estimate for dismantling and removing the asset and restoring the installation / operation areas, which the Company expects to incur, minus accumulated amortisations and accumulated impairment losses (if applicable).

Amortisations are calculated after the goods become available for use, according to the straight line method on a monthly basis, in line with the period of estimated useful lives for each class of assets:

| Class of Assets | Years |
|---|---|
| Buildings and other constructions | 10 - 50 |
| Basic equipment: | |
| Rolling stock in operation | 14 - 28 |
| Rolling stock at the Company's service | 10 - 30 |
| Control system and telecommunications | 12 - 16 |
| Transport equipment | 04 - 5 |
| Tools and utensils | 04 - 10 |
| Office equipment | 07 - 10 |
| Other tangible assets | 04 - 10 |

It is the Board's conviction that, at any given time, the book value of the assets will be realisable either through its sale or use, assuming the continuity of operations.

The useful life and amortisation method of the various assets are reviewed annually. The effect of any variations to these estimates is recognised prospectively in the income statement.

Maintenance and repair costs (subsequent expenditure) that are unlikely to generate additional future economic benefits are recognised as costs in the period they are incurred.

Major repairs are recorded under "Tangible fixed assets" and depreciated in the same period of years of investment to which they relate.

The main spare parts are recognised as tangible fixed assets when expected to be used for more than one period.

The gain (or loss) from the disposal or write-off of a tangible fixed asset is determined as the difference between the fair value of the amount received or receivable in the transaction, and the net amount of accumulated amortisation of the asset, and it is recognised at the period in which the write-off or sale occurs as "Other income and gains" or "Other costs and losses".

**Related to durable infrastructures (ILD)**

Tangible fixed assets related to ILD are recorded under "Durable infrastructure investments" at acquisition or production cost, which includes the purchasing cost, finance expenses and any costs directly attributable to the activities required to place the asset at the location and the necessary conditions for it to be operated as intended and, when applicable, the initial cost estimate for dismantling and removing the asset and restoring the installation / operation areas, in which the Company expects to incur.

The record of amortisations related to these assets was determined for the tangible fixed assets related to infrastructure management, but only until December 31, 1997. Amortisations calculated and recorded until that date were credited directly to cost and charged to the respective revaluation reserves as their corrective factor, which are considered under "Durable infrastructure investments". Nevertheless, in practice, on December 31, 2013 the value of these amortisations is part of the value of the asset in the balance sheet. After January 1, 1998, these assets have not been amortised.

Grants obtained for financing the ILD activities are deducted from the value of tangible assets related to durable infrastructures.

## 3.4. Intangible assets

Intangible assets affected to ILD are recorded under "Durable Infrastructure investments" and mainly include studies for the development of the network, and are not currently being amortised.

## 3.5. Leases

Leases are classified as finance leases whenever their terms substantially transfer all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The classification of leases is based on the substance rather than the form of the contract.

**Leases in which the Company acts as lessor:**

The situations in which the Company acts as lessor concern rental contracts with the tenants of buildings and storey-flats owned by the Company.

These lease contracts have no defined duration in harmony with the Law on Urban Leases, and were concluded following the relocation process conducted by the Company as a consequence of the Metro's works.

According to its conditions, these contracts are classified as operating leases and the resulting remuneration recognised in the income statement for the year to which they relate.

Assets acquired through finance lease contracts, and the corresponding responsibilities, are recorded at the beginning of the lease at the lowest of the fair value of assets or the current value of minimum lease payments. Payments of finance leases are split between finance charges and reduction of responsibility, in order to obtain a constant interest rate on the pending balance of responsibility and asset amortisation. It is calculated as set out in Note 3.3 and recognised in the statement of income for the year it refers to.

Operating lease payments are recognised as costs on a straight-line basis during the lease period.

Contingent rents are recognised as costs for the period in which they are incurred.

## 3.6. Investment properties

Investment properties comprise mainly real estate owned to earn rentals or capital appreciation (or both), and are not intended for use in the production or supply of goods or services, for administrative purposes or for sale in the ordinary course of business.

Investment properties are measured at cost minus the related accumulated depreciation and impairment losses.

Depreciation is calculated after the goods have become available for use, as per the straight line method on a monthly basis, and according with the period of estimated useful lives for each class of assets.

The depreciation rates correspond to the following estimated useful lives:

| Class of Assets | Years |
|---|---|
| Buildings and other constructions | 10 - 50 |

Costs incurred related to investment property such as maintenance, repairs, insurance and taxes, are recognised as an expense in the period to which they relate. Improvements or repairs in investment properties, which are expected to generate additional future economic benefits, are capitalized under "Investment properties".

If, at the reporting date, the recoverable amount of the investment property is lower than their carrying amount, the corresponding impairment loss is recognised in the income statement for the corresponding period under "Impairment of depreciable / amortisable assets (losses / reversals)".

The recoverable amount of the asset (or cash-generating unit) is the greater of (i) the fair value minus the selling costs and (ii) the value of use. In determining the value of use, the estimated future cash flows are discounted using a discount rate that reflects market expectations about the value of money (which, in the Company's case, were found not to exist) and the asset's specific risks (or the cash-generating unit) for which the estimates of future cash flows have not been adjusted.

Reversal of impairment losses recognised in prior fiscal years is recorded when there is evidence that previously recognised impairment losses no longer exist or have decreased. A reversal of an impairment loss is recognised in the income statement under "Impairment of depreciable/amortisable assets (losses / reversals)". The reversal of the impairment loss is completed up to the amount that would be recognised (net of depreciation) if the loss had not been recorded.

The gain (or loss) from the disposal or write-off of any component of investment property is determined as the difference between the amount received in the transaction and the book value of the asset and is recorded on a net basis in the income statement as "Other income and gains "or" Other costs and losses".

## 3.7. Impairment of tangible fixed assets (non-ILD)

At each reporting date, a review of the carrying amounts of the Company's tangible fixed assets is carried out to determine whether there is any indication that they may be impaired. If there is any indicator, the recoverable amount of the respective asset (or cash-generating unit) is estimated, in order to determine the extent of the impairment loss (if any).

The recoverable amount of the asset (or cash-generating unit) is the greater of (i) the fair value minus the selling cost and (ii) the value of use. In determining the value of use, the estimated future cash flows are discounted using a discount rate that reflects market expectations about the value of money (which, in the Company's case, were found not to exist) and the risks specific to the asset (or cash-generating unit) for which the estimates of future cash flows have not been adjusted.

Whenever the carrying amount of the asset (or cash-generating unit) exceeds its recoverable amount, it is recognised as an impairment loss. The impairment loss is recognised immediately in the income statement under "Impairment of depreciable / amortisable assets (losses / reversals)", unless such loss offsets a revaluation surplus recorded in equity. In the latter case, such loss is treated as a decrease of that revaluation.

Reversal of impairment losses recognised in prior years is recorded when there is evidence that previously recognised impairment losses no longer exist or have decreased. A reversal of an impairment loss is recognised in the income statement under "Impairment of depreciable / amortisable assets (losses / reversals)". The reversal of the impairment loss is made up to the amount that would be recognised (net of depreciation) if the impairment loss had not been recorded before.

### 3.8. Financial investments in subsidiaries, associates and affiliates

Investments in subsidiaries, associates and affiliates are accounted for using the equity method. Under the equity method, financial investments are initially recorded at their acquisition cost and subsequently adjusted for the variations in the Company's share in the net assets of the corresponding entities, after the acquisition.

The results of the Company include its share in the results of these entities.

When there are indications that the asset may be impaired, an evaluation of financial investments is made, where the impairment losses that are shown to exist are recorded as costs in the income statement.

When the ratio of the Company in the accumulated losses of the subsidiary, associate or affiliate, exceeds the recorded value of the investment, then the investment is reported at nil value, except when the Company has agreed to cover the losses of the associate or affiliate, in which case additional losses determine the recognition of liability. If the associate or affiliate subsequently reports profits, the Company resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions with subsidiaries and associates are eliminated in proportion to the Company's interest therein, against the relevant investment item. Unrealised losses are similarly eliminated but only to the extent that the loss does not result in a situation in which the transferred asset is impaired.

The remaining financial investments are recorded at purchase cost, which is lower than the market value.

### 3.9. Inventories

Inventories are stated at the lower of cost or net realisable value. The cost of raw materials, subsidiaries and consumables are valued at acquisition cost, which does not exceed the respective market value. The inventories of the Company as at December 31, 2013 mainly consist of transport tickets, maintenance and cleaning equipment.

The net realisable value represents the estimated selling price minus all estimated costs necessary to complete the inventories and to make the sale. In situations where the cost value is higher than the net realisable value, an adjustment (impairment loss) is recorded for the respective difference.

Variations of the year in impairment losses of inventories are recorded under results "Impairment of inventories (losses / reversals)".

The inventory costing method adopted by the Company consists of the average cost.

### 3.10. Financial assets and liabilities

Financial assets and liabilities are recognised in the balance when the Company becomes party to the corresponding contractual provisions using the provisions of NCRF 27 – Financial instruments.

Financial assets and liabilities are thus measured according to the following criteria: (i) at cost or amortised cost and (ii) at fair value with variations recognised in the income statement.

### (i.) At cost or amortised cost

Financial assets and liabilities with the following characteristics are measured "at cost or amortised cost":

- They are on demand or with a defined maturity;
- They have an associated fixed or determinable return; and
- Are not derivative financial instruments or do not incorporate a derivative financial instrument.

Amortised cost is determined using the effective interest method. The effective interest is calculated using the rate that exactly discounts estimated future cash payments or receivables through the expected life of the financial instrument, in the net carrying amount of the financial asset or liability (effective interest rate).

Consequently, this category includes the following financial assets and liabilities:

### a) Clients and other receivables

The balances of clients and other receivables are recorded at amortised cost less any impairment losses. Usually, the amortised cost of these financial assets does not differ from its nominal value.

### b) Cash and bank deposits

The amounts included under "Cash and bank deposits" correspond to cash, bank deposits and term deposits and other treasury applications which mature within twelve months.

These assets are measured at amortised cost. Usually, the amortised cost of these financial assets does not differ from its nominal value.

### c) Other financial assets

Other financial assets include bank deposits held as collateral for a loan fulfillment. These assets are recorded at amortised cost.

### d) Suppliers and other payables

The balance for suppliers and other payables are recorded at amortised cost. Normally, the amortised cost of these financial liabilities does not differ from its nominal value.

### e) Financing obtained

Financing obtained is recorded as liabilities at amortised cost.

Any costs incurred in obtaining such financing, including bank charges and stamp duty as well as interest charges and similar expenses, are recognised using the effective interest method in the income statement over the financing period. Those costs incurred, for the period during which they are not recognised, are recorded as deducted under "Financing obtained". Interests accrued but not yet paid are shown under "Other payables".

## (ii.) At fair value with variations recognised in the income statement

All financial assets and liabilities not classified as "at cost or amortised cost" are included in the item "at fair value with variations recognised in the income statement."

Such financial assets and liabilities are measured at fair value with variations in fair value recorded in the appropriate results under "Increases / decreases in fair value".

In the case of the Metro, this category only includes the derivatives that do not qualify for hedge accounting purposes, in harmony with the provisions of NCRF 27 – Financial instruments.

## (iii.) Impairment of financial assets

Financial assets included in the category "at cost or amortised cost" are tested for impairment at each reporting date. These financial assets are impaired when there is clear evidence that, as a result of one or more events that occurred after the initial recognition, their estimated future cash flows are affected.

For financial assets measured at cost, the impairment loss recognised is the difference between the asset's carrying amount and the best estimate of the asset's fair value.

Impairment losses are recorded under "Impairment losses" in the period in which they are determined.

Subsequently, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, it must be reversed for results. The reversal should be made up to the amount that would be recognised (amortised cost) if the loss had not been initially registered. A reversal of an impairment loss is recorded under “Reversals of impairment losses”.

## (iv.) Derecognition of financial assets and liabilities

The Company derecognises financial assets only when the contractual rights to the cash flows expire for charging, or when the control of these financial assets is transferred to another entity as well as all significant risks and rewards associated with its ownership.

The Company derecognises financial liabilities only when the underlying obligation is settled, cancelled or expired.

According to the description of financial assets and liabilities, these were classified as follows:

| | | 2013 | | 2012 | |
|---|---|---|---|---|---|
| Financial assets | Notes | Derivatives (fair value) | Cost or amortised cost | Derivatives (fair value) | Cost or amortised cost |
| **Non-current:** | | | | | |
| Other receivables | 13 | – | 10 502 602 | – | 12 433 723 |
| Derivatives | 10 | 3 271 187 | – | 48 535 668 | – |
| Other financial assets | 11 | – | 36 449 583 | – | 17 539 253 |
| | | **3 271 187** | **46 952 185** | **48 535 668** | **29 972 976** |
| **Current:** | | | | | |
| Clients | 13 | – | 4 342 615 | – | 8 007 952 |
| Company subsidiaries | 32 | – | – | – | – |
| Advances to suppliers | | | | – | – |
| Other accounts receivable | 13 | – | 18 055 213 | – | 18 400 998 |
| Cash and bank deposits | 4 | – | 18 186 353 | – | 24 420 301 |
| | | **0** | **40 584 181** | **0** | **50 829 251** |
| | | 3 271 187 | 87 536 366 | 48 535 668 | 80 802 227 |

| | | 2013 | | 2012 | |
|---|---|---|---|---|---|
| Financial liabilities | Notes | Derivatives (fair value) | Cost or amortised cost | Derivatives (fair value) | Cost or amortised cost |
| **Non-current:** | | | | | |
| Financing obtained | 18 | – | 691 360 435 | – | 753 124 597 |
| Derivatives | 10 | 210 714 948 | – | 230 338 909 | – |
| | | **210 714 948** | **691 360 435** | **230 338 909** | **753 124 597** |
| **Current:** | | | | | |
| Suppliers | 20 | – | 1 616 266 | – | 1 444 281 |
| Financing obtained | 18 | – | 176 977 441 | – | 102 295 038 |
| Other accounts payable | 23 | – | 42 353 773 | – | 38 966 622 |
| | | **0** | **220 947 480** | **0** | **142 705 941** |
| | | 210 714 948 | 912 307 915 | 230 338 909 | 895 830 538 |

## 3.11. Financial costs on loans obtained

Financial charges related to financing obtained are recognised as costs as they are incurred.

Financial charges on loans obtained directly related to the acquisition and construction of assets, are capitalised as part of the asset’s cost. The capitalisation of these costs begins after the start of the preparation of the asset’s construction activities and is interrupted at the beginning of its use; the final construction of the asset or when the asset in question is suspended. Any income generated by loans obtained in advance, related to a specific investment, is deducted from the borrowing costs eligible for capitalisation.

Under Decree-Law 196/80 of June 20, the Government settled the principle that it was the Portuguese State’s responsibility to fund the Metro’s ILD. This commitment was carried out through non-refundable grants awarded by the Portuguese State for investments up to December 31, 1980 and all finance charges incurred with these investments until that date. Under this principle, the Company proceeded to quantify the financial costs incurred since December 31, 1995, and under “Durable infrastructure investments”, as mentioned in Note 3.2.

## 3.12. Income tax

The Company is subject to Corporate Income Tax at the rate of 23%.

The calculation of the current tax is based on taxable income. Taxable profit differs from accounting income as it excludes several expenses and income that are only taxable or deductible in other years, as well as costs and income that are not taxable or deductible. In the Company's case, the current tax corresponds to the autonomous taxation payable, mainly originated by costs incurred during the fiscal year with passenger and mix-use vehicles, travel, representation or public relations' expenses.

The Company has not recorded deferred taxes which are not fully quantified to the date. The deferred tax assets would correspond to tax losses and non-tax deductible provisions, and deferred tax liabilities would correspond to non-tax deductible amortisation of revalued assets, and capital gains tax with deferred taxation.

In the years ranging from December 31, 2008 to 2013, several situations led to the recording of deferred tax assets, in the approximate amount of €163,000,000 concerning tax losses and non-tax deductible provisions, which were not recognised because there was no reasonable expectation of sufficient future taxable profits to use these deferred tax assets.

## 3.13. Government grants (non-ILD)

Government grants are recognised only when there is reasonable certainty that the Company will comply with the conditions for being granted such subsidies and that they will be received.

Government grants concerning the acquisition or production of non-current assets are initially recognised in equity under "Other variations in equity" and subsequently allocated, on a systematic basis (in proportion to the amortisation of the underlying assets), as income for the year during the useful lives of the assets to which they relate.

Other Government grants are, in general, recognised as income on a systematic basis over the periods necessary to balance with spending they are supposed to compensate. Government grants that are intended to compensate for losses already incurred or that have no associated future costs are recognised as income in the period in which they become receivable.

## 3.14. Provisions, contingent assets and liabilities

Provisions are recognised when the Company has a present obligation (legal or implicit) arising from a past event and it is probable that the settlement of this obligation will require an outflow of resources and the amount of the obligation can be reasonably estimated. Provisions are reviewed on each balance sheet date and are adjusted to reflect the best estimate at that date.

Contingent liabilities are not recognised in the financial statements but are disclosed when the possibility of an outflow of resources embodying economic benefits is not remote. Contingent assets are not recognised in the financial statements but are disclosed when it is probable there will be an inflow of future economic resources.

## 3.15. Post-employment benefits

### Established benefit plan

The Company has an established plan for supplemental retirement (old age, disability and survival) paid by Social Security. The Company's liabilities concerning this plan are determined by the method of projected credit unit, the respective actuarial valuations being carried out at each reporting date, performed according to internationally accepted actuarial methods and assumptions, in order to meet the value of the liabilities at the balance sheet date and the expenses with pensions to be recorded during the fiscal year.

The liability associated with the guaranteed benefits recognised in the balance sheet, represents the current value of the corresponding obligation, adjusted for actuarial gains and losses and the cost of unrecognised past services minus the fair value of the plan's assets.

Actuarial gains and losses are recognised directly in equity in the fiscal year during which they are determined.

The benefits identified by the Company to calculate these liabilities are:

a) Supplementary retirement, disability and survival pensions;

b) Pre-pension plans.

**Health care**

The Company has also committed to certain responsibilities to pay employees, up to retirement age, health care benefits which are not recorded in the balance sheet as at December 31, 2013. To meet these responsibilities, the Company secured health insurance for its active staff allowing access to medical care subsidised by the Company. These costs are recorded in the income statement in the year in which they are paid.

## 3.16. Derivative financial instruments

The Company uses derivative financial instruments for loans taken out to finance activities related to the management of infrastructures and ILD affections.

These derivative financial instruments are recorded initially at fair value at the date they are hired. At each reporting date they are again measured at fair value, with the corresponding gain or loss from remeasuring recorded immediately in the income statement, unless such instruments are designated as hedging instruments. When this is the case, the corresponding gain or loss from the remeasurement should be recognised in results when the hedged position affects the results.

Derivative financial instruments that do not meet all the requirements of NCRF 27 – Financial Instruments used for hedge accounting are considered speculative.

The valuation of these derivative financial instruments at the end of each fiscal year is performed in line with the valuation of the banks with which they were contracted, as described in Note 2.1.

On December 31, 2013 and 2012 the Company did not classify any financial derivative instruments as hedge, as a result of not complying with the NCRF 27 requirements.

In the case of derivative financial instruments contracted by the Company for the financing activity associated with infrastructure management, if the fair value is positive it is recognised as a financial asset under “Derivatives”, and if the fair value is negative, it is recognised as a financial liability under “Derivatives”. Variations in fair value of these derivative financial instruments are recognised in the income statement in the fiscal year in which they occur under “Increases / decreases in fair value”.

In the case of financial instruments contracted by the Company concerning loans to finance the ILD activity, these are recognised under “Durable infrastructure investments” in assets or liabilities, depending on whether the fair value at the reporting date is negative or positive, respectively, with variations in fair value recognised in these items at each balance sheet date, and the effect of variations in fair value is nil in this case.

## 3.17. Balance sheet classification

Assets realisable and liabilities payable more than one year from the balance sheet date are classified as non-current assets and liabilities, respectively.

## 3.18. Revenue

Revenue is measure at the fair value of the consideration received or receivable. Revenue is recognised net of the amount of returns, discounts and other write-offs and does not include VAT and other taxes paid related to the sale.

Revenue from service provision is recognised based on the percentage of completion of the transaction / service, provided that the following conditions have been met:

- The amount of revenue can be reliably measured;
- It is probable that future economic benefits associated with the transaction will flow to the Company;
- The costs incurred or to be incurred on the transaction can be reliably measured;
- The stage of completion of the transaction / service can be reliably measured.

Revenue from the provision of services comprises revenue from sales of Metro’s own tickets and a share of revenue from sales of multimodal passes valid for the Metro and other urban and suburban transport services provided by other operators, where fares are set by the State.

The Company records revenue related to the provision of services as follows:

- Multimodal passes – The revenue from multimodal passes sold by the Company and other transport operators is distributed among the operators based on a monthly split determined by the Institute for Mobility and Transport (IMT, I.P.).

  This distribution is calculated according to statistical indexes that take into account the level of use of the Company's services and that of each of the other operators.

- Tickets and pre-paid tickets - The Company records this revenue at the time of ticket sales.

Interest revenue is recognised using the effective interest method, provided that it is probable that the economic benefits will flow to the Company and the amount can be reliably measured.

Non-refundable compensatory allowances are allocated by the State to the Company to partially finance its operations, in compliance with the public service obligations, recorded under "Operating subsidies" in the fiscal year during which they are allocated.

### 3.19. Departmental costs included in ILD

The internal running costs of the various management services not working exclusively for the investment are recorded at 10% of the value of current investments.

These costs are recorded under durable infrastructure investments – ILD (assets financed by the State), equipment and studies for operating rolling stock and depot and workshops (assets financed by the Company) (Notes 5 and 6), for these are the longest term, most technically complex, and hence require a more intensive manpower management.

### 3.20. Transactions and balances in foreign currency

Transactions in foreign currencies (other than the functional currency of the Company) are recorded at the exchange rates at each the dates of the transactions. At each reporting date, the carrying amounts of monetary items denominated in foreign currency are restated at the exchange rate of that date.

Exchange differences arising on the date of receipt or payment of foreign currency transactions and the resulting updates mentioned above, are recorded in the income statement for the period in which they are generated.

### 3.21. Accruals

The Company records its income and costs according to the accrual principle by which income and costs are recognised as they are generated, irrespective of the time they were received or paid. The difference between the amounts received and paid and the corresponding income and costs are recorded as assets or liabilities.

### 3.22. Critical value judgements and main sources of uncertainty associated with estimates

For the preparation of the appended financial statements, financial reporting judgments and estimates were made, as well as various assumptions that affect the reported amounts of assets and liabilities and the reported amounts of income and costs for the period.

The underlying estimates and assumptions were determined by reference to the reporting date, based on the best information available at the date of approval of the financial statements of events and transactions in progress, as well as the experience of past and / or current events. However, situations may occur in subsequent periods that are not foreseeable at the date of approval of the financial statements and, therefore, were not considered in these estimates. Variations to the estimates that occur after the date of the financial statements will be adjusted prospectively. For this reason and given the degree of uncertainty associated, the actual results of the transactions in question may differ from the corresponding estimates.

The main value judgements and estimates made in the preparation of these financial statements were as follows:

a) Useful lives of tangible fixed assets;

b) Impairment analysis for tangible fixed assets;

c) Loss on impairment of receivables – these are calculated taking into account the overall risk for the collection of accounts receivable;

d) Determination of fair value of derivative financial instruments – which as at December 31, 2013 and 2012 was determined by the entity with which they were contracted;

e) Determination of liabilities for retirement benefits – at the end of each fiscal year, an actuarial valuation of pension liabilities prepared by the actuary is carried out.

### 3.23. Subsequent events

Events after the balance sheet date that provide additional information about the existing conditions at the balance date ("adjusting events") are reflected in the financial statements. Events after the balance sheet date that provide information about conditions that occurred after the balance date ("non adjusting events") are disclosed in the financial statements, if considered relevant.

## 4. Cash and cash equivalents

For statement purposes of cash flows, cash and cash equivalents include cash, bank deposits immediately available (three months or less maturity) and cash investments in money market instruments, net of bank overdrafts and other short-term financing equivalent. Cash and cash equivalents as at December 31, 2013 and 2012 were as follows:

| Cash flows | 2013 | 2012 |
|---|---|---|
| Cash | 15 369 | 24 634 |
| Bank deposits available on demand | 18 170 984 | 24 395 667 |
| | **18 186 353** | **24 420 301** |

## 5. Durable infrastructure investments

The balance under "Durable infrastructure investments" results from the activity of infrastructure investments made by the Company, and is broken down by asset and liability items as follows:

| | Notes | 2013 | 2012 |
|---|---|---|---|
| **Investment activities with ILD** | | | |
| **Non-current assets** | | | |
| Tangible fixed assets | 5.1 | 3 073 855 435 | 3 069 719 658 |
| Intangible assets | 5.2 | 6 919 091 | 6 908 225 |
| Subsidies | 5.3 | (983 543 839) | (927 095 929) |
| | | **2 097 230 687** | **2 149 531 954** |
| Other accounts receivable - State | 5.4 | 2 264 467 862 | 2 264 702 560 |
| | | **4 361 698 549** | **4 414 234 514** |
| Current assets | | | |
| Other accounts receivable | 5.9 | 2 041 708 | 0 |
| | | **2 041 708** | **0** |
| **Total assets** | | **4 363 740 257** | **4 414 234 514** |
| **Non-current liabilities:** | | | |
| Provisions | 5.4.1 | 19 729 602 | 7 675 514 |
| Financing obtained | 5.5 | 3 135 580 620 | 3 118 266 680 |
| Derivatives | 5.6 | 445 463 864 | 1 063 831 614 |
| | | **3 600 774 086** | **4 189 773 808** |
| Current liabilities: | | | |
| Suppliers | 5.7 | 2 267 294 | 7 119 053 |
| Financing obtained | 5.5 | 265 660 304 | 206 223 333 |
| Other accounts payable | 5.8 | 30 973 355 | 28 158 790 |
| | | **298 900 953** | **241 501 175** |
| **Total liabilities** | | **3 899 675 039** | **4 431 274 983** |
| Total net ILD | | **464 065 218** | **(17 040 471)** |

The change in net balance of ILD compared to December 31, 2012, is mainly due to the early settlement of 34 SWAP contracts, which resulted in the payment of €490,851,289, as described in Note 5.7.

## 5.1. Tangible fixed assets

During the years ended December 31, 2013 and 2012, variations in the carrying amount of tangible fixed assets were as follows:

| | December 31, 2013 | | | | | |
|---|---|---|---|---|---|---|
| Gross assets | Initial balance | Revaluations | Initial balance (historic cost) | Increases | Transfers / Write-offs | Final balance |
| **Tangible fixed assets - ILD** | **3 140 144 000** | **(199 062 008)** | **2 941 081 992** | **5 559 606** | **26 160 668** | **2 972 802 266** |
| Land and natural resources | 16 098 382 | (2 388 442) | 13 709 940 | 216 595 | 0 | 13 926 535 |
| Buildings and other constructions | 2 692 985 861 | (176 310 029) | 2 516 675 832 | 5 194 330 | 11 727 138 | 2 533 597 300 |
| Basic equipment | 431 059 757 | (20 363 537) | 410 696 220 | 148 681 | 14 433 530 | 425 278 431 |
| **Tangible fixed assets in progress** | **125 926 855** | **0** | **125 926 855** | **3 126 216** | **(29 881 145)** | **99 171 926** |
| Land and natural resources | 32 112 | 0 | 32 112 | 0 | 0 | 32 112 |
| Buildings and other constructions | 102 362 526 | 0 | 102 362 526 | 1 217 841 | (15 430 702) | 88 149 665 |
| Basic equipment | 23 532 217 | 0 | 23 532 217 | 1 908 375 | (14 450 443) | 10 990 149 |
| **Advance payments for tangible fixed assets** | **3 295 531** | **0** | **2 710 812** | **0** | **(829 569)** | **1 881 243** |
| **Total gross tangible fixed assets - ILD** | **3 269 366 386** | **(199 062 008)** | **3 069 719 658** | **8 685 822** | **(4 550 046)** | **3 073 855 435** |

The additions in the fiscal year ended December 31, 2013 under "Tangible fixed assets in progress – basic equipment" in the amount of €1,908,375 refer essentially to the Oriente / Aeroporto undertaking for €768,079, and €855,342 for network remodelling works.

The write-offs during the fiscal year 2013 relate primarily to the reduction of advances granted for to the Oriente / Aeroporto undertaking, Remodelling of the Network and Areeiro Station, in the amount of €851,822, €693,006 and €158,816 respectively.

The transfers occurred during the 2013 fiscal year for the items "Tangible fixed assets – buildings and other constructions" and "Tangible fixed assets – basic equipment", amounting to €15,430,702 and €14,450,443 respectively, refer essentially to the transfer from tangible fixed assets in progress of costs related to the Oriente / Aeroporto undertaking, as a consequence of the opening of the station during the 2012 fiscal year.

On December 31, 2013, the amount of €99,171,926 recorded in the item "Tangible fixed assets in progress" mainly includes €53,431,060 for the Amadora Este / Reboleira expansion project and €5,253,492 for the Oriente / Aeroporto undertaking.

| | December 31, 2012 | | | | | |
|---|---|---|---|---|---|---|
| Gross assets | Initial balance | Revaluations | Initial balance (historic cost) | Increases | Transfers / Write-offs | Final balance |
| **Tangible fixed assets - ILD** | **2 949 856 076** | **(199 062 008)** | **2 750 794 068** | **4 238 086** | **186 049 838** | **2 941 081 992** |
| Land and natural resources | 15 986 399 | (2 388 442) | 13 597 957 | 0 | 111 983 | 13 709 940 |
| Buildings and other constructions | 2 522 676 353 | (176 310 029) | 2 346 366 324 | 2 660 695 | 167 648 813 | 2 516 675 832 |
| Basic equipment | 411 193 324 | (20 363 537) | 390 829 787 | 1 577 391 | 18 289 042 | 410 696 220 |
| **Tangible fixed assets in progress** | **285 515 682** | **0** | **285 515 682** | **26 460 146** | **(186 048 974)** | **125 926 854** |
| Land and natural resources | 143 997 | 0 | 143 997 | 97 | (111 983) | 32 112 |
| Buildings and other constructions | 251 305 582 | 0 | 251 305 582 | 18 704 893 | (167 647 949) | 102 362 526 |
| Basic equipment | 34 066 103 | 0 | 34 066 103 | 7 755 156 | (18 289 042) | 23 532 217 |
| **Advance payments for tangible fixed assets** | **3 295 531** | **0** | **3 295 531** | **0** | **(584 719)** | **2 710 812** |
| **Total gross tangible fixed assets - ILD** | **3 238 667 289** | **(199 062 008)** | **3 039 605 281** | **30 698 232** | **(583 855)** | **3 069 719 658** |

The additions in the year ended December 31, 2012 in the items "Tangible fixed assets in progress - buildings and other constructions" and "Tangible fixed assets in progress - basic equipment" in the amount of €26,460,146, refer essentially to the undertakings Oriente / Aeroporto for €18,792,432, Alameda / S. Sebastião in €1,587,152 and network remodelling for €2,282,516.

The write-offs during the 2012 fiscal year primarily concern the reduction of advances granted for the Oriente / Aeroporto and the Alameda / S. Sebastião undertakings in the amounts of €533,127, €404,170 and €128,957, respectively.

Transfers occurred during 2012 for the items “Tangible fixed assets - buildings and other constructions” and “Tangible fixed assets - basic equipment”, in the amounts of €167,648,813 and €18,289,042 respectively, refer essentially to the transfer of ongoing tangible fixed asset costs linked to the Oriente / Aeroporto undertaking, as a consequence of the opening of the station during the 2012 fiscal year.

On December 31, 2012, the amount of €125,926,854 recorded under "Tangible fixed assets in progress", mainly includes €52,288,527 for the expansion project of the Amadora Este / Reboleira undertaking and €30,966,357 for the Oriente / Aeroporto undertaking.

During the year ended December 31, 2013, the Company paid compensation for damages caused by the network expansion works through cash benefits in the amount of €600,281 (€186,791 as at December 31, 2012).

On December 31, 2013 the tangible fixed assets in progress under “Land and natural resources”, “Buildings and other constructions” and “Basic equipment”, amounting to €32,112 Euros, €88,149,665 and €10,990,149 respectively, are as follows:

| 2013 | Land and natural resources | Buildings and other constructions | Basic equipment |
|---|---|---|---|
| Network remodelling | 0 | 13 295 128 | 3 845 868 |
| Rato / Estrela extension | 0 | 1 456 432 | 0 |
| Amadora Este / Reboleira extension | 0 | 52 376 084 | 861 989 |
| S. Sebastião / Campolide extension | 0 | 3 061 938 | 389 360 |
| Cais do Sodré Interface | 0 | 13 025 640 | 1 264 810 |
| Oriente / Aeroporto extension | - | 13 296 274 | 17 955 536 |
| Promotion of accessibility | 0 | 1 630 898 | 0 |
| Other | 32 112 | (9 992 729) | (13 327 414) |
| | 32 112 | 88 149 665 | 10 990 149 |

The amounts of (€9,992,729) and (€13,327,414) concern transfers occurring during the year ended December 31, 2013 to the corresponding tangible fixed assets items.

Cost value of tangible fixed assets (including those in progress) as at December 31, 2013 and 2013, includes the following additional expenses:

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| Capitalised costs | Tangible | Tangible in progress | Total | Tangible | Tangible in progress | Total |
| Departmental expenses | 67 585 309 | 6 086 648 | 73 671 957 | 66 480 672 | 5 539 415 | 72 020 087 |
| | 67 585 309 | 6 086 648 | 73 671 957 | 66 480 672 | 5 539 415 | 72 020 087 |

## 5.2. Intangible assets

During the years ended 2013 and 2012, the movements in the carrying amount of intangible assets were as follows:

| | Dezember 31, 2013 | | | |
|---|---|---|---|---|
| Gross assets | Initial balance | Increases | Transfers / Write-offs | Final balance |
| **Intangible assets - ILD** | | | | |
| Research and development expenses | 3 151 465 | - | 1 198 | 3 152 663 |
| Setup expenses | 2 019 827 | - | - | 2 019 827 |
| Intangible assets in progress | 1 736 932 | 10 867 | (1 198) | 1 746 601 |
| **Total gross intangible assets - ILD** | 6 908 224 | 10 867 | - | 6 919 091 |

The amount of €1,198 transferred to the item "Research and development expenditure" concerns risk analysis services carried out for the Red line.

| Gross assets | December 31, 2012<br>Initial balance | Increases | Transfers / Write-offs | Final balance |
|---|---|---|---|---|
| **Intangible assets - ILD** | | | | |
| Research and development expenses | 1 437 156 | 333 | 1 713 976 | 3 151 465 |
| Setup expenses | 2 019 827 | - | - | 2 019 827 |
| Intangible assets in progress | 3 426 734 | 24 175 | (1 713 976) | 1 736 933 |
| **Total gross intangible assets - ILD** | **6 883 717** | **24 508** | **-** | **6 908 225** |

The sum of €1,713,976 transferred to the item "Research and development expenditure" pertains mainly to: (i) the executive project for Geotechnical and Geological prospection on the Red line in the amount of €558,763; (ii) the Red line Oriente / Aeroporto extension project in the amount of €451,370; and (iii) the demand analyses carried out for the extension of the Red and Green lines totalling €110,000.

The cost value of intangible assets, as at December 31, 2013 and 2012, includes the amount of €10,867 and €16,458 respectively, relating to departmental costs capitalised in the asset value.

## 5.3. Subsidies

The movement in subsidies for the year ended December 31, 2013 was as follows:

| Description | December 31, 2013<br>Initial balance | Increases | Decreases | Final balance |
|---|---|---|---|---|
| FEDER | 229.464.397 | - | - | 229.464.397 |
| PIDDAC | 169.615.115 | 4.807.009 | - | 174.422.124 |
| Cohesion Fund | 323.499.021 | 51.640.901 | - | 375.139.922 |
| Other subsidies | 204.517.396 | - | - | 204.517.396 |
| **Total subsidies** | **927.095.929** | **56.447.910** | **-** | **983.543.839** |

The increase in the year ended December 31, 2013 amounting to €56,447,910 mainly refers to subsidies allocated under: (i) the Cohesion Fund, as reimbursement for the costs on the S. Sebastião / Alameda extension, in the amount of €45,292,616, and the Oriente / Aeroporto extension, in the amount of €4,763,283; (ii) PIDDAC, in the amount of €4.807.009 for the Oriente / Aeroporto extension.

## 5.4. Receivables from the State

This item refers to the receivables from the Portuguese State concerning durable infrastructure investment activities, broken down as follows:

| Description | Notes | 2013 | 2012 |
|---|---|---|---|
| Financial instruments | 5.7 | 445.463.864 | 1.063.831.614 |
| Provisions for legal proceedings in progress | 5.4.1 | 19.729.602 | 7.675.514 |
| Interest, sureties and stamp duty | 5.4.2 | 1.489.488.945 | 883.409.981 |
| Issue expenses | 5.4.2 | 20.230.150 | 20.230.150 |
| Initial balance corrected on transition to the NCRF | 5.4.2 | 289.555.301 | 289.555.301 |
| | | **2.264.467.862** | **2.264.702.560** |

### 5.4.1. Provisions for legal proceedings in progress

The amount of €19,729,602 on December 31, 2013 (€7,675,514 on December 31, 2012) includes: (i) the amount of €9,219,680 related to the provision recorded for the cases that were brought into the resolution phase as a result of investments made; and (ii) the amount of €10,235,631 relating to accrued and unpaid interest, in the months of September and December 2013, to the bank with which the two related derivative financial instruments were contracted, as a consequence of the decision by the Line Ministry and the Portuguese State to suspend such payments during the ongoing case proceedings in a London Court, brought by the bank against the Portuguese State.

Thus, on December 31, 2013, overdue liabilities are reflected in the financial statements under the ILD item, as well as the amount of expenses that the Company will incur with these proceedings in case of a favourable outcome, which are estimated at December 31, 2013 in the amount of €274,291 and reflected under "Provision for legal proceedings in progress."

### 5.4.2. Loan costs

The balance of loan costs refers to expenses incurred by the Company, with loans taken out to finance the durable infrastructure investment activity that were not subject to capitalisation in the built ILD.

As mentioned in Note 3.11, the Company quantified the financial costs incurred with ILD that were not capitalised therein. However, given the difficulty in quantifying the amount, the Company only reflected the financial costs incurred from 1995 onwards, which had previously been recorded under "Retained earnings", to the item "Durable infrastructure investments – Loan costs", as the Management Board decided to include in this item the amount of €289,555,301 for interest and other charges incurred by the Company prior to 1995, against "Retained earnings", which were used to pay off the balance of ILD. On December 31, 2013 and 2012, loans costs were as follows:

| Description | 2013 | 2012 | Year variation |
|---|---|---|---|
| Interest, stamp duty sureties and early termination | 1.489.488.945 | 883.409.981 | 606.078.964 |
| Issue expenses | 20.230.150 | 20.230.150 | - |
| Initial balance corrected on transition to the NCRF | 289.555.301 | 289.555.301 | - |
| Total loan costs | 1.799.274.396 | 1.193.195.432 | 606.078.964 |

The increase in "Interest, endorsement fee stamp duty and 'early termination'" in the amount of €606,078,964, includes: (i) €115,227,675 for the interest on loans taken out and financial instruments associated with these financings during the year 2013; and (ii) €490,851,289 on the expenses incurred with the settlement of financial instruments during the 2013 fiscal year (Note 5.7).

In addition, on December 31, 2013 and 2012 the cost capitalised under "Intangible assets", "Tangible fixed assets" and "Tangible assets in progress" is detailed as follows:

| | December 31, 2013 | | | | December 31, 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| Description | Intangible | Tangible | In progress | Total | Intangible | Tangible | In progress | Total |
| Loan costs | 150.125 | 297.349.532 | 10.282.040 | 307.781.697 | 139.258 | 297.349.532 | 9.457.371 | 306.946.161 |
| | 150.125 | 297.349.532 | 10.282.040 | 307.781.697 | 139.258 | 297.349.532 | 9.457.371 | 306.946.161 |

## 5.5. Other receivables

The balance of other receivables refers to a contractual penalty corresponding to the debit made to the contractor as a consequence of delays in the delivery of the expansion and remodelling works in the Areeiro station.

## 5.6. Financing obtained

The breakdown of financing obtained for ILD activities on December 31, 2013 and 2012 is as follows:

| | | 2013 | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Bank | Limit | Current | Non-current | Total | Limit | Current | Non-current | Total |
| **Debenture loans** | | | | | | | | | |
| "Private placement" Issue | Merrill Lynch | 77.313.674 | 7.731.367 | 15.462.735 | 23.194.102 | 77.313.674 | 7.731.367 | 23.194.102 | 30.925.469 |
| Metro 2019 Issue | JP Morgan | 400.000.000 | - | 400.000.000 | 400.000.000 | 400.000.000 | - | 400.000.000 | 400.000.000 |
| Metro 2026 Issue | BNPP | 400.000.000 | - | 400.000.000 | 400.000.000 | 400.000.000 | - | 400.000.000 | 400.000.000 |
| Metro 2027 Issue | Barclays | 400.000.000 | - | 400.000.000 | 400.000.000 | 400.000.000 | - | 400.000.000 | 400.000.000 |
| Metro 2025 Issue | DBI, AG | 110.000.000 | - | 110.000.000 | 110.000.000 | 110.000.000 | - | 110.000.000 | 110.000.000 |
| | | | **7.731.367** | **1.325.462.735** | **1.333.194.102** | | **7.731.367** | **1.333.194.102** | **1.340.925.469** |
| **Bank loans** | | | | | | | | | |
| ML A | BEI | 57.193.405 | 3.183.611 | 9.550.832 | 12.734.443 | 57.193.405 | 3.087.708 | 12.734.442 | 15.822.150 |
| ML B | BEI | | - | - | - | | | | - |
| ML I/2 | BEI | 234.435.012 | 18.000.000 | 83.579.594 | 101.579.594 | 234.435.012 | 18.000.000 | 101.579.594 | 119.579.594 |
| ML II | BEI | 74.819.685 | 4.987.979 | 24.939.895 | 29.927.874 | 74.819.685 | 4.987.979 | 29.927.874 | 34.915.853 |
| ML III | BEI | 54.867.769 | 5.584.000 | 30.703.084 | 36.287.084 | 54.867.769 | 5.584.000 | 36.287.084 | 41.871.084 |
| ML II/B | BEI | 99.759.579 | 6.650.639 | 39.903.832 | 46.554.471 | 99.759.579 | 6.650.639 | 46.554.471 | 53.205.110 |
| ML II/C | BEI | 54.867.769 | 3.657.851 | 27.433.884 | 31.091.735 | 54.867.769 | 3.657.851 | 31.091.736 | 34.749.587 |
| ML IV | BEI | 169.591.285 | 22.400.000 | 85.104.090 | 107.504.090 | 169.591.285 | 22.400.000 | 107.504.090 | 129.904.090 |
| ML I/3 | BEI | 124.699.474 | 7.038.498 | 108.819.056 | 115.857.554 | 124.699.474 | 7.134.398 | 115.857.552 | 122.991.950 |
| ML I/3B | BEI | 74.819.685 | - | 74.819.685 | 74.819.685 | 74.819.685 | - | 74.819.685 | 74.819.685 |
| ML V/A | BEI | 150.000.000 | - | 150.000.000 | 150.000.000 | 150.000.000 | - | 150.000.000 | 150.000.000 |
| ML V/B | BEI | 80.000.000 | - | 80.000.000 | 80.000.000 | 80.000.000 | - | 80.000.000 | 80.000.000 |
| ML V/C | BEI | 80.000.000 | - | 80.000.000 | 80.000.000 | 80.000.000 | - | 80.000.000 | 80.000.000 |
| Emp. LP 613,9 MEUR | DGTF (part) | 507.957.564 | 126.989.390 | 253.978.782 | 380.968.172 | 507.957.564 | 126.989.391 | 380.968.173 | 507.957.564 |
| Emp. LP 648,6 MEUR | DGTF (part) | 237.747.877 | 59.436.969 | 178.310.908 | 237.747.877 | 237.747.877 | - | 237.747.877 | 237.747.877 |
| Emp. LP 412,9 MEUR | DGTF (part) | 282.974.244 | - | 282.974.244 | 282.974.244 | - | - | - | - |
| | | | **257.928.937** | **1.510.117.885** | **1.768.046.822** | | **198.491.966** | **1.485.072.578** | **1.683.564.544** |
| **Other loans obtained** | | | | | | | | | |
| Schuldschein | ABN AMRO | 300.000.000 | - | 300.000.000 | 300.000.000 | 300.000.000 | - | 300.000.000 | 300.000.000 |
| | | | **-** | **300.000.000** | **300.000.000** | | **-** | **300.000.000** | **300.000.000** |
| **Credit lines** | | | | | | | - | - | - |
| **Total loans obtained** | | | **265.660.304** | **3.135.580.620** | **3.401.240.924** | | **206.223.333** | **3.118.266.680** | **3.324.490.013** |

The debenture loan "Private Placement" was taken out on October 7, 1996 for a period of twenty years, with SWAP/PTE for the issuing total final amount. Repayment is made in equal instalments from the tenth year onwards.

The debenture loan "Metro 2019" was taken out on February 4, 2009, for a period of ten years at a fixed rate and with a warranty from the State. The applicable law is the Portuguese Law.

The debenture loan "Metro 2027" was contracted in December 7, 2007, for a period of twenty "bullet" years at a fixed rate, with a warranty from the State. The applicable law is the Portuguese Law, except for the subscription agreement in which the English Law applies.

The issue was admitted to trading on Euronext Lisbon.

In the year ended December 31, 2010, the Company contracted a debenture loan in the amount of €85,000,000 for a period of 15 years, with the endorsement of the State, which during the year ended December 31, 2011 was increased by €25,000,000. The applicable law is the Portuguese Law.

During the year ended December 31, 2011, given the condition of the financial markets, including the stock market, it was not possible to issue long-term bonds, whereby the Company contracted with the Directorate General of Treasury and Finance (DGTF) funding in the amount of €613.932,000, of which €507,957,564 are associated with liabilities with durable infrastructures (ILD), for a period of 5 years, repayable in 8 equal half yearly instalments, the first of which in May 2013.

During the year ended December 31, 2012, given the condition of the financial markets, including the stock market, it was not possible to issue long-term bonds, whereby the Company contracted with the DGTF funding in the amount of €648,581,846, of which €237,747,877 are associated with liabilities with durable infrastructures (ILD), for a period of 5 years, repayable in 8 equal half yearly instalments, the first of which in May 2014.

During the year ended December 31, 2013, given the condition of the financial markets, including the stock market, it was not possible to issue long-term bonds, whereby the Company contracted with the DGTF funding in the amount of

€412,860,000, of which €282,974,244 are associated with liabilities with durable infrastructures (ILD), for a period of 6 years, repayable in 12 equal half yearly instalments, the first of which in May 2015.

On December 31, 2013, these loans classified as non-current liabilities, had the following amortisation schedule:

| Years | Amount |
|---|---|
| 2015 | 7.731.367 |
| 2016 | 7.731.367 |
| 2017 | - |
| 2018 and following | 1.310.000.001 |
| | **1.325.462.735** |

The share of bank loans and other loans classified as non-current have the following repayment schedule:

| Years | Amount |
|---|---|
| 2015 | 305.091.310 |
| 2016 | 305.091.310 |
| 2017 | 178.101.919 |
| 2018 | 118.664.950 |
| 2019 and following | 603.168.396 |
| | **1.510.117.885** |

On December 31, 2013 and 2012, financing obtained with associated covenants, including those that are associated with the Portuguese Republic rating or that include custody clauses, are broken down as follows:

| Contract | Amount owed on 31-12-2012 | Term | Guarantees | Pari Passu | Custody clause | Rating | Cross default | Other relevant clauses |
|---|---|---|---|---|---|---|---|---|
| BEI - ML A | 12.734.442 | 05-12-2017 | No | No | No | No | Yes | Guarantee of Portuguese Republic |
| BEI - ML I/2 | 101.579.594 | 15-09-2019 | No | No | No | No | Yes | Guarantee of Portuguese Republic |
| BEI - ML II | 29.927.874 | 15-12-2019 | No | No | No | No | Yes | Guarantee of Portuguese Republic |
| BEI - ML III | 36.287.084 | 15-06-2020 | No | No | No | No | Yes | Guarantee of Portuguese Republic |
| BEI - ML II/B | 46.554.471 | 15-12-2020 | No | No | No | No | Yes | Guarantee of Portuguese Republic |
| BEI - ML I/3 | 115.857.552 | 15-09-2021 | No | No | No | No | Yes | Guarantee of Portuguese Republic |
| BEI - ML I/3B | 74.819.685 | 15-09-2022 | No | No | No | No | Yes | Guarantee of Portuguese Republic |
| BEI - ML II/C | 31.091.736 | 15-06-2022 | No | No | No | No | Yes | Guarantee of Portuguese Republic |
| BEI - ML IV | 107.504.090 | 15-09-2018 | No | No | No | No | Yes | Guarantee of Portuguese Republic |
| BEI - ML V/A | 150.000.000 | 15-12-2020 | No | No | No | No | Yes | Guarantee of Portuguese Republic |
| BEI - ML V/B | 80.000.000 | 15-06-2021 | No | No | No | No | Yes | Guarantee of Portuguese Republic |
| BEI - ML V/C | 80.000.000 | 15-06-2022 | No | No | No | No | Yes | Guarantee of Portuguese Republic |
| Schuldschein Loan Agreement signed with ABN Amro Bank, NV on July 20, 2004, subject to German Law and the Courts of Frankfurt am Main | 300.000.000 | 20-07-2024 | Yes | Yes | No | No | Yes | Guarantee of Portuguese Republic / Non-substancial change of nature or object of the company |
| Merrill Lynch - Private Placement | 23.194.102 | 17-10-2016 | No | Yes | Loss of State-Owned status | No | Yes | Non-substancial change of nature or object of the company |
| Metro 2019 Issue | 400.000.000 | 2019 | No | Yes | Loss of State-Owned status (State participation less than 51%) | No | Yes | Guarantee of Portuguese Republic / Non-substancial change of nature or object of the enterprise / Traded on Euronext Lisbon |
| Metro 2026 Issue | 400.000.000 | 2026 | No | Yes | Loss of State-Owned status (State participation less than 51%) | No | Yes | Guarantee of Portuguese Republic / Non-substancial change of nature or object of the enterprise / Traded on Euronext Lisbon |
| Metro 2025 Issue | 110.000.000 | 2025 | No | Yes | Loss of State-Owned status (State participation less than 51%) | No | Yes | Guarantee of Portuguese Republic / Non-substancial change of nature or object of the enterprise / Traded on Euronext Lisbon |
| Metro 2027 Issue | 400.000.000 | 2027 | No | Yes | Loss of State-Owned status (State participation less than 51%) | No | Yes | Guarantee of Portuguese Republic / Non-substancial change of nature or object of the enterprise / Traded on Euronext Lisbon |

## 5.7. Derivative financial instruments

As stated in Note 3.16, the Company hired interest rate SWAPS with several banks concerning loans affected to ILD. According to the Company's Management Board, although these have not been endorsed by the Portuguese State, they were hired under the scope of the durable infrastructure management policy, wherefore they are recorded under "Durable infrastructure investments".

On December 31, 2013 and 2012, the SWAP contracts associated with ILD and their fair value, determined by the banks with which they were hired, and the fair value of the financial instruments reported on December 31, 2012, determined by an independent entity (Note 2.1), was as follows:

| Derivative bank loans | | | Date | | | Capital covered 31-12-2012 | | | Fair value | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Fair value ("JV") (Counterpart) | | Variation | Fair value (by an independent body) | Variation (over the fair value through to 31/12/2012) |
| Name | | Bank | SWAP | Initial | Final | Capital | Inc. Capital (BEI) | Total associated financing | 31-12-2013 | 31-12-2012 | | 31-12-2012 | |
| B E I (ML A) | | BBVA | 02-02-2006 | 05-12-2005 | 15-12-2017 | | | | (463.502) | (864.704) | 401.202 | (762.649) | (95.177) |
| B E I (ML A) | | M LYNCH | 16-07-2010 | 15-06-2010 | 15-12-2017 | | | | | 6.878 | (6.878) | | |
| | | | | | | 12.040.717 | 693.726 | 12.734.443 | | | | | |
| B E I (ML I/2) | 1º, 4º, 5º, 7º, 8º DISBURSEMENTS | DBI | 26-03-2010 | 15-03-2010 | 15-09-2019 | | | | | (18.524.496) | 18.524.496 | (19.045.304) | 520.808 |
| B E I (ML I/2) | 2º, 3º AND 6º DISBURSEMENTS | BST | 30-03-2006 | 15-03-2006 | 15-09-2019 | 34.915.853 | | | (14.880.443) | (22.783.117) | 7.902.674 | (18.359.146) | (4.423.971) |
| | | | | | | 34.915.853 | 7.805.589 | 42.721.442 | | | | | |
| B E I (ML II) | 4º DISBURSEMENT | JP MORGAN | 12-02-2009 | 15-06-2008 | 15-12-2019 | | | | | (730.004) | 730.004 | (709.909) | (20.095) |
| B E I (ML II) | 2º AND 3º DISBURSEMENTS | BST | 31-07-2002 | 15-03-2003 | 15-03-2012 | | | | - | - | - | - | - |
| B E I (ML II) | 2º AND 3º DISBURSEMENTS | RBS | 16-01-2009 | 15-12-2008 | 15-12-2019 | 11.971.149 | | | 65.958 | 10.454 | 55.504 | 129.744 | (119.290) |
| B E I (ML II) | 1º DISBURSEMENT | BNPP | 26-11-2008 | 15-09-2008 | 15-12-2019 | | | | | (615.139) | 615.139 | (588.493) | (26.646) |
| | | | | | | 11.971.149 | | 11.971.149 | | | | | |
| B E I (ML III) | 1º AND 4º DISBURSEMENTS | BBVA | 02-02-2006 | 15-12-2005 | 15-06-2020 | | | | (673.433) | (1.382.840) | 709.407 | (1.073.402) | (309.438) |
| B E I (ML III) | 1º AND 4º DISBURSEMENTS | M LYNCH | 16-07-2010 | 15-06-2010 | 15-06-2020 | 15.130.203 | | | | 119.508 | (119.508) | | 119.508 |
| B E I (ML III) | 2º AND 3º DISBURSEMENTS | BARCLAYS | 18-02-2011 | 15-03-2011 | 15-06-2020 | | | | | | - | (1.540.599) | 1.540.599 |
| | | | | | | 15.130.203 | 12.511.051 | 27.641.254 | | | | | |
| B E I (ML II/B) | 1º, 2º, 3º, 4º DISBURSEMENTS | DBI | 11-02-2008 | 15-12-2007 | 15-12-2020 | | | - | | (8.919.619) | 8.919.619 | (4.973.459) | (3.946.160) |
| B E I (ML I/3) | 1º, 2º, 3º, 4º, 5º DISBURSEMENTS | SG | 14-09-2010 | 15-03-2010 | 15-09-2021 | | 49.351.166 | 49.351.166 | | (24.812.540) | 24.812.540 | (23.197.067) | (1.615.473) |
| B E I (ML I/3-B) | 1º and 2º DISBURSEMENTS | BNPP | 19-05-2009 | 15-03-2009 | 15-06-2022 | | | | | | - | (6.674.285) | 6.674.285 |
| B E I (ML I/3-B) | 3º DISBURSEMENTS | BARCLAYS | 18-02-2011 | 15-03-2011 | 15-06-2022 | | | | | (6.446.434) | 6.446.434 | (4.848.956) | (1.597.478) |
| B E I (ML II/C) | 1º AND 2º DISBURSEMENTS | BNPP | 19-05-2009 | 15-03-2009 | 15-06-2022 | 31.091.736 | | 31.091.736 | | (17.762.295) | 17.762.295 | (10.717.358) | (7.044.937) |
| B E I (ML IV) | 1º, 2º, 3º, 4º AND 5º DISBURSEMENTS | BES INV | 11-02-2010 | 15-12-2009 | 15-09-2018 | 84.795.643 | 22.708.447 | 107.504.090 | (7.472.612) | (12.131.623) | 4.659.011 | (9.875.764) | (2.255.859) |
| B E I (ML V/A) | 1º, 2º, 3º AND 4º DISBURSEMENTS | DBI | 27-04-2009 | 15-03-2009 | 15-12-2020 | 120.000.000 | 30.000.000 | 150.000.000 | | (30.709.539) | 30.709.539 | (30.629.344) | (80.195) |
| B E I (ML V/B) | 1º, 2º, 3º DISBURSEMENTS | BARCLAYS | 10-07-2008 | 15-06-2008 | 15-06-2021 | 66.666.667 | 13.333.333 | 80.000.000 | | (19.948.511) | 19.948.511 | (3.456.422) | (16.492.089) |
| B E I (ML V/C) | 1º DISBURSEMENT | BST | 26-05-2003 | 16-06-2003 | 15-06-2022 | | | | (5.609.517) | (7.681.359) | 2.071.842 | (7.558.349) | (123.010) |
| B E I (ML V/C) | 1º DISBURSEMENT | BNPP | 14-02-2006 | 15-12-2005 | 15-06-2022 | | | | | (958.783) | 958.783 | 3.243.997 | (4.202.780) |
| B E I (ML V/C) | 1º DISBURSEMENT | JP MORGAN | 31-05-2007 | 15-12-2006 | 15-06-2022 | | | | | 1.226.909 | (1.226.909) | 1.211.722 | 15.187 |
| B E I (ML V/C) | 2º DISBURSEMENT | BNPP | 26-11-2008 | 15-09-2008 | 15-06-2022 | | | | | (4.896.798) | 4.896.798 | (4.092.389) | (804.409) |
| BEI (REEST-INC CAPITAL) | TRANCHE A | C SUISSE | 03-06-2008 | 15-03-2008 | 15-06-2022 | | | | | (32.079.759) | 32.079.759 | (43.639.184) | 11.559.425 |
| BEI (REEST-INC CAPITAL) | TRANCHE B | BST | 31-05-2007 | 15-03-2007 | 15-06-2022 | | | | (362.740.428) | (393.466.458) | 30.726.030 | (328.218.600) | (65.247.858) |
| BEI (REEST-INC CAPITAL) | TRANCHE B | JP MORGAN | 15-07-2009 | 15-03-2010 | 15-06-2022 | | | | | 1.386.511 | (1.386.511) | 2.319.737 | (933.226) |
| BEI (REEST-INC CAPITAL) | TRANCHE B | CAIXA BI | 16-07-2009 | 15-03-2010 | 15-06-2022 | 44.206.294 | | | 429.430 | 930.000 | (500.570) | 2.319.737 | (1.389.737) |
| BEI (REEST-INC CAPITAL) | TRANCHE C | DBI | 26-03-2010 | 15-03-2010 | 15-06-2022 | | | | | 5.365.088 | (5.365.088) | (3.155.482) | 8.520.570 |
| | | | | | | 44.206.294 | (176.825.175) | (132.618.881) | | | | | |
| ABN (SCHULDSCHEIN) | TRANCHE A | MORGAN STANLEY | 08-07-2008 | 22-07-2010 | 22-07-2024 | | | | | (30.751.213) | 30.751.213 | (29.741.487) | (1.009.726) |
| ABN (SCHULDSCHEIN) | TRANCHE A | C SUISSE | 18-04-2011 | 22-07-2006 | 22-07-2024 | | | | | (3.823.383) | 3.823.383 | 10.206.827 | (14.030.210) |
| ABN (SCHULDSCHEIN) | TRANCHE B | SG | 10-09-2010 | 22-07-2010 | 22-07-2024 | 100.000.000 | | | | (50.401.491) | 50.401.491 | (48.734.952) | (1.666.539) |
| ABN (SCHULDSCHEIN) | TRANCHE C | BST | 25-02-2005 | 22-07-2005 | 22-07-2024 | - | | | (21.739.690) | (30.226.556) | 8.486.866 | (29.305.648) | (920.908) |
| ABN (SCHULDSCHEIN) | TRANCHE C | C SUISSE | 03-03-2010 | 22-07-2006 | 22-07-2024 | | | | | (6.362.577) | 6.362.577 | (13.393.372) | 7.030.795 |
| | | | | | | 100.000.000 | | 100.000.000 | | | | | |
| MERRILL LYNCH | | M LYNCH | 16-07-2010 | 15-04-2010 | 15-10-2016 | 23.194.102 | | 23.194.102 | (81.791) | 1.740.396 | (1.822.187) | 2.441.775 | (701.379) |
| DEBENTURE LOAN 2026 | | BARCLAYS | 16-05-2008 | 04-12-2007 | 04-12-2026 | | | | | (22.517.654) | 22.517.654 | (4.680.152) | (17.837.502) |
| DEBENTURE LOAN 2026 | | JP MORGAN | 29-11-2010 | 04-12-2009 | 04-12-2026 | | | | | (5.923.252) | 5.923.252 | (8.137.557) | 2.214.305 |
| DEBENTURE LOAN 2026 | | BBVA | 15-12-2006 | 04-12-2006 | 04-12-2026 | 70.000.000 | | | (18.831.618) | (26.015.365) | 7.183.747 | (23.084.110) | (2.931.255) |
| DEBENTURE LOAN 2026 | | M LYNCH | 16-07-2010 | 04-12-2009 | 04-12-2026 | 30.000.000 | | | (5.754.850) | (15.782.434) | 10.027.584 | 5.270.862 | (21.053.296) |
| DEBENTURE LOAN 2026 | | CGD | 16-07-2010 | 04-12-2009 | 04-12-2026 | 30.000.000 | | | (5.754.850) | (15.782.434) | 10.027.584 | 5.270.862 | (21.053.296) |
| DEBENTURE LOAN 2026 | | C SUISSE | 09-08-2011 | 04-12-2010 | 04-12-2026 | | | | | (6.698.228) | 6.698.228 | (9.340.360) | 2.642.132 |
| DEBENTURE LOAN 2026 | | BARCLAYS | 17-05-2007 | 04-12-2006 | 04-12-2026 | | | | | (859.236) | 859.236 | 4.878.720 | (5.737.956) |
| DEBENTURE LOAN 2026 | | JP MORGAN | 06-07-2010 | 04-12-2009 | 04-12-2026 | | | | | (109.762.952) | 109.762.952 | (156.215.611) | 46.452.659 |
| DEBENTURE LOAN 2026 | | JP MORGAN | 29-11-2010 | 04-12-2009 | 04-12-2026 | | | | | (1.597.521) | 1.597.521 | (3.380.446) | 1.782.925 |
| DEBENTURE LOAN 2026 | | BARCLAYS | 15-05-2009 | 04-03-2009 | 04-12-2026 | | | | | (61.234.884) | 61.234.884 | (63.726.402) | 2.491.518 |
| DEBENTURE LOAN 2026 | | CAIXA BI | 28-04-2010 | 04-12-2009 | 04-12-2026 | 100.000.000 | | | 22.195.656 | 14.731.366 | 7.464.290 | 21.392.307 | (6.660.941) |
| DEBENTURE LOAN 2026 | | DBI | 26-03-2010 | 04-12-2009 | 04-12-2026 | | | | | (5.747.585) | 5.747.585 | 13.826.290 | (19.573.875) |
| DEBENTURE LOAN 2026 | | DBI | 27-07-2009 | 04-12-2008 | 04-12-2026 | | | | | (40.226.000) | 40.226.000 | (43.785.452) | 3.559.452 |
| | | | | | | 230.000.000 | | 230.000.000 | | | | | |
| DEBENTURE LOAN 2027 | | BARCLAYS | 20-12-2007 | 07-12-2007 | 07-12-2022 | | | | | (48.566.436) | 48.566.436 | (23.026.330) | (25.540.106) |
| DEBENTURE LOAN 2027 | | JP MORGAN | 07-12-2007 | 07-12-2007 | 07-12-2027 | | | | | (40.507.284) | 40.507.284 | (57.586.032) | 17.078.748 |
| DEBENTURE LOAN 2027 | | BNPP | 28-04-2010 | 07-12-2009 | 07-12-2027 | | | | | 1.481.554 | (1.481.554) | 9.914.102 | (8.432.548) |
| DEBENTURE LOAN 2019 | | BARCLAYS | 28-01-2009 | 04-02-2009 | 04-02-2019 | | | | | 79.112.808 | (79.112.808) | 63.929.887 | 15.182.921 |
| DEBENTURE LOAN 2019 | | CITIBANK | 15-01-2010 | 04-02-2010 | 04-02-2019 | 100.000.000 | | | (24.152.174) | (28.756.751) | 4.604.577 | (27.243.001) | (1.513.750) |
| DEBENTURE LOAN 2019 | | GSI | 11-03-2011 | 04-08-2012 | 04-02-2019 | | | | | (53.283.358) | 53.283.358 | (51.351.417) | (1.931.941) |
| | | | | | | 100.000.000 | | 100.000.000 | | | | | |
| DEBENTURE LOAN 2030 | | BARCLAYS | 30-12-2010 | 30-12-2010 | 30-12-2030 | | | | | (98.181.364) | 98.181.364 | (94.339.693) | (3.841.671) |
| | | | | | | 874.012.364 | - | 833.590.501 | (445.463.864) | (1.201.610.504) | 756.146.640 | (1.063.831.614) | (137.778.890) |

During the year ended December 31, 2013, as stated in Note 2.1., the Company began measuring derivative financial instruments in accordance to the "marked-to-market" determined by the counterparty with which they were hired. The positive change in the item "Derivatives" allocated to ILD in the amount of €618,367,750 includes: (i) the negative effect of the update of the "marked-to-market" on December 31, 2012 in the amount of €137,778,890 based on the value determined by the counterparty; and (ii) the positive variation in the amount of €756,146,654 as a result of changes in fair value of derivative financial instruments, between fiscal years, and early settlement of several contracts as mentioned below.

The impact of this change in the measurement reported on December 31, 2012 was recorded under "Durable Infrastructure Investments" as assets on December 31, 2013 in the amount of €137,778,890, given that the Management Board considered that the effect of the restatement of financial statements at December 31, 2012 were not relevant for comparison purposes.

The methodology used is that of the hiring banks, consisting of projection of updated cash-flows to the present moment, using the current zero coupon curve in order to project the Indexing factors payable and receivable by the Company, as stated in the contracts taken out with various banks.

The fair value of derivative financial instruments have nil impact on the Company's equity, as the liability is made against an account receivable from the State under the ILD item.

During the year ended December 31, 2013, the Company settled 34 SWAP contracts having paid the sum of €490,851,289, with a "marked-to-market" on the settlement date determined by the counterparty with which they were contracted amounting to €671,686,152.

The detail of the settled SWAP contracts is as follows:

| Base financing | Order | Bank | Type of instrument | Maturity | Notional (original) | Cancellation date | Net amount paid | Present value Counterpart | Variation |
|---|---|---|---|---|---|---|---|---|---|
| BEI ML I/3 | 548/13-SET | Société Generale | Vanilla swap | 15-09-21 | 95.602.930 | 20-03-2013 | (21.900.000) | (24.812.540) | (2.912.540) |
| BEI ML I/3 | 548/13-SET | Société Generale | Vanilla swap | 22-07-24 | 100.000.000 | 20-03-2013 | (38.960.000) | (50.401.491) | (11.441.491) |
| ABN1 | 549/13-SET | Morgan Stanley | CMS Steepener | 22-07-24 | 100.000.000 | 21-03-2013 | (23.000.000) | (30.751.213) | (7.751.213) |
| BEI REESTRUT - IC | 660/13-SET | Crédit Suisse | Worst of 2 Spreads | 15-06-22 | 17.364.188 | 08-04-2013 | (21.400.000) | (40.883.076) | (19.483.076) |
| | 660/13-SET | Crédit Suisse | Floors, Overlay | 22-07-24 | 100.000.000 | 08-04-2013 | (7.300.000) | 10.897.948 | 18.197.948 |
| | 660/13-SET | Crédit Suisse | Spread Option, Overlay | 22-07-24 | 100.000.000 | 08-04-2013 | (9.800.000) | (12.318.660) | (2.518.660) |
| OBRIG 2026-5 | 660/13-SET | Crédit Suisse | Index linked + Inflation Floor + (EUR 10Y-EUR 2Y) Digital + (EUR 20Y ia -EUR 10Y ia) Leveraged | 04-12-26 | 70.000.000 | 08-04-2013 | (7.900.000) | (6.982.720) | 917.280 |
| | 879/13-SET | Barclays | Vanilla, Overlay | 15-06-22 | 77.895.605 | 07-05-2013 | (4.832.919) | (6.098.999) | (1.266.080) |
| BEI ML V/B | 879/13-SET | Barclays | Index linked | 15-06-21 | 80.000.000 | 07-05-2013 | (16.188.865) | (19.318.887) | (3.130.022) |
| OBRIG 2026-1 | 879/13-SET | Barclays | Index linked | 04-12-26 | 100.000.000 | 07-05-2013 | (16.450.389) | (22.722.434) | (6.272.045) |
| OBRIG 2026-6 | 879/13-SET | Barclays | Cap Knock Out | 04-12-26 | 200.000.000 | 07-05-2013 | (1.334.193) | (1.742.306) | (408.113) |
| OBRIG 2026-7 | 879/13-SET | Barclays | Index linked | 04-12-26 | 100.000.000 | 07-05-2013 | (50.229.558) | (60.610.697) | (10.381.139) |
| OBRIG 2027-1 | 879/13-SET | Barclays | Index linked | 07-12-22 | 200.000.000 | 07-05-2013 | (36.398.650) | (48.840.456) | (12.441.806) |
| OBRIG 2019 | 879/13-SET | Barclays | Vanilla | 04-02-19 | 400.000.000 | 07-05-2013 | 65.078.000 | 59.796.768 | (5.281.232) |
| OBRIG 2030 | 879/13-SET | Barclays | Vanilla | 30-12-30 | 300.000.000 | 07-05-2013 | (84.149.925) | (94.973.821) | (10.823.896) |
| BEI ML II/C 1° e 2° | 966/13-SET | BNP Paribas | Index linked | 15-06-22 | 86.790.834 | 16-05-2013 | (10.140.000) | (16.471.820) | (6.331.820) |
| | 966/13-SET | BNP Paribas | Snowball, Overlay | 15-06-22 | 40.000.000 | 16-05-2013 | (780.000) | (1.103.064) | (323.064) |
| BEI ML II 1° | 966/13-SET | BNP Paribas | Callable Swap | 15-12-19 | 11.472.352 | 16-05-2013 | (390.000) | (553.696) | (163.696) |
| BEI ML V/C 2° | 966/13-SET | BNP Paribas | Callable Swap | 15-06-22 | 40.000.000 | 16-05-2013 | (3.055.000) | (4.558.493) | (1.503.493) |
| OBRIG 2027-3 | 966/13-SET | BNP Paribas | Vanilla | 07-12-27 | 100.000.000 | 16-05-2013 | 585.000 | 1.108.690 | 523.690 |
| | 1007/13-SET | Goldman Sachs | Floor, Overlay | 04-02-19 | 300.000.000 | 20-05-2013 | (26.999.828) | (47.492.424) | (20.492.596) |
| BEI ML II 4° | 1161/13-SET | JP Morgan | Vanilla Swap | 15-12-19 | 21.947.108 | 13-06-2013 | (435.007) | (630.458) | (195.451) |
| | 1161/13-SET | JP Morgan | Vanilla | 15-06-22 | 40.000.000 | 13-06-2013 | 850.721 | 1.222.515 | 371.794 |
| | 1161/13-SET | JP Morgan | Snowball, Overlay | 15-06-22 | 12.545.916 | 13-06-2013 | 931.613 | 1.342.312 | 410.699 |
| OBRIG 2026-2 | 1161/13-SET | JP Morgan | Vanilla + Short Cap. | 04-12-26 | 100.000.000 | 13-06-2013 | (4.966.196) | (6.558.103) | (1.591.907) |
| OBRIG 2026-6A | 1161/13-SET | JP Morgan | Range Accrual GBP 10y-JPY6m | 04-12-26 | 170.000.000 | 13-06-2013 | (72.985.315) | (99.503.117) | (26.517.802) |
| OBRIG 2026-6B | 1161/13-SET | JP Morgan | KO Swap, Overlay | 04-12-26 | 30.000.000 | 13-06-2013 | (1.180.408) | (1.639.317) | (458.909) |
| OBRIG 2027-2 | 1161/13-SET | JP Morgan | Index Linked | 07-12-27 | 100.000.000 | 13-06-2013 | (28.439.707) | (43.018.822) | (14.579.115) |
| BEI ML I/2 - 1°,4°,5°,7° e ε | 1234/13-SET | Deutsche | Index Linked | 15-09-19 | 93.192.074 | 28-06-2013 | (10.621.473) | (16.793.772) | (6.172.299) |
| BEI ML II/B | 1234/13-SET | Deutsche | Inverse Flooter Eur 10-2 | 15-12-20 | 86.458.302 | 28-06-2013 | (3.093.298) | (4.994.948) | (1.901.650) |
| BEI ML V/A | 1234/13-SET | Deutsche | Convertible Swap | 15-12-20 | 150.000.000 | 28-06-2013 | (19.719.623) | (30.436.427) | (10.716.804) |
| | 1234/13-SET | Deutsche | Snowball | 15-06-22 | 25.091.832 | 28-06-2013 | (4.162.465) | (5.325.071) | (1.162.606) |
| | 1234/13-SET | Deutsche | Inflation Linked, overlay | 04-12-26 | 70.000.000 | 28-06-2013 | (5.041.073) | (5.859.731) | (818.658) |
| OBRIG 2026-5A | 1234/13-SET | Deutsche | Index Linked | 04-12-26 | 70.000.000 | 28-06-2013 | (26.442.728) | (40.657.824) | (14.215.096) |
| | | | | | | | (490.851.289) | (671.686.152) | (180.834.863) |

## 5.8. Suppliers

The item “Suppliers” comprises mainly current liabilities arising in connection with works carried out for the expansion and modernisation / remodelling of the network.

## 5.9. Other payables

The balance in “Other payables” is composed mainly by expenses with loan interests, interest rate derivatives and sureties payable during the 2014 fiscal year. Additionally, on December 31, 2013, this item includes €122,526 related to ILD investment costs which, to date, had not yet been billed by Ferconsult.

## 6. Tangible fixes assets

During the years ended December 31, 2013 and 2012, variations in the carrying amount of the Company's tangible fixed assets, as well as the corresponding accumulated amortisations and impairment losses, were as follows:

| 2013 | Land and natural resources | Buildings and other constructions | Basic equipment | Transport equipment | Office equipment | Other tangible fixed assets | Tangible fixed assets in progress | Total |
|---|---|---|---|---|---|---|---|---|
| **Assets:** | | | | | | | | |
| Initial balance | 24.287.679 | 251.253.540 | 498.781.147 | 612.354 | 28.258.400 | 25.321.737 | 2.976.076 | 831.490.932 |
| Purchases | - | 10.786 | 30.633 | 17.280 | 131.653 | (75.790) | 322.731 | 437.293 |
| Sales | - | - | (11.164) | (54.923) | - | - | - | (66.086) |
| Transfers | - | - | - | - | - | - | - | - |
| Write-offs | - | - | (6.439) | - | (935.708) | (7.711) | - | (949.858) |
| Final balance | 24.287.679 | 251.264.326 | 498.794.178 | 574.711 | 27.454.344 | 25.238.237 | 3.298.807 | 830.912.282 |
| **Accumulated amortisation and impairment losses:** | | | | | | | | |
| Initial balance | - | 170.366.788 | 337.927.426 | 527.632 | 25.146.462 | 10.249.830 | - | 544.218.137 |
| Amortisation during the year | - | 10.810.217 | 14.785.270 | 44.388 | 1.304.720 | 894.297 | - | 27.838.892 |
| Sales | - | - | (8.449) | (50.686) | - | - | - | (59.135) |
| Write-offs | - | - | (5.903) | - | (935.546) | (7.453) | - | (948.902) |
| Final balance | - | 181.177.005 | 352.698.344 | 521.334 | 25.515.635 | 11.136.675 | - | 571.048.991 |
| Net assets | 24.287.679 | 70.087.321 | 146.095.834 | 53.377 | 1.938.709 | 14.101.562 | 3.298.807 | 259.863.291 |

| 2012 | Land and natural resources | Buildings and other constructions | Basic equipment | Transport equipment | Office equipment | Other tangible fixed assets | Tangible fixed assets in progress | Total |
|---|---|---|---|---|---|---|---|---|
| **Assets:** | | | | | | | | |
| Initial balance | 24.287.679 | 251.251.764 | 497.505.520 | 1.236.442 | 26.205.594 | 24.829.596 | 5.892.580 | 831.209.175 |
| Purchases | - | 1.776 | 641.895 | 13.980 | 214.681 | 494.051 | 694.456 | 2.060.839 |
| Sales | - | - | (813) | (638.069) | (4.779) | - | - | (643.661) |
| Transfers | - | - | 635.566 | - | 2.179.814 | - | (3.610.960) | (795.580) |
| Write-offs | - | - | (1.021) | - | (336.909) | (1.910) | - | (339.840) |
| Final balance | 24.287.679 | 251.253.540 | 498.781.147 | 612.353 | 28.258.401 | 25.321.737 | 2.976.076 | 831.490.933 |
| **Accumulated amortisation and impairment losses:** | | | | | | | | |
| Initial balance | - | 159.550.362 | 322.595.264 | 1.080.388 | 24.937.809 | 9.370.576 | - | 517.534.399 |
| Amortisation during the year | - | 10.816.426 | 15.333.887 | 68.157 | 548.319 | 880.955 | - | 27.647.744 |
| Sales | - | - | (813) | (620.914) | (3.228) | | - | (624.955) |
| Write-offs | - | - | (912) | - | (336.439) | (1.700) | - | (339.051) |
| Final balance | - | 170.366.788 | 337.927.426 | 527.631 | 25.146.461 | 10.249.831 | - | 544.218.137 |
| Net assets | 24.287.679 | 80.886.752 | 160.853.721 | 84.722 | 3.111.940 | 15.071.906 | 2.976.076 | 287.272.796 |

The increase of €641,895 in the item "Basic Equipment" in the year ended December 31, 2012, is mainly due to the purchase of traction transformers in the amount of €310,764 and the development of the telephone network, in the amount of €233,661.

Transfers during the 2012 fiscal year to the item "Basic equipment" and "Office equipment" in the amounts of €635,566 and €2,179,814, refer to the purchase of TETRA mobile and portable radios for rolling stock, enabling private communications within the Integrated System of Portugal's Emergency and Security Networks (SIRESP) and the Resource Optimal Planning and Real-Time Operation Management System (PLAGO).

During the years ended December 31, 2013 and 2012, the Company capitalised financial expenses related to loans taken out to finance assets under construction and departmental expenses, as follows:

| Capitalised costs | 2013 | 2012 |
|---|---|---|
| Loan Costs | 404 | 10.928 |
| | 404 | 10.928 |

Amortisations amounting to €27,838,892 (€27,647,744 in 2012) were recorded under "Costs / reversals of depreciation and amortisation" in the income statement.

## 7. Leases

### Finance leases

As mentioned in Note 3.5, the Company records in its tangible assets (Note 6), assets acquired under finance lease. On December 31, 2013 and 2012, the Company is the lessee in finance lease contracts related primarily to the purchase of 55 triple traction units and one passenger vehicle, recorded under "Tangible fixed assets – basic equipment" and "Tangible fixed assets – transport equipment", respectively.

Assets held under finance leases for the year ended December 31, 2013 and 2012 are as follows:

| | 2013 | | | 2012 |
|---|---|---|---|---|
| Finance leases - Equipment | Gross amount | Accumulated amortisation | Net amount | Net amount |
| Basic equipment | 305.858.686 | 178.525.988 | 127.332.698 | 138.256.306 |
| Transport equipment | 77.399 | 72.941 | 4.458 | 40.077 |
| | 305.936.085 | 178.598.929 | 127.337.156 | 138.296.383 |

Rents from finance lease of the triple traction units bear interest at annual rates ranging between -3.3501% and 3.2522%.

The outstanding finance leases as at December 31, 2013 and 2012 have the following detail:

| | Capital owed (Note 18) | |
|---|---|---|
| Finance leases | 2013 | 2012 |
| Up to 1 year | 9.024.101 | 26.999.992 |
| Between 1 and 5 years | 42.731.314 | 47.534.578 |
| More than 5 years | 7.630.671 | 15.275.224 |
| | 59.386.086 | 89.809.794 |

### Operating leases

On December 31, 2013, the Company has responsibilities with ten operating lease contracts with TREM, A.C.E. and TREM II, A.C.E. (Note 9) not recognised in the appended balance sheet (Note 3.5) in the amount of €227,340,947 (Note 17).

The minimum lease payments of operating leases in 2013 and 2012 are as follows:

| | Minimum payments | |
|---|---|---|
| Operating leases | 2013 | 2012 |
| Up to 1 year | 7.179.113 | 7.220.379 |
| Between 1 and 5 years | 31.654.789 | 59.265.912 |
| More than 5 years | 188.507.045 | 168.923.935 |
| | 227.340.947 | 235.410.226 |

## 8. Investment properties

The changes in "investment properties" as at December 31, 2013 and 2012 were as follows:

| December 31, 2013 | Gross amount | Accumulated amortisation | Accumulated impairment losses | Net amount | Fair value |
|---|---|---|---|---|---|
| Property rented to third parties | 3.555.595 | 1.353.869 | 1.772.999 | 428.728 | 428.728 |
| | 3.555.595 | 1.353.869 | 1.772.999 | 428.728 | 428.728 |

| December 31, 2012 | Gross amount | Accumulated amortisation | Accumulated impairment losses | Net amount | Fair value |
|---|---|---|---|---|---|
| Property rented to third parties | 3.555.595 | 1.282.735 | 1.905.969 | 366.892 | 366.891 |
| | 3.555.595 | 1.282.735 | 1.905.969 | 366.892 | 366.891 |

The investment properties held by the Company consist of 35 buildings in the Lisbon metropolitan area, for relocation of low-income families affected by the network expansion programme, and which are being amortised over a period of 50 years.

The fair value of the investment properties was determined by the difference between the expected cash flows from rents on lease contracts, as described in Note 3.6, and the estimated costs (including the Property Tax and condominium and maintenance expenses) until the contracts' expiry date. On December 31, 2013 and 2012, the following income and costs associated with investment property were recorded:

| December 31, 2013 | Income from rents (Note 29) | Direct costs | Amortisation during the year | Income |
|---|---|---|---|---|
| Property rented to third parties | 22.925 | 14.426 | 71.134 | (62.635) |
| | 22.925 | 14.426 | 71.134 | (62.635) |

| December 31, 2012 | Income from rents (Note 29) | Direct costs | Amortisation during the fiscal year | Income |
|---|---|---|---|---|
| Property rented to third parties | 24.726 | 20.862 | 71.134 | (67.270) |
| | 24.726 | 20.862 | 71.134 | (67.270) |

During the year ended December 31, 2013 the Company derecognised the previously recognised impairment losses amounting to €132,970, which was recorded under "Impairment of depreciable / amortisable assets (losses / reversals)", in the income statement.

The amortisation for the years ended December 31, 2013 and 2012, in the amount of €71,134, were recorded under "Costs / reversals of depreciation and amortisation".

# 9. Financial investments

On December 31, 2013 and 2012 the Company held the following investments in subsidiaries, associates and other companies:

**2013**

| | Head Office | % held | Assets | Liabilities | Equity | Total income | Net result | Proportion in the result | Amount recorded | Share held |
|---|---|---|---|---|---|---|---|---|---|---|
| **Subsidiaries:** | | | | | | | | | | |
| Ferconsult, S.A. | Lisboa | 100,00% | 10.698.003 | 6.206.904 | 4.491.099 | 6.687.002 | 121.488 | 121.488 | 121.488 | 4.491.099 b) |
| Metrocom, S.A. | Lisboa | 100,00% | 2.830.322 | 960.986 | 1.869.337 | 2.570.108 | 337.702 | 337.702 | 337.702 | 1.869.337 b) |
| **Associated companies:** | | | | | | | | - | | |
| Publimetro - Publicidade em Meios de Transporte e Outros, S.A. | Lisboa | 40,00% | 2.884.907 | 2.887.671 | (2.764) | 1.842.904 | 103 | 41 | 41 | |
| Ensitrans - Engenharia e Sistemas de Transporte, A.E.I.E. | Lisboa | 5,00% | 5.159.755 | 5.150.377 | 9.378 | 7.278.533 | 9.378 | 469 | 469 | 469 |
| **Total investments in subsidiaries and associated companies** | | | | | | | | | | **6.360.905** |
| **Investments in other companies:** | | | | | | | | | | |
| Edel - Empresa Editorial, Lda | Lisboa | c) | c) | c) | c) | c) | c) | c) | c) | 20 a) |
| GIL - Gare Intermodal de Lisboa, S.A. | Lisboa | 16,00% | 75.805.511 | 87.156.402 | (11.350.891) | 4.865.888 | 60.265 | 9.642 | 9.642 | - |
| GIL - Gare Intermodal de Lisboa, S.A. - loans (Nota 32) | Lisboa | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 19.143.134 |
| Otlis, A.C.E. | Lisboa | 14,29% | 2.683.601 | 1.425.289 | 1.258.312 | 4.541.006 | 678.480 | 96.921 | 96.921 | 179.750 |
| TREM, A.C.E. | Lisboa | 0,01% | 4.782.878 | 69.992.068 | (11.950.510) d) | 2.547.293 | (1.248.268) d) | (112) | (112) | - b) |
| TREM II, A.C.E. | Lisboa | 0,01% | 22.209.014 | 157.642.186 | (23.234.592) d) | 5.024.680 | (2.970.283) d) | (267) | (267) | - b) |
| **Total investments in other companies** | | | | | | | | | | **19.322.904** |
| **Total** | | | | | | | | | | **25.683.810** |

a) Financial information not audited as at December 31, 2012.
b) Consolidation of the entities by comprehensive method in the Company's consolidated financial statements.
c) Information not available.
d) Amounts corrected with the adjustments to be considered in the preparation of the Company's consolidated financial statements.

**2012**

| | Head Office | % held | Assets | Liabilities | Equity | Total income | Net result | Proportion in the result | Amount recorded | Share held |
|---|---|---|---|---|---|---|---|---|---|---|
| **Subsidiaries:** | | | | | | | | | | |
| Ferconsult, S.A. | Lisboa | 100,00% | 13.746.786 | 10.337.175 | 3.409.610 | 4.986.425 | (1.203.124) | (1.203.124) | (1.203.124) | 3.409.610 b) |
| Ferconsult, S.A. - loans (Note 32) | Lisboa | | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 1.031.836 |
| Metrocom, S.A. | Lisboa | 100,00% | 2.480.910 | 949.275 | 1.531.635 | 2.944.824 | 443.758 | 443.758 | 443.758 | 1.531.635 b) |
| **Associated companies:** | | | | | | | | | | |
| Publimetro - Publicidade em Meios de Transporte e Outros, | Lisboa | 40,00% | 4.145.816 | 4.148.684 | (2.868) | 1.614.964 | | - | - | (1.147) |
| Ensitrans - Engenharia e Sistemas de Transporte, A.E.I.E. | Lisboa | 5,00% | 3.845.496 | 3.560.790 | 284.707 | 5.622.283 | 284.707 | 14.235 | 14.235 | 14.235 |
| **Total investments in subsidiaries and associated companies** | | | | | | | | | | **5.986.169** |
| **Investments in other companies:** | | | | | | | | | | |
| Edel - Empresa Editorial, Lda | Lisboa | c) | c) | c) | c) | c) | c) | c) | c) | 20 a) |
| GIL - Gare Intermodal de Lisboa, S.A. | Lisboa | 0 | 75.923.772 | 86.963.811 | (11.040.038) | 4.743.005 | (583.802) | (93.408) | 312.346 | |
| GIL - Gare Intermodal de Lisboa, S.A. - loans (Nota 32) | Lisboa | | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 14.050.474 |
| Otlis, A.C.E. | Lisboa | 0 | 2.292.320 | 1.534.599 | 757.721 | 2.911.556 | 277.889 | 39.710 | 108.246 | 108.246 |
| TREM, A.C.E. | Lisboa | 0 | 8.770.789 | 72.731.710 | (10.702.242) d) | 3.052.086 | (1.250.205) d) | (113) | - | - b) |
| TREM II, A.C.E. | Lisboa | 0 | 39.607.401 | 163.070.291 | (20.264.309) d) | 6.145.276 | (2.976.660) d) | (268) | - | - b) |
| **Total investments in other companies** | | | | | | | | | | **14.158.740** |
| **Total** | | | | | | | | | | **20.144.909** |

a) Financial information not audited as at December 31, 2012.
b) Consolidation of the entities by comprehensive method in the Company's consolidated financial statements.
c) Information not available.
d) Amounts corrected with the adjustments to be considered in the preparation of the Company's consolidated financial statements.

The investment held by the Company in the subsidiary Ferconsult, S.A. on December 31, 2013 is recorded by the equity method, having the latter reported gains in 2013 in the amount of €121,488, recognised in the income statement under "Gains / losses charged to subsidiaries, associates and affiliates".

The investment held by the Company in GIL - Gare Intermodal de Lisboa, S.A. is recorded at nil and, in the 2013 fiscal year, the Company recognised in the income statement a provision of €1,816.143 regarding its share in the accumulated losses recorded by this affiliate for this and the previous fiscal years.

In addition, during the 2013 fiscal year, the Company granted loans to GIL – Gare Intermodal de Lisboa, S.A., in the amount of €5,092,660 and, on December 31, 2013, the total grants to this affiliate amount to €19,143,134. The Company did not recognise any impairment losses regarding this amount, as the Management Board believes that it will be realised in the future.

Changes in financial investments held by the Company during the 2013 and 2012 were as follows:

| 2013 | Equity method | Cost | Total |
|---|---|---|---|
| **Financial investments** | | | |
| **Initial balance** | 4.750.253 | 15.394.656 | 20.144.909 |
| Application of the equity method | 556.580 | - | 556.580 |
| Dividends | (39.655) | - | (39.655) |
| Other variations in equity - subsidies | - | - | - |
| Loan increases - GIL | - | 5.092.660 | 5.092.660 |
| Other variations | (70.684) | - | (70.684) |
| **Final balance** | 5.196.494 | 20.487.316 | 25.683.810 |
| **Impairment losses** | | | |
| **Initial balance** | (313.493) | | (313.493) |
| **Reclassified to the "Provisions" item** | 313.493 | - | 313.493 |
| **Final balance** | - | - | - |
| **Net assets** | **5.196.494** | **20.487.316** | **25.683.810** |

| 2012 | Equity method | Cost | Total |
|---|---|---|---|
| **Financial investments** | | | |
| **Initial balance** | 5.964.428 | 10.284.311 | 16.248.739 |
| Application of the equity method | (705.421) | - | (705.421) |
| Dividends | (63.581) | - | (63.581) |
| Other variations in equity - subsidies | (131.633) | - | (131.633) |
| Loan increases - GIL | - | 5.052.207 | 5.052.207 |
| Loan increases - Ferconsult | - | 58.138 | 58.138 |
| Other variations | (47) | - | (47) |
| **Final balance** | 5.063.746 | 15.394.656 | 20.458.402 |
| **Impairment losses** | | | - |
| **Initial balance** | (313.493) | - | (313.493) |
| **Final balance** | (313.493) | - | (313.493) |
| **Net assets** | **4.750.253** | **15.394.656** | **20.144.909** |

## 10. Derivatives

The balance of the item "Derivatives" on December 31, 2013 and 2012 corresponds to the fair value of the SWAP contracts, as determined by the contracted banks, and has the following detail:

| Loans | | Date | | | | Fair value ("JV") (Counterpart) | | | Fair value ("JV") (Counterpart) | | Fair value (Independent bank) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Capital | 31.12.2013 | | Variation | 31.12.2012 | | 31.12.2012 | | Variation |
| Name | Bank | SWAP | Initial | Final | | Assets | Liabilities | | Assets | Liabilities | Assets | Liabilities | |
| GOLDMAN SACHS (SCHULDSCHEIN) | GSI | 11-03-2011 | 21-07-2010 | 21-07-2016 | - | - | - | (14.812.613) | 14.812.613 | - | 16.260.790 | - | (1.448.177) |
| GOLDMAN SACHS (SCHULDSCHEIN) | GSI | 11-03-2011 | 24-07-2010 | 24-07-2016 | - | - | - | (10.548.814) | 10.548.814 | - | 11.573.188 | - | (1.024.374) |
| DB EXPORT/95 | BST | 26-02-2003 | 15-06-2003 | 30-12-2013 | - | - | - | 554.030 | - | (554.030) | - | (510.593) | (43.437) |
| DB EXPORT/97 | BST | 26-02-2003 | 15-06-2003 | 30-12-2015 | 18.946.700 | - | (977.480) | 776.207 | - | (1.753.687) | - | (1.706.142) | (47.545) |
| BSN-CGD (US LEASE) | BST | 22-09-2005 | 01-07-2005 | 01-01-2019 | 43.846.560 | - | (43.231.123) | 24.789.545 | - | (68.020.668) | - | (48.770.499) | (19.250.169) |
| BSN-CGD (US LEASE) | JP MORGAN | 15-07-2009 | 01-07-2009 | 01-01-2019 | - | - | - | (5.231.127) | 5.231.127 | - | 4.700.505 | - | 530.622 |
| BSN-CGD (US LEASE) | CAIXA BI | 16-07-2009 | 01-07-2009 | 01-01-2019 | 21.923.280 | 3.271.187 | - | (1.628.813) | 4.900.000 | - | 4.700.505 | - | 199.495 |
| TREM I | C SUISSE | 16-11-2009 | 20-03-2007 | 20-03-2020 | - | - | - | 3.136.626 | - | (3.136.626) | - | (1.816.003) | (1.320.623) |
| TREM II | C SUISSE | 16-11-2009 | 24-03-2007 | 24-09-2021 | - | - | - | 5.589.865 | - | (5.589.865) | - | (3.030.532) | (2.559.333) |
| TREM II (2ª TRANCHE) | BST | 06-06-2005 | 23-09-2005 | 23-09-2022 | 79.850.569 | - | (166.506.345) | 22.808.905 | - | (189.315.250) | - | (166.698.901) | (22.616.349) |
| TREM II (2ª TRANCHE) | JP MORGAN | 08-07-2008 | 23-03-2008 | 23-09-2022 | - | - | - | (10.974.903) | 10.974.903 | - | 10.561.546 | - | 413.357 |
| DEUTSCHE BANK (SCHULDSCHEIN) | DBI | 27-07-2009 | 18-08-2009 | 18-08-2014 | - | - | - | 6.910.836 | - | (6.910.836) | - | (5.721.988) | (1.188.848) |
| DEUTSCHE BANK (SCHULDSCHEIN) | DBI | 27-07-2009 | 18-08-2009 | 18-08-2016 | - | - | - | 2.301.858 | - | (2.301.858) | - | (2.084.251) | (217.607) |
| DEUTSCHE BANK (SCHULDSCHEIN) | DBI | 27-07-2009 | 18-08-2009 | 18-08-2016 | - | - | - | (318.838) | - | 318.838 | 739.134 | - | (420.296) |
| | | | | | **164.567.109** | **3.271.187** | **(210.714.948)** | **23.352.764** | **46.467.457** | **(277.263.982)** | **48.535.668** | **(230.338.909)** | **(48.993.284)** |

As stated in Note 2.1, during the year ended December 31, 2013, the Company started to measure derivative financial instruments according to the "marked-to-market" determined by the counterparty with which they were hired. The negative variation in "Derivatives" in the amount of €25,640,519 includes : (i) the negative effect of the "marked-to-market" update on December 31, 2012 in the amount of €48,993,283, based on the value determined by the counterparty on that date and reflected in the table above under the column "Fair value" ("JV") (counterpart) - 31.12.2012" , which was recorded on December 31, 2013 under "Retained earnings" ( Note 15 ), given the Management Board's conviction that the effect of the restatement of the financial statements on December 31, 2012 would not be relevant for comparison purposes; and (ii) the positive variation in the amount of €23,352,764 as a result of changes in fair value of derivative financial instruments between fiscal years, and the early settlement of several contracts as mentioned below, which was recorded in the income statement under "Increases / decreases in fair value".

According to the sensitivity analysis reported on December 31, 2013, performed by IGCP and based on certain assumptions and considerations, the 1% variation impact in interest rates on the fair value of the investment portfolio held by the Company, as detailed above and in the ILD affections (Note 5.7), would be as follows:

| 2013 | +1% | -1% |
|---|---|---|
| Fair value | 40.918.862 | (55.240.653) |
| | 40.918.862 | (55.240.653) |

During the year ended December 31, 2013, the Company settled 9 SWAP contracts having paid €15,422,250. The gains resulting from the settlement of these contracts, in the amount of €24,527,071, which corresponds to the difference between the amount paid and the "marked-to-market" determined by the counterparty with whom they were contracted with reference to December 31, 2012, was recorded under "Other income and gains" (Note 29), and the loss in the amount of €9,104,821 was recorded under "Other costs and losses" (Note 30).

The SWAP contracts are detailed in the table below:

| Base financing | Type | Order | Bank | Type of instrument | Maturity | Notional (original) | Cancellation date | Net amount paid | Present value Counterpart | Variation |
|---|---|---|---|---|---|---|---|---|---|---|
| TREMI | ML | 660/13-SET | Crédit Suisse | Index linked + Inflation Floor + (EUR 10Y- EUR 2Y) Digital + (EUR 20Y ia -EUR 10Y ia) Leveraged Floor | 20-03-20 | 80.222.338 | 08-04-2013 | (1.300.000) | (877.164) | 422.836 |
| | ML | 660/13-SET | Crédit Suisse | Index linked + Inflation Floor + (EUR 10Y- EUR 2Y) Digital + (EUR 20Y ia -EUR 10Y ia) Leveraged Floor | 21-09-24 | 88.007.484 | 08-04-2013 | (3.000.000) | (1.674.198) | 1.325.802 |
| GOLDMAN SCHUKDESCHEIN | ML | 1007/13-SET | Goldman Sachs | Bullet Swap | 21-07-16 | 71.042.080 | 20-05-2013 | 8.112.044 | 14.430.951 | 6.318.907 |
| | ML | 1007/13-SET | Goldman Sachs | Bullet Swap | 24-07-16 | 50.000.000 | 20-05-2013 | 5.792.784 | 10.278.688 | 4.485.904 |
| | ML | 1161/13-SET | JP Morgan | Snawball, Overlay | 01-01-19 | 34.769.094 | 13-06-2013 | 3.066.515 | 4.685.342 | 1.618.827 |
| | ML | 1161/13-SET | JP Morgan | Vanilla (Restructured) | 44827 | 90.036.707 | 13-06-2013 | 7.361.246 | 10.590.719 | 3.229.473 |
| DEUTSCHE SCHUKDESCHEIN | ML | 1234/13-SET | Deutsche | Range | 42600 | 25.500.000 | 28-06-2013 | (1.243.210) | (5.117.906) | (3.874.696) |
| | ML | 1234/13-SET | Deutsche | Swap & Short cap | 41869 | 150.000.000 | 28-06-2013 | (3.561.611) | (1.943.975) | 1.617.636 |
| | ML | 1234/13-SET | Deutsche | Swap & Short cap | 42600 | 2.450.000 | 28-06-2013 | 194.482 | 886.918 | 692.436 |
| | | | | | | | | 15.422.250 | 31.259.376 | 15.837.126 |

## 11. Other financial assets – non-current

On December 31, 2013 and 2012 the item "Other financial assets – non-current" includes: (i) the amount of €17,798,437 and €17,539,253, respectively, regarding the additional guarantee that the Company had to provide in April 2009, in favor of Bank of America Leasing & Capital, LCC, under the operating lease contract for the purchase of 24 traction units, which was endorsed by the Portuguese State as a result of the Company's decreased rating; and (ii) the amount of €18,651,146 on a collateral that the Company established in 2013 in American bonds with Wilmington Trust as a result of the Company's rating downgrade, and the effect resulting from the change in fair value in the amount of €153,367, is recorded under "Increases / decreases in fair value."

## 12. Inventories

On December 31, 2013 and 2012, the Company's inventories were as follows:

| Inventories | Gross amount | Impairment losses | Net amount | Gross amount | Impairment losses | Net amount |
|---|---|---|---|---|---|---|
| **Raw, subsidiary and consumable materials:** | | | | | | |
| Materials | 1.144.973 | (405.000) | 739.973 | 1.002.947 | (380.000) | 622.947 |
| Tools | 18.732 | 0 | 18.732 | 22.722 | - | 22.722 |
| Cleaning products | 41.216 | 0 | 41.216 | 19.668 | - | 19.668 |
| Fuel | 37.025 | 0 | 37.025 | 26.900 | - | 26.900 |
| Tickets | 433.525 | 0 | 433.525 | 130.064 | - | 130.064 |
| Other materials | 298.571 | - | 298.571 | 400.317 | - | 400.317 |
| | 1.974.041 | (405.000) | 1.569.041 | 1.602.618 | (380.000) | 1.222.618 |

On December 31, 2013 and 2012 the Company had no inventory in the custody of third parties, nor in transit or consignment.

### Cost of goods sold and materials consumed

The cost of goods sold and materials consumed recognised in the years ended December 31, 2013 and 2012 is detailed as follows:

| Cost of goods sold | Raw, subsidiary and consumable materials 2013 | 2012 |
|---|---|---|
| Initial balance | 1.602.617 | 2.175.086 |
| Purchases | 2.208.435 | 2.093.143 |
| Adjustments | 313.451 | (460.207) |
| Final balance | 1.974.041 | 1.602.618 |
| | 2.150.462 | 2.205.404 |

### Impairment losses

The evolution of impairment losses of inventories for the years ended December 31, 2013 and 2012 is detailed below:

| Impairment losses - Inventories | 2013 Initial balance | Increases | Reversals | Final balance |
|---|---|---|---|---|
| Goods | 380.000 | 25.000 | | 405.000 |
| | 380.000 | 25.000 | - | 405.000 |

| Impairment losses - Inventories | 2012 Initial balance | Increases | Reversals | Final balance |
|---|---|---|---|---|
| Goods | 330.000 | 50.000 | - | 380.000 |
| | 330.000 | 50.000 | - | 380.000 |

The increases in impairment losses on inventories for the years ended December 31, 2013 and 2012 were recorded in under "Impairment of inventories (losses / reversals)" in the income statement.

## 13. Clients and other receivables

On December 31, 2013 and 2012 accounts receivable of the Company were as follows:

| Clients and Other accounts receivable | 2013 Gross amount | 2013 Accumulated impairment | 2013 Net amount | 2012 Gross amount | 2012 Accumulated impairment | 2012 Net amount |
|---|---|---|---|---|---|---|
| Non-current: | | | | | | |
| Other accounts receivable | 10.502.602 | | 10.502.602 | 12.433.723 | | 12.433.723 |
| | **10.502.602** | **0** | **10.502.602** | **12.433.723** | **-** | **12.433.723** |
| Current: | | | | | | |
| Clients | 4.343.036 | (421) | 4.342.615 | 8.008.373 | (421) | 8.007.952 |
| Other accounts receivable | 22.589.967 | (4.382.808) | 18.207.158 | 22.783.806 | (4.382.808) | 18.400.998 |
| | **26.933.002** | **(4.383.229)** | **22.549.774** | **30.792.178** | **(4.383.229)** | **26.408.950** |
| | **37.435.604** | **(4.383.229)** | **33.052.376** | **43.225.901** | **(4.383.229)** | **38.842.673** |

The detail of the accounts receivable and the breakdown between current and non-current are as follows:

| Clients | 2013 Current | 2013 Non-current | 2012 Current | 2012 Non-current |
|---|---|---|---|---|
| Simtejo | 59.624 | - | 59.624 | - |
| Ar Telecom | 463.383 | - | 463.383 | - |
| Direcção Geral de Transportes Terrestres | 23.644 | - | 23.644 | - |
| TMN - Telecomunicações Móveis Nacionais, S.A. | 262.958 | - | 180.615 | - |
| C.P. - Caminhos de Ferro Portugueses, E.P.E. | - | - | 188.309 | - |
| REFER | 1.045 | - | 1.045 | - |
| Soflusa - Soc. Fluvial Transportes | 2.023 | - | 278.650 | - |
| Group companies, associates and affiliates (Note 32) | 2.666.854 | - | 3.972.560 | - |
| Other | 863.505 | - | 2.840.543 | - |
| | 4.343.036 | - | 8.008.373 | - |
| Impairment of accounts receivable | (421) | - | (421) | - |
| | **4.342.615** | **-** | **8.007.952** | **-** |

| Other debtors | 2013 Current | 2013 Non-current | 2012 Current | 2012 Non-current |
|---|---|---|---|---|
| Parque Expo' 98 | 7.980.766 | - | 7.980.766 | - |
| Transtejo | 3.157.679 | 10.502.602 | 2.577.739 | 12.002.602 |
| C.P. - Caminhos de Ferro Portugueses, E.P.E. | 747.716 | - | 491.366 | - |
| Barreiro Municipality | 3.101.278 | - | 151.833 | - |
| Lisbon Municipality | 437.240 | - | 18.054 | 413.067 |
| Rodoviária de Lisboa | 76.782 | - | 199.177 | - |
| REFER | 114.414 | - | - | - |
| Fare revenue | 2.317.465 | - | 1.230.036 | - |
| Staff | 670.354 | - | 391.122 | - |
| Group companies, associates and affiliates (Note 32) | 312.721 | - | 4.516.571 | - |
| Other | 3.521.606 | - | 5.227.142 | 18.054 |
| | **22.438.021** | **10.502.602** | **22.783.806** | **12.433.723** |
| Impairment of accounts receivable | (4.382.808) | - | (4.382.808) | 0 |
| | **18.055.213** | **10.502.602** | **18.400.998** | **12.433.723** |
| | **22.397.827** | **10.502.602** | **26.408.950** | **12.433.723** |

On August 17, 1994, the Company signed a memorandum of agreement with Parque Expo'98, S.A. ("Parque Expo'98") regarding an offset payment to be received by the Company for the advance in the construction and operation of the Red line and corresponding stations Alameda - Oriente. The offset in the total amount of €9,975,957 was to be paid by Parque Expo'98 from 1995 to 1998 in the amounts of €1,995,191, €2,493,990, €2,493,990 and €2,992,787, respectively. As a result of this protocol, the Company recorded accounts receivable and recognised income in the amount of €9,975,957. Until December 31, 2013, of the total offset, the Company received €1,995,191 for the 1995 instalment having recorded under "Other receivables" the amount of €7,980,766.

In 1998, with the conclusion of the construction work and beginning of operations of the Red line and its stations, the Company decided to initiate the recognition of recognisable income related the compensation attributed in the period between May 1998 (when the line became operational) and 2003 (when the Company would conclude the construction phase and begin the operation in this line).

On September 29, 1995, the Company signed a Memorandum of Agreement with Parque Expo'98 and the Lisbon Municipality, which stipulated that the Company would pay Parque Expo'98 the amount of €7,082,930 for the expropriation of the area required for the implementation and construction of the Oriente metro station, not having been decided a deadline or plan for such payment. As a result of this agreement, the Company capitalised in the costs of the construction of the Red line Alameda / Oriente and its stations, the amount of €7,082,930 and recorded a payable account under "Other payables" for the same amount (Note 23).

During the fiscal year ended December 31, 2009 the Company signed a protocol with Transtejo, with the purpose of transferring to that entity the amount of €14,502,602, for work carried out on behalf of that entity in the Cais do Sodré river terminal.

As per this agreement, Trantejo was required to pay the Metro the yearly amount of €1,000,000 which could be reduced, as stated in the contract, to €500,000 if that entity so notifies the Company. During the fiscal year ended December 31, 2013, Transtejo paid €1,500,000 to the Metro and, at that date, the outstanding amount due by that entity as per the contract stands at €11,502,602, of which €1,000,000 are recorded as current.

This receivable account does not bear interest and the amount classified as non-current has the following payment schedule:

| Years | Amount |
|---|---|
| 2015 | 1.000.000 |
| 2016 | 1.000.000 |
| 2017 | 1.000.000 |
| 2018 | 1.000.000 |
| 2019 and following | 6.502.602 |
| | **10.502.602** |

The Management Board believes that the value of the accounts receivable in the year ended December 31, 2013 is close to its fair value.

Impairment losses during the years 2013 and 2012 were as follows:

| | 2013 | | | | 2012 | | | |
|---|---|---|---|---|---|---|---|---|
| Impairment | Initial balance | Increases | Reversals | Final balance | Initial balance | Increases | Reversals | Final balance |
| Of client receivables | 421 | - | - | 421 | 2.755 | - | (2.334) | 421 |
| Of other accounts receivable | 4.382.808 | - | - | 4.382.808 | 4.454.186 | - | (71.378) | 4.382.808 |
| | **4.383.229** | **-** | **-** | **4.383.229** | **4.456.941** | **-** | **(73.712)** | **4.383.229** |

## 14. Deferred assets

On December 31, 2013 and 2012, the balance of current assets “Deferrals” comprised the following:

| Deferred assets | 2013 | 2012 |
|---|---|---|
| Insurance | 8.115 | 300 |
| Costs with lease contracts | 1.730.816 | 2.048.687 |
| Work for third parties | 55.707.366 | 53.562.488 |
| Other | 245.050 | 357.437 |
| | 57.691.347 | 55.968.912 |

The item “Deferred assets – costs with lease contracts” in the amount of €1,730,816, relates to costs incurred with operating lease contracts signed in 1995, 1997, 1999, 2000, 2001 and 2002, which are recorded in the income statements of the period of the respective contracts.

The item “Deferred income assets - work for third parties” mainly includes the amount of €35,993,483 (which includes the amount of €1.861.686 for work carried out in the Transtejo terminal at Cais do Sodré and the amount of €34,131,796 for work carried out by the Metro in Terreiro do Paço square), which the Management Board believes should be the subject of a protocol to rectify the situation, €9,550,544 and €7,315,347 regarding works carried out by this Company on behalf of Lisbon Municipality and REFER, respectively.

## 15. Equity instruments

On December 31, 2013, the Company’s share capital subscribed and paid, the value of which is not fixed but at that date amounted to €1,079,179,039, is wholly owned by the Portuguese State.

During the year ended December 31, 2013, a capital increase was made in the amount of €475,429,039, which was fully subscribed and paid in cash by the Portuguese State.

### Retained earnings:

During the year ended December 31, 2013 the Company recorded under "Retained earnings" the amount of €40,398,604 related to: (i) negative differential between "marked-to-market" of derivative financial instruments determined by the counterparty with which they were hired, reported on December 31, 2012 and the amount determined by the external evaluator with reference to that date in the amount of €48,993,282 (Note 10); (ii) the positive amount of €3,991,943 due to the increase in interest expenses on the associated derivative financial instruments, which was recognised in the balance sheet at December 31, 2012 as a separate item and which are considered in the "marked-to-market" determined by the counterparty; and (iii) the positive amount of €4,602,735 related to interest on loans.

The negative net result of the fiscal years ended between December 31 2010 and 2012 were transferred to "Retained earnings" in subsequent fiscal years, despite the fact that financial statements for those years have not yet been formally approved by the Line Ministry.

## 16. Government grants

During the years ended December 31, 2013 and 2012 the Company received the following grants not allocated to ILD:

| | 2013 | | | | |
|---|---|---|---|---|---|
| Subsidies | Total amount | Amount received | Revenue from period | Accumulated revenue | Other variations in equity |
| Subsidies related to assets: | | | | | |
| FEDER - PRODAC | 10.942.880 | 10.942.880 | 494.838 | 7.768.383 | 3.174.497 |
| FEDER - QCA | 54.528.374 | 54.528.374 | 2.411.393 | 37.784.518 | 16.743.856 |
| | 65.471.254 | 65.471.254 | 2.906.231 | 45.552.901 | 19.918.353 |

| Subsidies | 2012<br>Total amount | Amount received | Revenue from period | Accumulated revenue | Other variations in equity |
|---|---|---|---|---|---|
| **Subsidies related to assets:** | | | | | |
| FEDER - PRODAC | 10.942.880 | 10.942.880 | 494.838 | 7.273.544 | 3.669.336 |
| FEDER - QCA | 54.528.374 | 54.528.374 | 2.411.393 | 35.373.126 | 19.155.248 |
| | **65.471.254** | **65.471.254** | **2.906.231** | **42.646.670** | **22.824.584** |

Grants received by the Company under the FEDER - PRODAC 1993 and QCA 1994 aimed at financing investments made by the Company in the prototypes for Depot and Workshops II, Depot and Workshops III and the intermediate series of 17 traction units, a supplementary series of 10 traction units and Depot and Workshops III.

## 17. Provision and contingent liabilities

The evolution of provisions in the years ended December 31, 2013 and 2012 is detailed below:

| Provisions and Contingent liabilities | 2013<br>Initial balance | Increases | Reversals | Final balance |
|---|---|---|---|---|
| **Provisions for risks and costs:** | | | | |
| Legal proceedings in progress | 100.007 | 334.192 | 100.005 | 334.194 |
| Interest owed | 261.881 | 10.737.858 | - | 10.999.739 |
| Expenses with staff | 142.971 | - | - | 142.971 |
| | **504.859** | **11.072.050** | **100.005** | **11.476.904** |
| **Other provisions:** | | | | |
| Impairment of financial investments | 1.973 | 1.817.620 | - | 1.819.593 |
| Other | 15.705 | - | - | 15.705 |
| | **17.678** | **1.817.620** | **-** | **1.835.298** |
| | **522.537** | **12.889.670** | **100.005** | **13.312.202** |

| Provisions and Contingent liabilities | 2012<br>Initial balance | Increases | Reversals | Final balance |
|---|---|---|---|---|
| **Provisions for risks and costs:** | | | | |
| Legal proceedings in progress | 1.143.865 | - | 1.043.858 | 100.007 |
| Interest owed | 261.881 | - | - | 261.881 |
| Expenses with staff | 142.971 | - | - | 142.971 |
| | **1.548.717** | **-** | **1.043.858** | **504.859** |
| **Other provisions:** | | | | |
| Impairment of financial investments | 1.572 | 401 | - | 1.973 |
| Other | 15.705 | - | - | 15.705 |
| | **17.277** | **401** | **-** | **17.678** |
| | **1.565.994** | **401** | **1.043.858** | **522.537** |

On December 31, 2013 the Company recognised under "Provisions for risks and costs" the amount of €10,737,858 relating to accrued and unpaid interest in the months of September and December 2013, to the bank with which the two related derivative financial instruments were hired, as a consequence of the decision of the Line Ministry and the Portuguese State to suspend such payments during the ongoing case proceedings in a London Court, brought by the bank against the Portuguese State.

Thus, on December 31, 2013, overdue liabilities are reflected in the financial statements, as well as the amount of expenses that the Company will incur with these proceedings in case of a favourable outcome, which are estimated at December 31, 2013 in the amount of €287,751 and reflected under "Provision for legal proceedings in progress."

The increase in the "Other provisions - Investments" includes the amount of €1,816,143 concerning the provision made by the Company to cover accumulated losses during the fiscal year and in previous years, as described in Note 9.

## Contigent liabilities

On December 31, 2013, there are compensation claims from the Company in the amount of €2,078,851 (€3,694,154 in December 31, 2012), which mainly refer to legal actions regarding expropriation processes and damages caused by the network expansion works. On December 31, 2013, the Company is in the process of assessing the total value of expropriations, having been recorded a provision for those suits, the outcome of which is not known at the date of approval of these financial statements. For the remaining cases, no provision was recorded on December 31, 2013, since they will be recorded as expropriation charges under “Durable infrastructure investments” if those claims are eventually paid.

## Financial commitments and off-balance

### a) Health care liabilities

The Company has been paying health benefits to its active staff, providing them with medical services reimbursed by the Company. These costs are recorded in the income statement in the year they are paid. In the year ended December 31, 2013, health costs were recorded in the amount of €730,688 (Notes 3.15 and 28) corresponding to the health insurance premiums paid during that year with assets.

### b) Commitments to suppliers of fixed assets

On December 31, 2013 and 2012, the Company had undertaken commitments to suppliers of fixed assets in the amount of €59,386,086 (Note 7 and 18) and €89,809,794, respectively. These commitments are primarily related to the network expansion. In addition, the Company also signed ten operating lease contracts in the amount of €227,340,947 (Note 7).

## 18. Financing obtained

Financing related to operational activity on December 31, 2013 and 2012 is detailed in the table below:

| | | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|---|
| | | Amount used | | | Amount used | | |
| Financing | Bank | Limit | Current | Non-current | Limit | Current | Non-current |
| **Bank loans** | | | | | | | |
| Emp. CP 50 MEUR | BNP Paribas | - | - | - | - | - | - |
| Emp. CP 50 MEUR | BNP Paribas 2014 | - | - | - | 50.000.000 | 50.000.000 | - |
| Emp. CP 175 MEUR | Barclays Bank | - | - | - | - | - | - |
| Emp. LP 100 MEUR | Goldman Sachs Bank | 100.000.000 | - | 100.000.000 | 100.000.000 | - | 100.000.000 |
| Emp. LP 50 MEUR | Goldman Sachs Bank | 50.000.000 | - | 50.000.000 | 50.000.000 | - | 50.000.000 |
| Emp. CP/LP 50 MEUR | Deutsche Bank | 50.000.000 | 50.000.000 | - | 50.000.000 | - | 50.000.000 |
| Emp. LP 613,9 MEUR | D G T F 2011 (part) | 105.974.436 | 26.493.609 | 52.987.218 | 105.974.436 | 26.493.609 | 79.480.827 |
| Emp. LP 648,6 MEUR | D G T F 2012 (part) | 410.833.969 | 102.708.492 | 308.125.476 | 410.833.969 | - | 410.833.969 |
| Emp. LP 412,9 MEUR | D G T F 2013 (part) | 129.885.756 | - | 129.885.756 | - | - | - |
| **Total bank loans** | | | 179.202.101 | 640.998.450 | | 76.493.609 | 690.314.796 |
| **Finance leases:** | | | | | | | |
| Emp. CP/LP MEUR | D.B.Export-Leasing | | - | - | - | 18.365.631 | - |
| Emp. CP/LP MEUR | D.B.Export-Leasing | | 5.562.973 | 13.383.727 | - | 5.243.636 | 18.946.700 |
| Emp. CP/LP MEUR | Santander Totta | | 3.456.669 | 36.978.258 | - | 3.367.190 | 43.846.560 |
| Emp. CP/LP MEUR | BMW Bank GmbH - Sucursal Portugal | | 4.459 | - | - | 23.535 | 16.542 |
| **Total finance leases** | | | 9.024.101 | 50.361.985 | | 26.999.992 | 62.809.802 |
| **Finance expenses** | | | (11.348.761) | - | | (1.198.563) | - |
| **Total banks** | | | 176.877.441 | 691.360.435 | | 102.295.038 | 753.124.597 |

During the year ended December 31, 2013, given the state of the financial markets, including the stock market, it was not possible to issue long-term bonds, whereby the Company contracted financing with the DGTF in the amount of €412,860,000, of which €129,885,756 are associated with the transport operation activity, to be repaid in a period of 6 years, in 12 equal and consecutive instalments at half yearly, the first of which in May 2015.

During the year ended December 31, 2012, given the state of the financial markets, including the stock market, it was not possible to issue long-term bonds, whereby the Company contracted financing with the DGTF in the amount of €648,581,846, of which €410,833,969 are associated with the infrastructure management activity, to be repaid in a period of 5 years, in 8 equal instalments at half yearly, the first of which in May 2014.

During the year ended December 31, 2011, given the state of the financial markets, including the stock market, it was not possible to issue long-term bonds, whereby the Company contracted financing with the DGTF in the amount of €613,932,000, of which €105,974,438 are associated with the infrastructure management activity, to be repaid in a period of 5 years, in 8 equal instalments at half yearly, the first of which in May 2013.

During the year ended December 31, 2012, the Company repaid the loans obtained from BNP Paribas and Barclays Bank, in the amount of €50,000,000 and €175,000,000, respectively, as a result of their maturity as stipulated in the contracts. In addition, the Company repaid the credit lines contracted with those two banks, amounting to €109,887,149, as a result of their termination, as stipulated in the contract.

The portion of bank loans classified as non-current has the following repayment schedule:

| Year | Amount |
|---|---|
| 2015 | 150.849.727 |
| 2016 | 300.849.727 |
| 2017 | 124.356.118 |
| 2018 | 21.647.626 |
| 2019 and following | 43.295.252 |
| | 640.998.450 |

On December 29, 1995 and December 30, 1997, the Company signed with DB EXPORT Leasing GmbH, two lease contracts for 17 and 14 triple traction units, respectively. On December 31, 2013, accounts payable to that entity amounted to €19,046,700 (€13,383,727 classified as non-current and €5,662,973 classified as current).

On December 31, 1998, the Company signed a lease contract for 24 traction units of the 95 ML series rolling stock, in the amount of €124,699,474 and the residual value of 3% of the equipment's value, for the partial funding of the Metro Network Expansion and Modernization Plan, which has a term of 20 years and bears interest at 6 months EURIBOR minus 0.71%, while the Portuguese State, in its capacity as holder of the entire capital, provided endorsement. The financing contract was signed on January 6, 1999. On December 31, 2013, the amount payable for this lease contract amounts to €40,434,927.

As at December 31, 2013, the Company has 55 triple traction units under finance lease, and the commitments to pay the rents on the finance lease contracts are as follows:

| Description | Current | Non-current | Total |
|---|---|---|---|
| 55 Traction Units (Note 17) | 9.019.642 | 50.361.985 | 59.381.627 |
| | 9.019.642 | 50.361.985 | 59.381.627 |

The portion classified as non-current has the following repayment schedule:

| 2013 | |
|---|---|
| **Years** | **Amount** |
| 2014 | 20.434.554 |
| 2015 | 7.238.201 |
| 2016 | 7.430.547 |
| 2017 | 7.628.011 |
| 2018 and following | 7.630.672 |
| | 50.361.985 |

Income from finance leases bears annual interest rates between 3.3501% and 3.2522%.

The Company has obtained in recent months, in constant communication and coordination with its shareholder, additional lines of credit to meet short-term liabilities and, to this date, there have not been any cases of overdue and unpaid bank debts.

The Management Board believes that the settlement of its liabilities, particularly in regard to the short-term repayable financings, will continue to be met mainly by obtaining additional financing lines in coordination with the shareholder.

According to the Company's budget for 2014, approved by the Portuguese Republic Assembly and considered in the State budget for 2014, the following is anticipated: (i) a loan from the DGTF in the amount of €307,191,761 for the purposes of paying interest that will expire during the 2014 fiscal year and to repay bank loans; (ii) the conversion of DGTF loans to capital increases in the amount of €358,306,233; and (iii) a capital increase by capital injection in the amount of €241,080,212, partially carried out at this the date through a capital increase of €55,000,000 (Note 35).

On December 31, 2013, financing obtained with associated covenants, including those linked to the Portuguese Republic rating or with custody clauses, were as follows:

| Contract | Amount owed on 31-12-2013 | Term | Guarantee | Pari Passu | Holding clause | Rating | Cross default | Other relevant clauses |
|---|---|---|---|---|---|---|---|---|
| Schuldschein Loan Agreement signed with Goldman Sachs Bank (Europe) Plc in July 10, 2009, subject to German Law and the Courts of Frankfurt am Main | 100.000.000 | 10-07-2016 | Yes | Yes | Loss of State-Owned status (State participation less than 51%) | No | Yes | Negative Pledge /Non-substancial change of nature or object of the enterprise |
| Schuldschein Loan Agreement signed with Goldman Sachs Bank (Europe) Plc in July 22, 2009, subject to German Law and the Courts of Frankfurt am Main | 50.000.000 | 24-07-2016 | Yes | Yes | Loss of State-Owned status (State participation less than 51%) | No | Yes | Negative Pledge /Non-substancial change of nature or object of the enterprise |
| Schuldschein Loan Agreement signed with Deutsche Bank AG and Dexia Sabadell, S.A., Portugal in July 24, 2009, modified in January 28, 2011, subject to German Law and the Courts of Frankfurt am Main | 50.000.000 | 18-07-2014 | Yes | Yes | Loss of State-Owned status (State participation less than 51%) | (2 notches below A+ by S&P or A3 by Moody's) (this clause was eliminated in the 2011 addition) | Yes | Negative Pledge contract with a guarantee from the Portuguese Republic |

**Appendix A - Section 11.7.** As long as the obligations under this Agreement have not been fully satisfied, it cannot provide any guarantees or otherwise encumber any assets, other than durable infrastructure (ILD), part or to become part of its assets, as long as this significantly affects the assets of the Borrower or its ability to fulfil its obligations under this Agreement, except:
a) Guarantees with prior written agreement, by the Bank, which shall be provided within 5 working days from the date of its communication;
b) Guarantees under the leases on rolling stock, provided that such guarantees are made in favour of the banks responsible for those operations and only guarantee the amount provided by such entities to finance its operations;
c) Guarantees constituted by legal or statutory requirement or by virtue of a regulation or license related to the business of the Borrower;
d) Assignment of credits from EU aid related investment projects undertaken by the Borrower, provided that such assignment is made in favour of the banks financing these projects before the assignment of those aids and that ensure only the amounts made available by such banks;
e) Guarantees on property deeds, insurance policies or sale and purchase contracts related to metro passenger transport service constituted as part of the Borrower's business activity to secure the purchase price of such assets;
f) Any guarantee to replace an existing guarantee prior to the date of execution of this Agreement or to substitute any of the guarantees recognised under this clause;
g) Any guarantee resulting from a holding right related to any property or asset acquired by or provided to the Borrower under its regular business activity;
h) Guarantees in connection with or arising out of the transactions referred to in b).
**Clause 11.8.** Not sell, assign or otherwise convey any of its assets, other than durable infrastructure (ILD) without the prior consent of the Bank. This prohibition does not apply to any sale, assignment, transfer or other forms of disposition, if:
a) Related metro passenger transport service carried out as part of the business of the Borrower or by legal or statutory requirement or by virtue of a regulation or license related to said business activity;
b) Consist of a return for comparable or superior in kind, value and quality assets or if the earned return match their market value;
c) Is carried out in the framework of structured leases and / or sale and leaseback, in favour of the banks financing these transactions to finance the assets in progress;
d) The sum of the corresponding market value or the received compensation, whichever is higher, and the market value or the compensation received, whichever is higher, for any sale, lease, transfer or other form of disposition (not including with the operations allowed in the preceding paragraphs) shall not exceed in any fiscal year the amount of €15,000,000 (fifteen million Euros).

**Annex B** - The company may, however, provide over the currently constituted or future constituted movable or immovable property, and without prejudice to the obligations stated in paragraph one of this clause:
(i) Guarantees with prior written agreement, by the Bank, which shall be provided within 5 (five) working days from the date of its communication;
(ii) Guarantees under the leases on rolling stock, provided that such guarantees are made in favour of the banks responsible for those operations and that only guarantee the amount provided by such entities to finance such transactions, as well as related guarantees with those obligations which are required as obligations of the Corporation by the banks responsible for those operations;
(iii) Guarantees constituted by legal or statutory requirement or by instructions from the Government / Line Ministry under the business conducted by the Company;
(iv) Assignment of credits from EU aid related to investment projects developed by the Company provided that such assignment is made in favour of the banks financing these projects before the assignment of those aids and that ensure only the amounts made available by such banks;
(v) Guarantees on property deeds, insurance policies or sale and purchase contracts related to metro passenger transport service constituted as part of the Company's business to secure the purchase price of such assets;
(vi) Any guarantee to replace an existing guarantee prior to the date of execution of this Agreement or to substitute any of the guarantees recognised under this clause;
(vii) Any guarantee resulting from a holding right related to any property or asset acquired by or provided to the Borrower under its regular business activity.

As a result of the Company's rating downgrade, and that of an international bank issuing a letter of credit, the Company defaulted on the contractual guarantees of the "US Cross Border Lease" operation, linked to rolling stock financing. Due to this situation, during the 2013 fiscal year, the Company issued collateral in the amount of €18,651,146 (Note 11).

## 19. Post-employment benefits – established benefits plan

As mentioned in Note 3.15, the Company is committed to pay supplements for retirement, disability and survival pensions of its employees. On December 31, 2013, the number of active employees and retirees / pensioners totalled 1,068 and 1,425 respectively (1,127 and 1,449 on December 31, 2012).

The abovementioned benefits correspond to supplements to the pension plan provided by Social Security and its definition is based on the number of years of service to the Company, contributions to the Social Security system and the amount of the last salary before retirement.

During the 2004 fiscal year, the Company decided, in agreement with the Unions, that all employees admitted post December 31, 2003, would no longer benefit from these pension plan supplements.

In the year ended December 31, 2013, an actuarial assessment was carried out of the plan's assets and of the current value of the commitment and benefits, defined by an independent entity.

According to actuarial studies reported on December 31, 2013 and 2012, the current value of the Company's responsibilities to active and retired staff for past services was estimated at:

| | 2013 | 2012 |
|---|---|---|
| Active employees | 50.459.418 | 56.655.595 |
| Retired | 166.527.727 | 206.083.505 |
| | **216.987.145** | **262.739.100** |

The actuarial study reported on December 31, 2013 was performed using the "Projected Unit Credit" method and considered the following assumptions as well as technical and actuarial techniques:

| **Projected Unit Credit** | **2013** | **2012** |
|---|---|---|
| Mortality tables | | TV88/90 - France |
| Male mortality table | TV73/77-1 | |
| Female mortality table | TV88/90 | |
| Disability tables | EKV80 | EVK 80 |
| Average wage growth rate | | |
| Wage growth rate until 55 years of age | 2,00% | 2,50% |
| Wage growth rate after 55 years of age | 1,50% | 2,50% |
| Average annual fund revenue rate | 3,50% | 3,75% |
| Average annual pension growth rate | 0,00% | 1,00% |
| Average annual update rate until normal retirement age for pre-retirement instalments | 1,50% | 2,50% |

As at December 31, 2013, the following was taken into account in the quantification of liabilities for post-employment benefits: (i) the amendment made by the 2014 State Budget concerning the suspension of payments pension supplements by public companies with losses; and (ii) the change in the retirement age from 65 to 66 years of age.

The evolution of the Company's pension liabilities in the 2013 and 2012 fiscal years is as follows:

| | 2013 | 2012 |
|---|---|---|
| Total responsibilities at beginning of the year | 262.739.100 | 262.695.165 |
| Costs of current services | 2.302.813 | 3.373.150 |
| Cost of interest | 9.852.716 | 15.761.710 |
| Benefits paid during the year | (13.563.234) | (13.604.173) |
| Actuarial gains / losses during the year | (44.344.250) | (5.486.752) |
| **Total responsibilities at year end** | **216.987.145** | **262.739.100** |

The cost of current services and the cost of interest for 2013, in the amounts of €2,302,813 and €9,852,716, respectively, were recorded in the income statement under "Staff costs".

On December 31, 2013 and 2012, the Company recognised in its financial statements the amounts of €44,344,250 and €5,486,752, respectively, relating to actuarial losses for the year, under the item "Retained earnings", as described in the accounting policy (Note 3.15).

On December 31, 2013, actuarial losses result mainly from the differentiation in the mortality tables between males and females, actuarial gains from the suspension of pension payments in 2014 and the change in retirement age.
In the year ended December 31, 2013, the liabilities for the payment of supplemental pension benefits in the amount of €216,987,145 are recorded under "Liabilities for post-employment benefits".

On December 31, 2013 the Company has not provided any funds to meet those responsibilities, which are recorded in the balance sheet.

## 20. Suppliers

The balance for the item "Suppliers" on December 31, 2013 and 2012 is as follows:

| Suppliers | 2013 | 2012 |
|---|---|---|
| Companhia Carris de Ferro | 64.378 | 158.937 |
| Edp Comercial | 840.714 | - |
| Efacec Engineering and Systems, S.A. | 29.021 | 23.524 |
| Emel | 1.170 | 290.726 |
| Group Companies (Note 32) | 461.039 | 4.143 |
| Iberlim, S.A. | 1.916 | 65.956 |
| Grupo 8 - Surveillance and Prevention | - | 863 |
| Iberlin, S.A. | 10.891 | 109.238 |
| Optimus Communications, S.A. | 1.720 | 10.683 |
| Thyssenkrupp Lifts, S.A. | 42.818 | 24.521 |
| Other | 162.599 | 755.690 |
| | **1.616.266** | **1.444.281** |

## 21. State and Other Public Entities

According to current legislation, tax returns are subject to review and correction by the tax authorities for a period of four years (five years for Social Security), except when there are tax losses, tax benefit grants or ongoing inspections, claims and appeals, in which case, depending on the circumstances, the periods are extended or suspended. Therefore, tax returns for the years 2010 to 2013 may still be subject to revision.

Under Article 88 of the Corporate Income Tax (IRC) Code, the Company is also subject to autonomous taxation on a range of reference rates provided for in that article.

The Management Board believes that any adjustments resulting from reviews / inspections by the tax authorities to these tax returns will not have a significant effect on the financial statements ended December 31, 2013 and 2012.

On December 31, 2013 and 2012, the item “State and other public bodies” had the following structure:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| **State and other public bodies** | **Assets** | **Liabilities** | **Assets** | **Liabilities** |
| **Corporate income tax:** | | | | |
| Payments on account | 280.000 | – | 280.000 | – |
| Tax estimate | – | 87.525 | – | 97.394 |
| Withholding tax | 2.103.321 | – | 2.232.747 | – |
| **Personal income tax** | – | 1.082.278 | – | 693.318 |
| **Added value tax** | 1.255.287 | – | 1.657.499 | – |
| **Contributions for Social Security** | – | 1.131.299 | – | 1.119.908 |
| **Other taxes** | 756.087 | 296.590 | 3.393 | 2.195.685 |
| | **4.394.694** | **2.597.692** | **4.173.639** | **4.106.305** |

On December 31, 2013, amounts relating to Personal Income Tax and contributions to Social Security correspond to the withholdings in the wages processed in December 2013, to be paid in January 2014.

## 22. Income tax

Expenses with income taxes as at December 31, 2013 and 2012 were as follows:

| **Income tax** | **2013** | **2012** |
|---|---|---|
| Current tax | 87.525 | 97.394 |
| | **87.525** | **97.394** |

As a consequence of the amendment to the Corporate Income Tax Code, starting in the 2012 fiscal year, the deduction of tax losses to carry in each tax period cannot exceed the equivalent to 75% of the respective taxable income. Due to this situation, tax authorities understand that the transition adjustments to the Accounting Standards System (reported on January 1, 2010) might be relevant to the calculation of income tax for the year.

The Company believes that given the nature of the transition adjustments made, these should not contribute to the calculation of taxable income for the year 2012 and 2013. Hence, the Company intends to request binding information on this topic to the tax authorities.

On December 31, 2013 and 2012 reportable tax losses amounted to €706,933,656 and €792,668,096, respectively. The expiry date of the existing tax losses on those dates is as follows:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| **Fiscal losses** | **Amount** | **Expiry date** | **Amount** | **Expiry date** |
| Generated in 2006 | | | | |
| Generated in 2007 | | | 118.382.911 | 2013 |
| Generated in 2008 | 120.689.141 | 2014 | 120.689.141 | 2014 |
| Generated in 2009 | 147.456.480 | 2015 | 147.456.480 | 2015 |
| Generated in 2010 | 155.633.266 | 2014 | 155.633.266 | 2014 |
| Generated in 2011 | 159.811.290 | 2015 | 159.811.290 | 2015 |
| Generated in 2012 | 90.695.009 | 2017 | 90.695.009 | 2017 |
| Generated in 2013 | 32.648.471 | 2017 | | |
| | **706.933.656** | | **792.668.096** | |

## 23. Other payables

On December 31, 2013 and 2012, the item “Other payables” was as follows:

| Other accounts payable | 2013 | 2012 |
|---|---|---|
| Other creditors: | | |
| Parque Expo' 98 (Note 13) | 7.082.930 | 7.082.930 |
| Staff | 492.748 | 450.722 |
| Vacation, vacation allowance and associated social expense | 7.198.543 | 8.769.222 |
| Overdue unpaid interest | 18.546.087 | 12.985.024 |
| Accrued expenses creditors | 277.341 | 2.920.727 |
| Investment suppliers | 6.044.200 | 4.137.743 |
| Other | 2.711.924 | 2.620.254 |
| | 42.353.773 | 38.966.622 |

The balance of the item "Accrued expenses creditors" on December 31, 2013 and 2012, refers mainly to expenses incurred by the Company with investments, which had not yet been invoiced at the date of this balance sheet.

The amount of €6,044,200 (€4,137,743 on December 31, 2012) concerning "Trade investment" refers to the balance payable to suppliers relating to the acquisition of tangible fixed assets, of which: (i) €1,300,017 are payable to the Municipality of Lisbon; (ii) €1,315,421 are payable to CJC – Engenharia e Projetos; and (iii) €541.4760 are payable to Siemens.

## 24. Deferred liabilities

On December 31, 2013 and 2012, the item “Deferred liabilities” was as follows:

| Deferred liabilities | 2013 | 2012 |
|---|---|---|
| Financial leases - deferred capital gains | 1.578.232 | 2.024.861 |
| Fare revenue | 1.350.735 | 1.290.810 |
| Income from property | 2.035 | 1.969 |
| | 2.931.002 | 3.317.640 |

Capital gains arising from finance lease agreements linked to the 14 and 24 traction units are being deferred to their respective terms (Note 29).

## 25. Revenue

The revenue recognised by the Company on December 31, 2013 and 2012 is broken down as follows:

| Revenue | 2013 | 2012 |
|---|---|---|
| **Sales:** | | |
| Scrap | 90.937 | 1.031 |
| **Provision of services:** | | |
| Fare revenue | 77.487.718 | 78.381.310 |
| Secondary services | 3.509.726 | 3.350.713 |
| Other | 6 | - |
| | 81.088.387 | 81.733.054 |

## 26. Operating subsidies

The detail of operating subsidies received by the Company as at December 31, 2013 and 2012 is as follows:

| Operating subsidies | 2013 | 2012 |
|---|---|---|
| Compensatory allowances | 44.000.000 | 44.000.000 |
| "4_18@escola.tp" pass | 312.602 | 539.854 |
| "Sub23@superior.tp" pass | 296.105 | 1.017.800 |
| PAII - Senior Citizens' Integrated Support Program | 305.482 | 142.623 |
| Social+ pass | 449.460 | 401.917 |
| | 45.363.649 | 46.102.194 |

On December 31, 2013, the financial compensation granted by the State as non-refundable compensatory allowance, to partially fund its operation in compliance with the public service obligations, amounted to €46,640,000 (€44,000,000 recognised as revenue after VAT deduction), as per the Council of Ministers Resolution 23/2013 of April 4.

On December 31, 2012, the financial compensation granted by the State as non-refundable compensatory allowance, to partially fund its operations in compliance with the public service obligations, amounted to €46,460,000 (€44,000,000 recognised as revenue after VAT deduction), as per the Council of Ministers Resolution 53/2012 of May 31.

During the fiscal years ended December 31, 2013 and 2012, the State was also awarded financial compensation for the travel passes 4_18@escola.tp and sub23@superior.tp, in the amounts of €645,229 (€608,707 recognised as revenue after VAT deduction) and €1,651,113 (€1,557,654 recognised as revenue after VAT deduction), respectively.

## 27. Supplies and external services

For the fiscal years ended December 31, 2013 and 2012, the item “Supplies and external services” was as follows:

| Supplies and external services | 2013 | 2012 |
|---|---|---|
| Electricity | 8.148.655 | 7.864.081 |
| Rents and leases | 7.918.025 | 9.342.423 |
| Conservation and repair | 4.018.437 | 5.131.344 |
| Cleaning, hygiene and comfort | 2.665.399 | 3.027.963 |
| Surveillance and security | 5.186.241 | 5.881.152 |
| Specialised work | 1.238.931 | 1.039.670 |
| Other | 2.704.030 | 3.058.995 |
| | 31.879.718 | 35.345.628 |

The item “Rents and leases” mainly includes the amount of €7,764,009 related to operating lease instalments (€9,276,929 as at December 31, 2012). The decrease compared to the 2012 fiscal year is due to the fact that the variable component that makes up the income has decreased when compared to 2012, as a consequence of the reduction of the indexed interest rate.

The decreases in “Cleaning, hygiene and comfort” and “Surveillance and security” are a consequence of cost containment measures and the reduction of train frequency.

## 28. Staff costs

"Staff costs" for the years ended December 31, 2013 and 2012 comprise the following:

| Staff costs | 2013 | 2012 |
|---|---|---|
| Wages of the executive bodies | 187.687 | 281.419 |
| Staff wages | 46.425.805 | 47.567.246 |
| Post-employment benefits | 13.563.234 | 13.604.173 |
| Company responsabilities with pensions | 12.155.529 | 0 |
| Expenses with wages | 10.007.051 | 10.384.553 |
| Insurance for work related accidents and occupational diseases (Note 17) | 730.689 | 899.778 |
| Welfare expenses | 660.936 | 1.120.133 |
| Other | 2.666.887 | 1.440.489 |
| | 86.397.818 | 75.297.791 |

The decrease in "Staff wages" for the year ended December 31, 2013, was mainly due to wage restraint measures imposed by Law 66-B/2012 of the 2013 State Budget.

During the year ended December 31, 2013, the Company recognised pension liabilities in this item, with liabilities for current services amounting to €2,302,813 (in 2012 this was recorded under "Provisions" for the amount of €3,373,150) and interest costs amounting to €9,852,716 (in 2012 this was recorded under "Interest and similar expenses" for the amount of €15,761,710).

During the years ended December 31, 2013 and 2012, the average number of staff members was 1,490 and 1,540, respectively. At year-end employees were in total 1,451 and 1,525, respectively.

## 29. Other income and gains

The item "Other income and gains" for the years ended December 31, 2013 and 2012 comprises the following:

| Other income and gains | 2013 | 2012 |
|---|---|---|
| Investment subsidies (Note 16) | 2.906.231 | 2.906.231 |
| Recognition of capital gains | 446.629 | 446.629 |
| Social services | 150.738 | 203.299 |
| Inventory gains - leftover | 181.581 | 53.711 |
| SWAP gains | 24.527.071 | - |
| Energy sales | 488.224 | 395.010 |
| Late payment interest | - | 57.334 |
| Property rents (Note 8) | 22.925 | 24.726 |
| Others | 613.092 | 524.445 |
| | 29.336.492 | 4.611.385 |

The balance of "Recognition of capital gains" relates to the amortisation of capital gains from the 14 and 24 traction units, which on December 31, 2013 amounted to €250,922 and €195,707, respectively (Note 24).

The balance of the item "SWAP gains" reflects the difference between the "marked-to-market" reported on December 31, 2012 and the amount by which the SWAP contracts cancellation was carried out during the year ended December 31, 2013 (Note 10). Losses from the cancellation of SWAP contracts are recognised under "Other costs and losses" (Note 30).

## 30. Other costs and losses

The item "Other costs and losses" for the years ended December 31, 2013 and 2012 comprises the following:

| Other costs and losses | 2013 | 2012 |
|---|---|---|
| Donations | - | 231.559 |
| Municipal property tax | 100.150 | 294.481 |
| Fees / Contributions | 91.844 | 107.352 |
| Inventory losses | 55.912 | 88.302 |
| SWAP losses | 9.104.821 | - |
| Late payment interest | 421.610 | 536.731 |
| Unrecoverable debts | - | 2.334 |
| Other | 1.636.010 | 1.086.052 |
| | **11.410.347** | **2.346.811** |

The balance of "SWAP losses" reflects the difference between the "marked-to-market" reported on December 31, 2012 and the amount by which the SWAP contracts cancellation was carried out during the year ended December 31 2013 (Note 10). Gains from the cancellation of SWAP contracts are recognised under "Other income and gains" (Note 29).

The item "Late payments interest" on December 31, 2013 and 2012, relates mainly to interest charged by contractors for the late payment of investment invoices, as per the established in the contracts.

## 31. Financial results

On December 31, 2013 and 2012, the balance in this item was as follows:

| Financial results | 2013 | 2012 |
|---|---|---|
| **Expenses and losses:** | | |
| Interest borne on bank loans | 34.503.908 | 43.774.594 |
| Finance leases | 4.219.365 | 8.570.460 |
| Other financial expenses | - | 22.771.264 |
| | **38.723.273** | **75.116.318** |
| **Income from interest:** | | |
| Interest from financial investments | 24.405 | - |
| Other | 854.645 | - |
| | **879.050** | **-** |
| **Financial results** | **(37.844.223)** | **(75.116.318)** |

The amount of €4,219,365, recorded under "Finance leases", regards financial costs incurred with lease contracts hired by the Company (Note 18).

The amount of €22,771,264 recorded under "Other financial expenses" on December 31, 2012, includes €15,761,710 of costs on interest bearing liabilities for post-employment benefits (Note 19), which in the year ended December 31, 2013 were recorded under "Staff costs".

## 32. Related parties

On December 31, 2013 and 2012, the balance in this item was as follows:

**2013**

| | Accounts Receivable | | | | Accounts payable | | |
|---|---|---|---|---|---|---|---|
| Related parties | Clients (Note 13) | Loans (Note 9) | IRC – Withholding tax | Other accounts receivable (Note 13) | Suppliers (Note 20) | Other accounts payable | Net effect |
| **Subsidiaries** | | | | | | | |
| Ferconsult, S.A. | - | - | 79.675 | 223.540 | - | 194.379 | 108.836 |
| Metrocom, S.A. | 61.248 | - | 379.542 | 3.731 | 4.373 | - | 440.148 |
| **Associates** | | | | | | | |
| Publimetro | 2.281.624 | - | - | - | - | - | 2.281.624 |
| Ensitrans A.E.I.E. | - | - | - | 85.450 | - | 111.619 | (26.169) |
| **Joint ventures** | | | | | | | |
| Otlis, A.C.E. | 323.982 | - | 1.097 | - | 456.666 | - | (131.587) |
| **Related companies** | | | | | | | |
| GIL, S.A. | - | 19.143.134 | - | - | - | - | 19.143.134 |
| | 2.666.854 | 19.143.134 | 460.314 | 312.721 | 461.039 | 305.998 | 21.815.986 |

**2012**

| | Accounts Receivable | | | | Accounts payable | | |
|---|---|---|---|---|---|---|---|
| Related parties | Clients (Note 13) | Loans (Note 9) | IRC – Withholding tax | Other accounts receivable (Note 13) | Suppliers (Note 20) | Other accounts payable | Net effect |
| **Subsidiaries** | | | | | | | |
| Ferconsult, S.A. | - | 1.031.836 | 79.675 | 4.157.891 | - | 4.965.198 | 304.204 |
| Metrocom, S.A. | 592.874 | - | 282.761 | 3.731 | 1.951 | - | 877.415 |
| **Associates** | | | | | | | - |
| Publimetro | 3.379.686 | - | - | 269.499 | - | - | 3.649.185 |
| Ensitrans A.E.I.E. | - | - | - | 85.450 | - | 125.889 | (40.439) |
| **Joint ventures** | | | | | | | - |
| Otlis, A.C.E. | - | - | - | - | 2.192 | - | (2.192) |
| **Related companies** | | | | | | | - |
| GIL, S.A. | - | 14.050.474 | - | - | - | - | 14.050.474 |
| | 3.972.560 | 15.082.310 | 362.436 | 4.516.571 | 4.143 | 5.091.087 | 18.838.647 |

The item “Other payables” concerns the amounts payable to Ferconsult and Ensitrans on December 31, 2013 and 2012, in the amounts of €194,379 and €111,889, respectively, which are recorded under “Durable infrastructure investments” (Note 5.9).

During the years ended December 31, 2013 and 2012, the following transactions were carried out with related parties:

| 2013 | | | | |
|---|---|---|---|---|
| Related parties | Inventory purchase | Fixed assets purchase | Services received | Services rendered |
| **Subsidiaries:** | | | | |
| Ferconsult, S.A. | - | 2.748.038 | 79.944 | 323.397 |
| Metrocom, S.A. | - | - | 8.411 | 1.189.829 |
| **Associates** | | | | |
| Publimetro | - | - | - | 1.141 |
| Ensitrans A.E.I.E. | - | - | - | - |
| **Joint ventures** | | | | |
| Otlis, A.C.E. | 120.011 | 8.040 | 1.271.139 | 2.881.903 |
| **Related companies** | | | | |
| GIL, S.A. | - | - | 304.234 | - |
| | 120.011 | 2.756.078 | 1.663.728 | 4.396.270 |

| 2012 | | | | |
|---|---|---|---|---|
| Related parties | Inventory purchase | Fixed assets purchase | Services received | Services rendered |
| **Subsidiaries:** | | | | |
| Ferconsult, S.A. | - | 432.434 | 95.876 | 111.303 |
| Metrocom, S.A. | - | - | 6.346 | 1.820.841 |
| **Associates** | | | | |
| Publimetro | - | - | - | 2.042.354 |
| Ensitrans A.E.I.E. | - | - | - | - |
| **Joint ventures** | | | | |
| Otlis, A.C.E. | 131.928 | 14.050 | 566.916 | 1.827.467 |
| **Related companies** | | | | |
| GIL, S.A. | - | - | 304.234 | (51.702) |
| | 131.928 | 446.484 | 973.372 | 5.750.264 |

## 33. Guarantees

On December 31, 2013 and 2012, Company guarantees amounted to €61,157,244 and €61,157,244 respectively, primarily related to financing contracts and ongoing legal proceedings.

The breakdown of the Company's liabilities related to guarantees over legal proceedings on December 31, 2013 is as follows:

| | 2013 | | |
|---|---|---|---|
| Bank | Amount | Begin date | Beneficiary |
| Banco BPI | 7.661 | 17-08-2011 | Cm Lisboa |
| Banco BPI | 13.087 | 30-03-2010 | Edp - Serv.Universal, S.A. |
| Banco BPI | 1.583 | 30-06-2010 | Trib.Tribut.2ª.Inst.Lis |
| Banco BPI | 95.482 | 11-05-2006 | Finanças 4ºbairro Fiscal |
| Banco BPI | 7.494 | 10-03-2006 | Trib.Adm.F.Lx-2ºjuízo |
| Banco BPI | 6.940 | 03-07-2006 | Trib.Adm.F.Lx-2ºjuízo |
| Barclays Bank | 17.458 | 25-05-1994 | Petrogal |
| Banco BPI | 924.000 | 01-02-2012 | 4ªVARA CÍVEL LISBOA-2ªSECÇÃO |
| | 1.073.705 | | |

## 34. Disclosures required by law

**Fees billed by the Statutory Auditor**

Total aggregate fees billed by the Statutory Auditor for the year ended December 31, 2013 relating to the statutory annual accounts amounted to €12,895.

## 35. Events after the balance sheet date

Following Order no. 1023683 of January 21, 2014, and based on item 2 of article 59 of the Decree-Law 133/2013 of October 3 and article 4 of the By-laws of Metropolitano de Lisboa, E.P.E., approved by Decree-Law 148-A/2009, of January 20, it was determined to increase the Company's share capital by €55,000,000, subscribed in cash by the State on the following dates: (i ) €20,000,000 on January 20, 2014; and (ii) €35,000,000 by March 12, 2014. At the date of approval of these financial statements the aforementioned capital increase was fully subscribed and paid, and the By-laws were amended accordingly, reflecting the Company's share capital increase to €1,134,179,039.20.

**The Chief Accountant**

Dr. Carlos Emério Ferreira da Mota

**The Management Board**

Dr. Pedro Gonçalo de Brito Aleixo Bogas

Dr. Luís Carlos Antunes Barroso

Dr.ª Maria Manuela Bruno de Figueiredo